



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

## EXPOSURE OF PROPOSED MAJOR AMENDMENT TO THE RULES AND REGULATIONS OF THE COMMISSION

**Legend:** Additions are underlined; Deletions are ~~struck through~~; Justifications are *italicized*.

### Major Amendment

Proposed Amendment to Part E- Rules on Securities Exchanges.

#### PART E

~~Regulation of Securities Exchanges and Transactions on Exchanges,  
Capital Trade Points and other Self-Regulatory Organizations~~

---

#### E1. General Provisions

#### Registration and Regulation of Financial Market Infrastructures

### **Securities Exchanges**

#### **Applicability**

These Rules shall apply to:

1. Composite Securities Exchange - a Securities Exchange that permits listing, quotation and trading of all types of securities on its platform and
2. Non-Composite Securities Exchange – which consists of:
  - a. A Mono Securities Exchange that specializes in listing, quotation and trading of a particular class of security; or
  - b. An Alternative Trading Facility (ATF) which means a system or platform, operated by an entity registered by the Commission as a broker-dealer or an ATF that brings together buyers and sellers of securities without the responsibility of regulating participants and issuers.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

## A. Composite and Mono Securities Exchange

### Registration Requirements

1. Application for registration as a composite and non-composite securities exchange shall be filed on Form S.E.C. 5 as provided in schedule III to these rules and regulations the appropriate form and shall be accompanied by the following documents: -
  - a. copy of the certificate of incorporation certified by the company secretary
  - b. copy of Corporate Affairs Commission's Form showing names and particulars of the directors of the company
  - c. ~~2 copies~~ copy of the Memorandum and Articles of Association and amendments (if any) certified by the Corporate Affairs Commission.;
  - d. 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;
  - e. ~~2 copies of existing or proposed by laws or rules, code of conduct, code of dealing, etc., which are referred to as "rules of the exchange";~~ copy of proposed rules of the exchange
  - f. Copy of proposed code of conduct which shall be approved by the Commission
  - g. ~~2 copies of the listing requirements of the exchange;~~
  - h. sworn undertaking to seek prior approval of the Commission for any amendments to the rules of the Exchange
  - i. Detailed information relating to infrastructure to be deployed by the Exchange
  - j. Copies of agreements entered into by the Exchange with clearing house(s), Central Securities Depository(ies) and technology partner(s) if any.
  - k. information as to on its organizational structure including structure and profile of members of its council/board as well as rules and procedures board members as well as management and board charters;
  - l. ~~sworn undertaking to promptly furnish the Commission with copies of any amendments to the rules of the exchange and the listing requirements;~~
  - m. ~~information relating to market facilities including~~
    - i. ~~Trading floors/facilities;~~
    - ii. ~~Quotation board;~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

- iii. ~~Information board/ticker tape;~~
  - n. ~~detailed information about the trading system to be adopted;~~
  - o. ~~instruction and inspection manual of member's activities~~ Dealing Members;
  - p. ~~detailed information about the profile of~~ promoters and principal officers of the exchange;
  - q. sworn undertaking to keep such records and render such returns as may be specified by the Commission from time to time;
  - r. sworn undertaking to comply with and to enforce compliance by its ~~members~~ Dealing Members with the provisions of the Act and these rules and regulations;
  - s. an application for registration of all the at least three (3) principal officers of the exchange as sponsored individuals on the appropriate form;
  - t. evidence of minimum paid-up capital requirement as contained in the schedule to these rules and regulations of N500 million;
  - u. any other document required by the Commission from time to time for the protection of investors.
2. Any subsequent change in the information provided to the Commission at the time of filing of application or any new agreement entered into by the Exchange that affect its status shall be reported to the Commission not later than 48 hours from the date of such change or agreement, prior to granting of approval of the application by the Commission
  3. The Commission, while considering the application made shall take into account the following:
    - a) the eligibility requirements under the Act and these regulations;
    - b) whether the exchange has demonstrated its ability to perform its duties in accordance with the provisions of the Act and rules and regulations made thereunder;
    - c) whether the exchange has the necessary infrastructure including but not limited to adequate office space, equipment, experienced human resources and technical capabilities, financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as a Securities Exchange.
  4. The Commission may inspect the premises of the Exchange to determine whether it fulfils the eligibility criteria and may also require it to submit reports from experts at the expense of the Exchange in the manner specified by the Commission to confirm compliance with the Act and these rules and regulations including the



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

- existence of adequate infrastructure, technical capacity, financial standing and other requisite benchmarks.
5. The Commission, after conducting such inquiries and obtaining such further information as it deems appropriate, and having considered the interest of the public may register the applicant as an Exchange in line with the provisions of the rules and regulations made pursuant to the Act.
  6. The Commission may not register an exchange nor allow its registration to remain in force if the rules of the exchange do not provide for expulsion, suspension or discipline of members for conduct or procedure inconsistent with just and equitable principles of the trade the Act and these rules and regulations.
  - ~~7. The Commission shall within sixty(60) days after the filling of an application pursuant to the Act and these rules and regulations make known its decision to either grant, or after appropriate notice and opportunity for hearing, deny registration to an exchange, unless the application is withdrawn by the applicant.~~
  - ~~8. A notice under sub rule (3) of this regulation Where the Commission rejects an application, the notice for rejection shall contain the reasons for rejecting the application and the applicant shall have 14 days why the Commission may not register an exchange and shall stipulate the time (not being less than fourteen (14) days for other applicants and twenty one (21) days for capital trade point, from the receipt of the notice) within which representation may be made to the Commission concerning the application. in respect thereof. The notice shall stipulate the time and place of the hearing referred to in sub rule (3).~~

## **Continuing Obligations/Additional Requirement**

A Securities Exchange shall:

1. Operate a fair, orderly, transparent and organized market;
2. Have particular regard to the interests of the investing public in discharging its functions;
3. Have sufficient assets and resources, which include financial, management and human resources with appropriate experience, to perform its functions;
4. Have governance arrangements that are clear and transparent;
5. Promote operational efficiency;
6. Conduct its affairs in a manner that support the stability of the broader financial system, other relevant public interest considerations and the objectives of relevant stakeholders;
7. Have and maintain an effective and reliable infrastructure to facilitate its operations or services;



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

8. ensure that its infrastructure is not subjected to any manipulative, deceptive or other fraudulent device or contrivance practice;
9. have a comprehensive risk management process;
10. have appropriate systems, controls and procedures that are reliable, secure and have adequate scalable capacity;
11. have adequate mechanisms for reviewing, monitoring and evaluating its internal controls;
12. have adequate arrangements for security and business continuity plans including back-up procedures;
13. make arrangements for the efficient and effective clearing and settlement of transactions effected through the exchange;
14. have a dispute resolution mechanism in line with the Commission's rules on complaints management.

## **Governance**

1. A Securities Exchange shall comply with the Nigerian Code of Corporate Governance and the SEC Corporate Governance Guidelines.
2. A Securities Exchange, its Holding Company, a related Self-Regulatory Organisation and their directors shall have a legal duty to act in the public interest, and to place the public interest first in the event of any conflict between or among them and their business interests.
3. A Securities Exchange shall have:
  - a) Rules and procedures that support financial stability, safety and efficiency of its activities;
  - b) A charter for the Board and Management that clearly stipulates responsibility and accountability which should be made public;
  - c) Standard operating procedures that stipulate its entire business processes and operations and must be duly approved by the board;
  - d) Processes to identify, assess, and manage potential conflicts of interest of members of the Board, principal officers, employees or any person directly or indirectly linked to the Board.

Approval of **Appointment of Chief Executive Officer and Principal Officers** of a securities exchange



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

1. A Chief Executive Officer of a securities exchange shall hold office for a period of five (5) years in the first instance and may be re-appointed for a further period of five (5) years and no more;
2. The appointment of a Chief Executive Officer and Principal Officers of a securities exchange shall be subject to the approval of the Commission before the appointment becomes effective;
3. The Chief Executive Officer and the other Principal officers of a securities exchange shall be registered by the Commission as sponsored individuals;
4. The Chief Executive Officer and other Principal Officers of a securities exchange shall
  - a. Be persons of proven integrity with no record of criminal conviction.
  - b. Hold at least a university degree or its equivalent ~~in either economics, law, accountancy, ——— finance and business administration and any other relevant field.~~
  - c. have at least ten (10) years cognate experience in either a securities exchange, securities market regulator, securities market operator or fifteen (15) years'—experience in any other segment of the financial services industry.
  - d. ~~Not have operated~~ been found complicit in the operation of an institution that has failed or been declared bankrupt or has had its operating license revoked as a result of mismanagement or corporate governance abuses.
  - e. Not have been found liable for financial impropriety or any other misdemeanor by any court, panel, regulatory agency or any professional body or previous employer.
  - f. Any other criteria which the Commission may, in public interest, determine from time to time.
5. In assessing the suitability of the Chief Executive Officer and other Principal Officers, the securities exchange shall have regard to the protection of public interest and the integrity of the market.
6. In this rule "Principal Officer" means the Chief Executive Officer and the executive management team of a securities exchange.

## ~~Approval of appointment/election of members of the governing council or board of a securities exchange~~ Composition of the Board

1. A Securities Exchanges shall have a Board whose members shall be subject to approval of the Commission;
2. The Board shall have a minimum of 5 members



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

3. Board members other than the Chief Executive Officer shall hold office for a period of 4 years in the first instance and may be re-appointed for a further period of four (4) years and no more
4. ~~Governing council or board of a securities exchange:~~
  - a. ~~the exchange shall have a governing council or board;~~
  - b. ~~the council or board shall comprise of, among others, the chief executive officer of the exchange;~~
  - c. ~~the council or board shall consist of at least 3 dealing members of proven integrity;~~
  - d. ~~membership of the council or board shall be subject to prior approval of the commission;~~
5. A securities exchange shall have a code of conduct for its ~~council members or~~ board members which must be approved by the Commission, and shall contain amongst others ~~the following provisions, to wit, that the council members or~~ require that a board member shall:
  - a. not be a staff or a board member of a quoted company and/or its subsidiaries listed on the relevant Exchange;
  - b. not have been convicted of a criminal offence by any court of law within and outside Nigeria;
  - c. ~~shall disclose ownership, either directly or indirectly, or through a related party of 5% or more of the shares of a quoted company~~
  - d. exercise reasonable care, good faith, integrity, transparency and diligence in the conduct of the affairs of the securities exchange;
  - e. fully disclose, at the earliest opportunity, information at his/her disposal that would have significance in council decision-making;
  - f. Promptly and fully disclose positions of conflicts of interest, whether of an actual or potential nature and whether involving his/her personal or business affairs. The member shall immediately disclose it to the council in writing in the event that he/she becomes aware of a conflict of interest associated with a particular issue being handled or to be handled by the council;
  - g. have a duty to act in the best interest of the investors;
  - h. have demonstrated sufficient knowledge of the operations of the capital market;
  - i. Respect the confidentiality of sensitive information at the disposal of the council or exchange

## Exchange Rules



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

1. A Securities Exchange shall:
  - a) have an approved and transparent rule making process which must ensure adequate stakeholders' engagements;
  - b) make rules pursuant to the Act and these Rules to govern its operations, issuers and dealing members;
  - c) avail the Commission with details or summary of stakeholders' comments received in the course of rule making;
  - d) ensure Dealing Members comply with its rules and regulations;
  
2. The rules of the Exchange shall make provisions which include but not limited to:
  - a) Operations of the market
  - b) Equitable criteria for admission and expulsion of Dealing Members. One of the admission criteria shall be evidence of registration by the Commission.
  - c) Disclosure and corporate governance
  - d) Listing, suspension and delisting (where applicable)
  - e) Conduct of issuers of listed securities and their directors, officers and agents.
  - f) Regulation and supervision of its Dealing Members
  - g) Disciplinary actions for breach of rules and regulations.
  
3. A Securities Exchange shall not make any rule to prohibit or penalize any of its Dealing Members from trading in any listed securities on any other recognized exchange where such security is by the rules of that exchange is permitted to be traded. This is without prejudice to the provisions of any Memorandum of Understanding (M.O.U.) between securities exchanges on the subject-matter and such MOU must be filed with the Commission within five (5) days of execution.
  
4. The rules of an Exchange shall permit any of its licensed Dealing Members to be licensed as a Dealing Member of any other registered or recognized securities exchange or capital trade point or association.

## **Access and participation**

1. A Securities Exchange shall set eligibility criteria for admission of Dealing Members.
2. The criteria shall be fair, objective and allow transparent access to its platform by Dealing Members.
3. The criteria for granting such access shall be designed to ensure orderly functioning of the market and protection of investors.





# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

## **Market Surveillance**

1. A Securities Exchange shall
  - a) Seek prior approval of the Commission before deployment of any trading and/or surveillance system
  - b) Ensure efficient and effective surveillance of all transactions effected through the exchange and for the supervision of authorised users to identify possible market abuse and ensure compliance with the exchange rules, applicable laws, regulations and directives
  - c) Ensure efficient and effective monitoring of compliance by listed entities with the listing requirements, rules of the exchange and applicable laws
  - d) Have necessary infrastructure and manpower to carry out effective surveillance.
  - e) Include surveillance report in its monthly report to the Commission
  - f) Establish whistleblowing mechanisms that are known to all participants and stakeholders as well as whistle-blower protection policy;
2. A Securities Exchange may establish whistleblowing reward systems with the objective of promoting disclosure of wrong doing.

## ~~Fraud and misrepresentation~~

~~— A Security Exchange shall ensure that its infrastructure is not subjected to No broker or dealer shall purchase or for sell any security by means of any manipulative, deceptive or other fraudulent device or contrivance. or make any fictitious quotation.~~

## **Outsourcing**

1. A Securities Exchange that is required by these rules to have an independent management of its regulatory function, shall outsource such services to a registered Self-Regulatory Organisation.
2. A Securities Exchange not required by these rules to have an independent management of its regulatory function may outsource its regulatory services to a registered Self-Regulatory Organisation.
3. The Self-Regulatory Organization referred to in 1 and 2 above shall be registered with the Commission and shall comply with the laid down rules and regulation in discharging its functions.
4. A Securities Exchange may subject to notification to the Commission, outsource other non-core services to third parties who are not required to be registered by the Commission.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

5. The core services of a Securities Exchange are:
  - a) Provision of facilities for trading of securities and financial instruments
  - b) Market surveillance
  - c) Licensing and regulation of dealing members
  - d) Listing and regulation of issuers
  - e) Rules making and enforcement
  - f) Provision of data services
6. A Securities Exchange shall be liable and accountable to non-core services being outsourced to the same extent as if the services were provided in-house.
7. The board of directors of a Securities Exchange shall be responsible for the formulation and approval of outsourcing policy.
8. The records relating to all activities outsourced shall be preserved by the Securities Exchange so that the same is readily accessible for review by the board of directors, the Commission or any other authorized person(s);
9. A Securities Exchange shall ensure that third parties protect confidential information of both the Securities Exchange, its customers and other parties involved from intentional or inadvertent disclosure to unauthorized persons.

## **Controlling Shareholding in a Securities Exchange**

1. No individual or entity shall acquire controlling interest in a Securities Exchange whether directly or indirectly without the prior approval of the Commission. For the purposes of these rules, controlling interest means having majority ownership of a company's voting stock, giving it significant influence over any corporate actions.
2. In considering a request for acquisition of controlling interest, the Commission shall consider public interest.
3. No dealing member acting alone shall acquire more than 5% stake in a Securities Exchange either directly or indirectly.
4. No investment in a Securities Exchange, its holding company or relevant self-regulatory organization shall be made, whether local or foreign, that exceeds 5% of its equity capital without the prior approval of the Commission.

## **Notification of Listing**

A Securities Exchange shall notify the Commission within 48 hours of listing any security or permitting any security to trade on its platform.

## **Self-Listing**



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

1. A Securities Exchange or its Holding Company shall not list or trade its securities or securities-based derivatives contracts on another Securities Exchange (its competitors).
2. The securities or securities-based derivatives contracts of a Securities Exchange or its holding company shall not be listed on the Exchange or any of its related companies unless:
  - a) The Exchange or the holding company has made adequate arrangements for dealing with possible conflict of interest that may arise from such listing including separation of commercial and regulatory functions.
  - b) The Exchange or the holding company has made adequate arrangements to ensure integrity in trading of its securities or securities-based derivatives contracts.
3. The Commission shall review the application for listing of securities or securities-based derivatives contracts of a Securities Exchange or its holding company on the platform of the Exchange or its or-related company's platform.
4. Where the securities or securities-based derivatives contracts of a Securities Exchange or its holding company are listed or traded on the platform of the Exchange or its a related company, the Commission shall assume the place of the related company in making decisions relating to suspension and delisting of the securities or securities-based derivatives contracts.

## **Dual listing of Securities**

1. A securities exchange may list securities that are listed on another exchange with the exception of equity securities listed within Nigeria, provided that the issuer complies with the listing requirements of the relevant exchange.
2. A Securities Exchange shall:
  - a. Have adequate tools and processes to identify and prevent potential market manipulation that could arise as a result of dual listing.
  - b. Collaborate with other exchanges where the security is listed to enhance the equity, fairness and transparency of the market.
3. In the case of a foreign issuer, a securities exchange may exercise discretion on the required information to be submitted and ensure compliance with all applicable laws and regulations.

## ~~Permission to trade in securities listed on other exchanges~~

4. Pursuant to the provisions of the Act, a securities exchange shall by its rules permit the trading of a security not listed on it; provided that such security has been



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

registered and listed on any recognized securities exchange. The securities exchange may impose conditions for granting such "permitted trading status" and file same with the Commission.

## **Transaction Fees**

1. The Commission shall charge fees on transaction carried out in securities traded on a securities exchange at a rate or percentage to be determined by the Commission from time to time;
2. All transaction fees payable to or by a market participant shall be subject to prior review and approval of the Commission.

## **Operational Audit**

1. A securities exchange shall undergo a mandatory annual audit of its operations, IT systems and internal controls by an independent expert registered or recognized by the Commission.
2. The report shall be forwarded to the Commission within one month after the completion of the audit.

Notices to dealing members of Securities Exchanges

(1) A securities exchange shall file with the Commission, before issuing to its members, a copy of any notice, circular, list, bulletin, etc.,

~~—————(2) Such notices, circulars, lists, bulletins, etc., shall be addressed to the Director—————General and delivered at the Commission's head office;~~

(3) Where the Commission does not respond to the said material within five (5) working days of the receipt thereof, the securities exchange may issue it to its members;

~~—————(4) A facsimile or other electronic copy of such notice may be sufficient provided that—————there is evidence of receipt.~~

~~Securities exchanges to require Disclosure of material or price sensitive information likely to affect financial condition~~

1. All information likely to affect the financial condition of a company shall be made available to the securities exchange by the company and the securities exchange shall disclose it ~~on the trading floor~~ immediately the information is made available.
2. Information relating to the following shall specifically be disclosed by the company:



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

- a. Changes in the board of the company;
- b. The death or resignation of a principal officer;
- c. Significant drop or increase in company's inventory;
- d. Major fire outbreak
- e. Major theft or major destruction of the company's assets or disruption of production;
- f. Any changes in the rights attached to any class of listed securities into which they are convertible;
- g. The results of any new issues and the effect, if any, of further issues on outstanding options, warrants and convertible securities.
- h. Any other information that will likely affect the share price of the company

## **~~121.~~** Report on securities traded

~~(1) Every exchange shall, within five (5) working days after the end of each calendar month, file with the Commission, a report on the securities sold on the exchange during such month stating—~~

~~(a) the number of shares sold and the aggregate naira amount;~~

~~(b) the principal amount of bonds sold and the aggregate naira amount;~~

~~(c) the number and value of rights sold;~~

~~(d) any other information concerning such securities.~~

~~(2) (a) The chief executive of a securities exchange shall after the end of each quarter of each year, that is to say, 31st March, 30th June, 30th September and 31st December, forward to the Commission a written report on the activities of the exchange during the preceding quarter;~~

~~(b) The Commission shall forward to the minister every written report received in accordance with sub rule (1) of this rule and with such written comments as may be made thereon.~~

## **Reports to be filed**

A securities exchange shall file with the Commission:

1. Its operational report within 5 working days after the end of each calendar month.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

2. Its quarterly financial statements within 1 month after the end of every quarter.
3. Its annual report and audited financial statement within 3 months after the end of each financial year.
4. Any other information which the Commission may require from time to time.

## ~~122.~~ Floor trading **Discretionary Execution**

(1) No member of a securities exchange, shall execute, any transaction in any securities listed or quoted on such exchange, for any account in which such a member has an interest or for any such account with respect to which such a member has discretion as to time of execution, choice of security to be bought or sold or whether any such transaction shall be one of purchase or sale.

(2) The provisions of sub rule (1) of this rule shall not apply to:-

- ~~—————~~ (a) any transaction by a registered specialist;
- (b) any transaction for proprietary the account of an odd lot dealer;
- (c) any transaction for stabilization approved by the Commission;
- (d) any market making transaction made with the prior approval of a floor official of such exchange to allow maintenance of a fair and orderly market in a security or any purchase or sale to reverse any transaction;
- ~~—————~~ (e) any transaction to offset a transaction made in error; or
- ~~—————~~ (f) any transaction effected in conformity with a plan designed to eliminate floor trading activities and which plan has been adopted by an exchange and declared effective by the Commission.

~~—————~~ (3) For the purposes of this rule:-

~~—————~~ (a) a plan filed with the Commission by an exchange shall not become effective unless ~~—————~~ the Commission, having due regard for the maintenance of fair and orderly markets ~~—————~~ in the public interest and for the protection of investors, declares the plan to be ~~—————~~ effective; and

~~—————~~ (b) the term "on the floor of the Exchange" includes the trading floor, the room, ~~—————~~ lobbies and other premises immediately adjacent thereto for the use of members ~~—————~~ generally, other rooms, lobbies and premises and made available, primarily for use ~~—————~~ by members generally, the telephone and other



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

facilities in any such place such as \_\_\_\_\_ automated/electronic/computerized trading systems.

## ~~123.~~ Trading Rules

~~(1) (a) All trading on the floor of an exchange shall be presided over by a chairman who \_\_\_\_\_ shall be a senior management staff of an exchange and registered by the Commission. \_\_\_\_\_ He shall preside over the daily trading sessions on the floor of an exchange and shall \_\_\_\_\_ be bound in the performance of his duties by the rules of the exchange and the \_\_\_\_\_ principles of equity and fairness required under the Act and these rules and \_\_\_\_\_ regulations.~~

~~(b) Qualifications of the chairman~~

~~The qualification of the chairman shall be as in rule 20 of these rules and regulations. \_\_\_\_\_ In addition he shall possess a minimum of a diploma/certificate in computer science \_\_\_\_\_ and one year practical experience in an electronic trading system.~~

~~(2) Where brokers make a cross deal on securities on the floor, the exchange shall \_\_\_\_\_ permit \_\_\_\_\_ the brokers to do so up to such numbers of the securities brought to the floor \_\_\_\_\_ provided there are sufficient funds in their trading accounts.~~

~~(3) (a) The exchange shall keep a record of all daily transactions and activities on the floor \_\_\_\_\_ of the exchange and the exchange shall make such record available for examination \_\_\_\_\_ by the Commission on request;~~

~~(b) The presiding officer shall also keep records of attendance of dealing members;~~

~~(c) He shall report all impropriety on the floor to the chief executive of the securities \_\_\_\_\_ exchange immediately the occur or are brought to his notice.~~

~~(4) The exchange shall submit daily official list to the Commission.~~

~~(5) (a) The price movement of securities shall be based on market forces, individual \_\_\_\_\_ company's incidental macro and micro economic factors and preferences of clients;~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~(b) Recognized securities exchanges shall take reasonable steps to avoid arbitrage in the trading of securities.~~

~~(6) The presiding officer shall display the official list at least one (1) hour before trading commences.~~

~~**124.** Disposal of reports and documents filed with the Securities Exchanges, etc.~~

~~(1) Any application, reports, documents, or portion thereof other than investigation and disciplinary reports which have been filed with the securities exchange or any association or body of securities dealers for more than six(6) years pursuant to the provisions of these rules and regulations may be destroyed, or otherwise disposition shall only be done under a retention schedule cleared with the Commission by the securities exchange or any association or body of securities dealers.~~

~~(2) For the purposes of this rule, the retention schedule filed with the Commission by the exchange or any association or body of securities shall not become effective unless the Commission, having due regard for public interest and for the protection of investors, declares the schedule to be effective.~~

~~(3) The Commission in its declaration may limit the application, reports and documents to which it shall apply and may impose any other terms and conditions to the schedule and the period of its effectiveness which it may deem necessary or appropriate in the public interest or for the protection of investors.~~

## **Obligation to maintain proper records**

A securities exchange shall maintain records of all transactions and activities executed on its platform in a form and manner to be determined by the Commission from time to time.

~~**125.** Reports of proposed rule changes by a securities exchange~~

~~(1) An exchange shall file with the Commission, three copies of a report of any proposed amendment or repeal of or any addition to its rules within thirty(30) days (or such shorter period as the Commission may~~





# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

authorize) before any action is taken on such amendments, revocation or addition by its members or by any governing body thereof.

(2) If any change is made in a proposed amendment, revocation or addition after the report is filed with the Commission, the thirty(30) days period shall commence from the time the Commission is notified of such change unless the change does not, after the substance of the proposed amendment, revocation or addition or the change is made in conformity with a suggestion by the Commission.

## **126.** Effectiveness of listing and exchange certification

(1) An application filed for the listing of a security on an exchange shall be deemed to apply to the listing of the entire class of the security and listing shall become effective:-

(a) as to the securities or amounts of such class when issued upon listing; and

(b) without further application for listing upon issuance as to additional securities or amount of such class then or thereafter authorized.

(2) The provisions of this regulation shall not affect the right of an exchange to require the issuer of a listed security to file documents with or pay fees to the exchange in connection with the modification of such security or the issuance of additional shares or amounts.

(3) If a class of security is issuable in two or more series with different terms, each series shall be deemed a separate class for the purposes of these rules and regulations.

## **127.** Requirements as to certification of listing and quotation of individual companies

(1) Certification that a security has been approved by an exchange for listing pursuant to the provisions of these rules and regulations shall be made by the governing council of the exchange.

(2) The certificate shall specify:-

a) the approval of the securities exchange listing the security;

b) the title of the security so approved;



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~\_\_\_\_\_ c) the date of filing with the securities exchange of the application for and of any \_\_\_\_\_ amendments thereto; and~~

~~\_\_\_\_\_ d) any conditions imposed on the certification with the exchange, promptly notifying \_\_\_\_\_ the Commission of the partial or complete satisfaction of any of the conditions.~~

~~\_\_\_\_\_ (3) The certification may be made by a recognized electronic medium and in such case \_\_\_\_\_ shall be confirmed in writing.~~

~~\_\_\_\_\_ (4) All certificates in writing and all amendments thereto shall be filed with the \_\_\_\_\_ Commission in duplicate and at least one (1) copy shall be normally signed by the \_\_\_\_\_ appropriate exchange authority.~~

## **128.** ~~Date of receipt of certificate of listing by Commission~~

~~\_\_\_\_\_ The date of receipt by the Commission of the certification approving a security for listing \_\_\_\_\_ shall be the date on which the original written certification is received by the Commission.~~

## **129.** ~~Operation of certification on subsequent amendment~~

~~\_\_\_\_\_ If an amendment to the application for listing of a security is filed with an exchange, after \_\_\_\_\_ the receipt by the Commission of the certification of the exchange approving the security for listing, the certification, unless withdrawn, shall be deemed made with reference to the \_\_\_\_\_ application as amended.~~

## **130.** ~~Withdrawal of certification~~

~~\_\_\_\_\_ An exchange may by notice to the Commission, withdraw its certification prior to the time \_\_\_\_\_ the listing to which it relates first becomes effective pursuant to the provisions of rule 190 \_\_\_\_\_ of these rules and regulations.~~

## **Suspension of trading**

1. An exchange may, in accordance with its rules, suspend from trading a security listed thereon and the Exchange shall within 24 hours notify the Commission of any such suspension, the effective date and the reasons thereof.
2. During the continuance of the period of suspension an exchange shall notify the Commission of any change in the reasons for the suspension/further suspension
3. The issuer of a suspended security may appeal to the Commission for a review.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

4. Upon the restoration to trading of any security suspended under this regulation, the exchange shall notify the Commission of the effective date.
5. Suspension of trading shall not terminate the listing of any security.

## Removal from listing Delisting

1. An exchange may delist any security in accordance with its rules and regulations but in any event shall notify the Commission seven (7) days prior to taking such action:  
Provided however, that where such an event occurs as a result of an order of a court or other governmental authority, the order shall be final, except where appeals are pending.
2. The issuer of the delisted security may within ten (10) days appeal to the Commission for review of the decision of the exchange.
3. The Commission shall within ten (10) days dispense with the appeal provided that during the pendency of the appeal, the decision appealed against shall be stayed.
4. The issuer of a security listed on an exchange may file an application to delist the security from any exchange in accordance with the rules of that exchange. The Issuer shall notify the Commission five (5) days prior to filing its application with the relevant Exchange. The exchange shall within ten (10) days of receipt of the application consider and dispose of the application and notify the Commission of its decision within two (2) days. Where the decision of the Exchange is a rejection or deferment, the exchange shall include reason(s) for such rejection or deferment in its notification to the Issuer and the Commission.

## ~~131.~~ Identification of quotation

~~(1) For the purposes of these regulations:-~~

~~(a) the term "inter-dealer quotation system" means any system of general circulation to brokers/dealers which regularly disseminates quotations of identified brokers/dealers but shall not include a quotation sheet which contains only quotations prepared and distributed by a broker or dealer in the regular course of his business~~

~~(b) the term "quotation" means any bid or offer or any indication of interest in any bid or offer; and~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~(c) the term "correspondent" means a broker who has a direct line of communication to another broker or dealer located in a different city or geographical area.~~

~~(2) It shall constitute an attempt to include the purchase or sale of a security in a fictitious quotation within the meaning of rule 198 or 199 of these regulations for any broker or dealer to furnish or submit, directly or indirectly, any quotation for security to an inter-dealer quotation system, unless the inter-dealer quotation system is furnished or submitted:-~~

~~a) by a correspondent broker or dealer for the account or on behalf of another broker or dealer and if so, the identity of the other broker or dealer; or~~

~~b) in furtherance of one or more other arrangements between or among brokers or dealers and if so, the identity of each broker or dealer participating in any such arrangement or arrangements:-~~

~~Provided however, that the provisions of this paragraph shall not apply if only one of the brokers or dealers participating in any such arrangement or arrangements furnishes or submits a quotation with respect to the security to an inter-dealer quotation system.~~

## **132. Review of decisions of Securities Exchanges**

Any company issuer, enterprise, registrar, issuing house, stock broker or dealer dealing member or any other person or institution engaged or involved in the issuing, sale or buying or other trading in securities of companies and enterprises issuers covered by the provisions of the Act and the rules and regulations thereof directly affected by any direction, order or decision made under any by-law, rule or regulation of an exchange or any other S.R.O. may apply to the Commission for a review pursuant to the provisions of the Act and these rules and regulations.

## **133. Dealing members**

~~(1) The rules of an exchange may permit a member of the exchange to be licensed as a dealing member and in such a situation the rules shall:-~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~\_\_\_\_\_ (a) require that members meet the minimum capital requirements prescribed by the \_\_\_\_\_ Commission;~~

~~\_\_\_\_\_ (b) require as a condition for licensing as a dealing member that the member shall \_\_\_\_\_ engage in dealings that assist in the maintenance of a fair and orderly market, and \_\_\_\_\_ that the exchange may suspend or revoke the license of the dealing member if the \_\_\_\_\_ exchange finds any substantial or continued failure by a dealing member to engage in \_\_\_\_\_ such dealings;~~

~~\_\_\_\_\_ (c) include procedures for the effective and systematic surveillance of the activities \_\_\_\_\_ of dealing members.~~

~~\_\_\_\_\_ (2) Every exchange shall file with the Commission copies of the rules relating to the provisions \_\_\_\_\_ of paragraphs (a) and (b) of sub rule (1) of this regulation and any change in or addition to \_\_\_\_\_ the rules shall take effect in the manner provided for by the rules of the exchange and the \_\_\_\_\_ provisions of the Act and the rules and regulations made there under, except that such \_\_\_\_\_ change or addition shall not continue in effect after the Commission would have entered an \_\_\_\_\_ order disapproving the change or addition on the grounds of its inconsistency with public \_\_\_\_\_ interest or inadequate protection of investors.~~

~~\_\_\_\_\_ (3) The Commission shall not disapprove of any change or addition unless it has given written \_\_\_\_\_ notice to the exchange of its intention to do so, and such notice shall be given within \_\_\_\_\_ fifteen(15) days after the filing of copies of the rules thereof.~~

~~\_\_\_\_\_ (4) The exchange shall within thirty (30) days after receipt of the notice, present to the \_\_\_\_\_ Commission any evidence or arguments with respect to such change or addition.~~

~~\_\_\_\_\_ (5) The Commission may, after consideration of all the relevant materials presented in \_\_\_\_\_ writing or at a hearing, enter an order disapproving the change or addition or permit the \_\_\_\_\_ change or addition to continue in effect wholly or in a modified form:~~

~~\_\_\_\_\_ Provided, however that the validity, force or effect of any act or omission by any exchange \_\_\_\_\_ or a member prior to the entry of the order of disapproval shall not be effected thereby.~~

~~\_\_\_\_\_ (6) For the purpose of this regulation, the term "Rules of an Exchange" means its constitution, Articles of Incorporation, by-laws, rules or instruments corresponding thereto whatever the \_\_\_\_\_ name and its stated policies.~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~— (7) The licensing of a dealing member by an exchange shall not be effective for purposes of trading unless and until such a member has been registered by the Commission.~~

~~— (8) (a) Pursuant to the Act and rule 25 (1) of these rules and regulations, the rules of a securities exchange shall permit any of its licensed dealing members to be licensed as a dealing member of any other recognized securities exchange or capital trade point or association.~~

~~— (b) A securities exchange shall not make any rule to prohibit or penalize any of its dealing members from trading in any listed securities on any other recognized exchange where such security is by the rules of that exchange permitted to be traded. This is without prejudice to the provisions of any Memorandum of Understanding (M.O.U.) between securities exchanges on the subject matter and such MOU be filed with the Commission within five(5) days of execution.~~

**134.** ~~Records to be maintained by the Securities Exchange members, etc.~~

~~— (1) Every member of an exchange or any association or body of securities dealers recognized by the Commission who transacts business or securities directly with the public or other members of an exchange or such association or body and every broker or dealer who transacts business in securities through the medium of any member, and every broker or dealer registered pursuant to the provisions of the Act shall make and keep current the following books and records (whether manually or electronically) relating to his business:-~~

~~— (a) records of original entry containing itemized daily records of:-~~

~~— (i) all purchases and sales of securities;~~

~~— (ii) all receipt and deliveries of securities (including certificate numbers);~~

~~— (iii) all receipts and disbursements of cash and all other debits and credits; and~~

~~such records shall show the account for which each transaction was effected, the name and amount of securities, the unit and aggregate purchase or sale price (if any), the trade date and name or other designation of the person from whom purchased or received or to whom sold or delivered;~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~\_\_\_\_\_ (b) \_\_\_\_\_ ledger (or other records) reflecting all assets and liabilities, income and \_\_\_\_\_ expenditure and capital accounts;~~

~~(c) \_\_\_\_\_ ledger accounts (or other records) itemizing separately the account of every customer and each member, broker or dealer and partners thereof, all purchases, sales, receipts and deliveries of securities for such account, and all other debits and credits to such accounts; and for the purposes of this paragraph, ledgers (or other records) shall reflect the following:-~~

~~\_\_\_\_\_ (i) \_\_\_\_\_ securities in the transfer process;~~

~~\_\_\_\_\_ (ii) \_\_\_\_\_ dividends and interest received;~~

~~\_\_\_\_\_ (iii) \_\_\_\_\_ monies borrowed and loaned (together with a record of the \_\_\_\_\_ collateral and any substitution in the collateral); and~~

~~\_\_\_\_\_ (iv) \_\_\_\_\_ securities not received and delivered;~~

~~\_\_\_\_\_ (d) \_\_\_\_\_ a memorandum of each brokerage order and of any other instruction given or \_\_\_\_\_ received for the purchase or sale of securities whether executed or not \_\_\_\_\_ executed and such memorandum shall show the terms and conditions of the \_\_\_\_\_ order or instructions and of any modification or cancellation thereof, the \_\_\_\_\_ account for which entered, the time of entry, the price at which executed and \_\_\_\_\_ to the extent feasible, the time of execution or cancellation; and orders \_\_\_\_\_ entered pursuant to the exercise of discretionary power by the member, \_\_\_\_\_ broker or dealer or any employee thereof shall be so designated;~~

~~\_\_\_\_\_ (e) \_\_\_\_\_ a memorandum of each purchase and sale of securities for the account of a \_\_\_\_\_ member, broker or dealer showing the price and to the extent feasible, the \_\_\_\_\_ date of execution and in addition whether the purchase or sale is with a \_\_\_\_\_ customer other than a broker or dealer;~~

~~\_\_\_\_\_ (f) \_\_\_\_\_ a memorandum of each order received showing the date and time of receipt, \_\_\_\_\_ the terms and conditions of the order and the account in which it was entered;~~

~~\_\_\_\_\_ (g) \_\_\_\_\_ copies of confirmation of all purchases and sales of securities, and copies of \_\_\_\_\_ notices of all other debits and credits for securities, cash and~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

other items for \_\_\_\_\_ the account of \_\_\_\_\_ customers and partners of the member, broker or dealer;

\_\_\_\_\_ (h) \_\_\_\_\_ a record in respect of each cash account with the member, broker or dealer \_\_\_\_\_ containing the name and address of the beneficial owner of the account, \_\_\_\_\_ provided that, in the case of a joint account or the account of a company, the \_\_\_\_\_ records required shall be those in respect of the person or persons authorized \_\_\_\_\_ to transact business for the account;

\_\_\_\_\_ (i) \_\_\_\_\_ a record of the proof of money balances of all ledger accounts in the form of \_\_\_\_\_ trial balances and a record of the computation of aggregate indebtedness and \_\_\_\_\_ net capital as of the trial balance date; provided that the trial balance and \_\_\_\_\_ computation shall be prepared concurrently at least once a month;

\_\_\_\_\_ (j) \_\_\_\_\_ a questionnaire or application for employment executed by each (associated \_\_\_\_\_ person) of the member, broker or dealer which questionnaire or application \_\_\_\_\_ shall be approved in writing by an authorized representative of the member, \_\_\_\_\_ broker or dealer and shall contain at least the following information in respect \_\_\_\_\_ of that person:-

\_\_\_\_\_ (i) his name, address and the date of his first appointment or other \_\_\_\_\_ association with the member, broker or dealer;

\_\_\_\_\_ (ii) his date of birth;

\_\_\_\_\_ (iii) the educational institutions attended by him and qualifications \_\_\_\_\_ obtained;

\_\_\_\_\_ (iv) a complete consecutive statement of all his previous employment for \_\_\_\_\_ at least the preceding ten (10) years, including his reasons for leaving \_\_\_\_\_ each prior employment and whether the employment was part time or \_\_\_\_\_ full time;

\_\_\_\_\_ (v) a record of any refusal of membership or registration and of any \_\_\_\_\_ disciplinary action taken or sanctions imposed upon him by any \_\_\_\_\_ government agency, the securities exchange or any association or \_\_\_\_\_ body of securities dealers, or violation of any law, (whether municipal \_\_\_\_\_ or international);





# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

\_\_\_\_\_ (vi) a record of any permanent or temporary injunction entered against \_\_\_\_\_ him or any member, broker or dealer with which he has associated in \_\_\_\_\_ any capacity at the time the injunction was entered;

\_\_\_\_\_ (vii) a record of arrest, indictments or convictions for any felony or any \_\_\_\_\_ misdemeanor, except traffic offences; and

\_\_\_\_\_ (ix) a record of any other name or names by which he has been known or \_\_\_\_\_ which he has used.

\_\_\_\_\_ (2) For the purpose of sub rule (1) of this rule, the term "instruction" shall include \_\_\_\_\_ instructions between partners and employees of a member, broker or dealer who transmits \_\_\_\_\_ the order or instruction for execution, or if it is not so transmitted, the time when it is received.

## **135.** Records to be preserved by certain Securities Exchange members, etc.

\_\_\_\_\_ (1) Every member, broker or dealer shall preserve for a period of not less than six(6) years, \_\_\_\_\_ all the records required to be made pursuant to paragraphs (a), (b), (c) and (d) of sub rule \_\_\_\_\_ (1) \_\_\_\_\_ of rule 204.

\_\_\_\_\_ (2) Every person subject to this rule shall preserve for a period of not less than three (3) years, \_\_\_\_\_ in an easily accessible place:-

\_\_\_\_\_ (a) all records required to be made pursuant to paragraphs (e), (f), (g), (h) and (i) of \_\_\_\_\_ sub rule (1) of rule 204;

\_\_\_\_\_ (b) all cheque books, bank statements, cancelled cheques and bank/cash reconciliations;

\_\_\_\_\_ (c) all bills receivable or payable, paid or unpaid relating to the business of such \_\_\_\_\_ members, broker or dealer;

\_\_\_\_\_ (d) originals of all communications received and copies of all communications sent by \_\_\_\_\_ such member, broker, dealer (including inter office memoranda) relating to his \_\_\_\_\_ business;

\_\_\_\_\_ (e) all trial balances, computations received of aggregate indebtedness not affecting \_\_\_\_\_ capital, financial statements, branch office reconciliations,



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

internal audit working papers and external auditor's management report file relating to the business of the member, broker, dealer;

(f) all written agreements entered into by such member, broker or dealer relating to his business.

(3) Every member, broker or dealer shall preserve during the life of the business and its predecessor, all partnership articles or in the case of a company, all Articles of Incorporation, minute books and share certificate books.

(4) Every member, broker or dealer shall maintain for six (6) years in an easily accessible place, all records required under paragraph (j) of sub rule (1) of rule 204, after the associated person has terminated his employment and any other connection with the member, broker or dealer, so however that—

(a) after a record or other document has been preserved for four (4) years, a photograph thereof on film or electronic copy may be substituted therefore; or

(b) if a person who has been subject to the provisions of rule 204 of these rules and regulations ceases to transact business in securities directly with the public and the exchange or ceases to transact business in securities through the medium of a member of the exchange or ceases to be registered, such person for the remainder of the period of time specified in this rule, continues to preserve the records which he therefore preserved pursuant to this rule.

## **136.** Filing of reports

(1) The provisions of this rule shall apply to every dealing member of a recognized securities exchange or of any association or body of securities dealers who transacts business in securities directly with the public and other members of the exchange, every broker or dealer (other than a member) who transacts business in securities through the medium of any member of a securities exchange or any other recognized body of securities dealers registered pursuant to the Act.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~(2) Subject to the provisions of this rule, a member, broker or dealer shall file with the Commission, annual reports of financial conditions in such detail as may fully disclose the nature and amount of assets and liabilities of such a person.~~

~~(3) A report shall be filed as of a date within each accounting year except that:-~~

~~(a) the first report shall be as of a date within three (3) months after the date on which the member, broker or dealer becomes subject to these rules and regulations, that is, the date when registration becomes effective; and~~

~~(b) a member, broker or dealer succeeding to and continuing the business of another member, broker or dealer need not file as of a date in the accounting year in which the succession occurs if the predecessor has filed a report in accordance with this rule.~~

~~(4) The reports shall be filed in duplicate not more than thirty (30) days after the date of the report of the financial condition.~~

~~(5) For the purposes of sub rule (2) of this rule, an annual report shall be filed in Form S.E.C. AR-1 prescribed in schedule III to these rules and regulations.~~

## ~~137.~~ Nature and form of reports

~~A report of financial condition filed pursuant to rule 263 of these rules and regulations shall be prepared and filed in accordance with the following requirements, that is:~~

~~(a) the report of a member, broker or dealer shall be certified by an accountant qualified to certify accounts under the provisions of the Companies and Allied Matter Act; provided, however, that such report need not be certified if, since the date of the previous financial statement or report filed pursuant to rule 205, such a member, broker or dealer has not transacted a business in securities directly with any member of the public or members of any securities exchange;~~

~~(b) a member, broker or dealer who files a report which is not certified shall include in the oath or affirmation required by sub rule (c) of this rule a~~



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

statement of the facts \_\_\_\_\_ and circumstances relied upon as a basis for exemption from the certification \_\_\_\_\_ requirements;

\_\_\_\_\_ (c) there shall be attached to the report a duly attested oath or affirmation certifying that \_\_\_\_\_ to the best of the knowledge and belief of the person making the oath or \_\_\_\_\_ affirmation—

\_\_\_\_\_ (i) the financial statement and supporting schedule are true and correct; and

\_\_\_\_\_ (ii) neither the member, broker/dealer nor any partner, officer or director, as the \_\_\_\_\_ case may be, has any proprietary interest in any account classified as that of a \_\_\_\_\_ customer;

\_\_\_\_\_ (d) the oath or affirmation shall be made before a person duly authorized to administer \_\_\_\_\_ the oath or affirmation and if the member, broker or dealer is a sole proprietorship, \_\_\_\_\_ the oath or affirmation shall be made by the proprietor, if a partnership by a general \_\_\_\_\_ partner or if a corporation, by a duly authorized officer.

## **138.** Use of statements filed with the commission and the Securities Exchange

Any member, broker or dealer who is subject to the provisions of rule 205 of these rules and regulations may file in lieu of the report required therein a copy of any financial statement which he is, or has been required to file with an exchange of which he is a member: Provided that:-

\_\_\_\_\_ (a) the copy so included reflects his financial conditions as of a date not more than thirty \_\_\_\_\_ (30) days prior to the filing with the Commission; and

\_\_\_\_\_ (b) the report as filed with the Commission meets the requirements of this regulation \_\_\_\_\_ and contains the information called for.

## **139.** Extension of time for filing reports

\_\_\_\_\_ (1) In the event that any member, broker or dealer finds that he cannot file his report for any \_\_\_\_\_ year within the time specified in rule 206 and 207 of these rules and regulations without undue hardship, he may file with the Commission an application for an extension of time to \_\_\_\_\_ a specified date which shall not be more than three (3) months after the date as at which his \_\_\_\_\_ financial condition is reported.



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

~~— (2) The application shall state the reasons for the requested extension and shall also contain an agreement to file the report on or before the specified date.~~

~~— (3) An application filed pursuant to sub rule (1) of this rule shall be deemed granted, unless the Commission within thirty(30) days after receipt thereof, enters an order denying the application.~~

## **B. Alternative Trading Facilities**

### **Registration Requirements**

1. Application for registration as Alternative Trading Facility shall be filed on the appropriate form and shall be accompanied by the following documents: -
  - a. copy of the certificate of incorporation certified by the company secretary
  - b. copy of Corporate Affairs Commission's Form showing names and particulars of the directors of the company
  - c. copy of the Memorandum and Articles of Association and amendments (if any) certified by the Corporate Affairs Commission;
  - d. 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;
  - e. copies of existing or proposed by-laws or rules, code of conduct, code of dealing etc. governing the conduct of participants on the platform;
  - f. Sworn undertaking to promptly furnish the Commission with copies of any amendments to the rules of trading;
  - g. Detailed information relating to infrastructure to be deployed;
  - h. information on organizational structure including structure and profile of board members as well as management and board charters;
  - i. detailed profile of promoters and principal officers;
  - j. sworn undertaking to keep such records and render such returns as may be specified by the Commission from time to time;
  - k. sworn undertaking to comply with the provisions of the Act and these rules and regulations;
  - l. an application for registration of all the principal officers as sponsored individuals on the appropriate form;
  - m. evidence of minimum paid-up capital requirement as contained in the schedules to these rules and regulations;



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

- n. any other document required by the Commission from time to time for the protection of investors.
2. Any subsequent change in the information provided to the Commission at the time of filing of application or any new agreement entered into by the ATF that affect its status shall be reported to the Commission not later than 48 hours from the date of such change or agreement, prior to granting of approval of the application by the Commission
3. The Commission, while considering the application made shall take into account the following:
  - a. the eligibility requirements under the Act and these regulations;
  - b. whether the applicant has demonstrated its ability to perform its duties in accordance with the provisions of the Act and rules and regulations made thereunder;
  - c. whether the applicant has the necessary infrastructure including but not limited to adequate office space, equipment, experienced human resources and technical capabilities, financial resources, policies, procedures, systems and controls to effectively and efficiently discharge its responsibilities as an ATF.
4. The Commission may inspect the premises of the applicant to determine whether it fulfils the eligibility criteria and may also require it to submit reports from experts at the expense of the ATF in the manner specified by the Commission to confirm compliance with the Act and these rules and regulations including the existence of adequate infrastructure, technical capacity, financial standing and other requisite benchmarks.
5. The Commission, after conducting such inquiries and obtaining such further information as it deems appropriate, and having considered the interest of the public may register the applicant as an ATF in line with the provisions of the rules and regulations made pursuant to the Act.
6. Where the Commission rejects an application, the notice for rejection shall contain the reasons for rejecting the application and the applicant shall have 14 days within which representation may be made to the Commission concerning the application.

## **Additional Requirements**



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

1. Participants of an ATF shall be Broker, Dealer or Broker/Dealer who has been duly registered by the Commission;
2. Broker/Dealers who operate ATF shall not trade on the platform.

## **Name**

An ATF shall not use the word "Exchange", "Stock Market", "Bourse" or any word depicting an Exchange in its name.

## **Eligible Tradable Securities**

1. All listed securities traded on any recognized Exchanges may be traded on an ATF subject to agreement between the ATF and the relevant Exchange;

## **Price Determination**

Prices of securities traded on ATF shall reflect prices traded on relevant Securities Exchanges where the securities are listed/traded.

## **Continuing Obligations**

1. An ATF shall:
  - a. establish transparent rules, procedures and objective criteria governing access to its facility, trading information and the efficient execution of orders;
  - b. ensure that participants are fit and proper and have sufficient level of trading ability, competence and organizational arrangements;
  - c. ensure that participants execute their client's orders through the platform promptly, fairly and expeditiously in accordance with the client's specific instruction.
  - d. put in place the necessary arrangements to facilitate the efficient settlement of the transactions executed through the facility;
  - e. comply immediately with any instruction of the Commission to suspend or remove a security from trading;
  - f. monitor the transactions undertaken by participants in order to identify breaches, disorderly trading conditions or conduct that may involve market abuse;



# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

- g. report significant breaches, disorderly trading conditions or any form of malpractice to the Commission;
- h. promptly forward relevant information to the Commission for investigation and prosecution of participants suspected to be involved in market abuse and other violations of trading practices.

## **Post-Trade Disclosure by ATFs**

1. ATF shall make public the volume and value of securities traded at the close of trading in a manner which is easily accessible to market participants;
2. Without prejudice to subsection (1) above, the Commission may authorize deferral of publication of the details of transactions executed on an ATF based on size of the transaction in relation to the total market size traded for that security or class of security on the relevant Exchange where it is listed/traded;
3. ATF shall seek the Commission's prior approval of any proposed arrangements to defer publication of trades and such arrangements should be disclosed to market participants and the investing public.

## **Conversion to an Exchange**

1. The Commission reserves the right, in the public interest, to require an ATF to register as an Exchange if, during six (6) of the preceding eight (8) quarters, it has traded twenty percent (20%) or more of the total trading volume of a particular class of securities.

## **Complaint Management Framework**

1. An ATF shall:
  - a. have a complaint management process in place in line with the Commission's rules and regulation;
  - b. not carry out enforcement action against participants but forward a comprehensive report to the Commission for disciplinary action where it establishes that a participant violates its trading rules;
  - c. not exclude a participant from operating on its platform without prior notification to the Commission;

## **Submission of Returns**

An ATF shall file with the Commission:





# SEC NIGERIA

SECURITIES AND EXCHANGE COMMISSION, NIGERIA

1. Its operational report within 5 working days after the end of each calendar month;
2. Its quarterly financial statements within 1 month after the end of every quarter;
3. Its annual report and audited financial statement within 3 months after the end of each financial year;
4. Any other information which the Commission may require from time to time.

## ***Justification***

*The Proposed amendments are intended to comprehensively update and improve the regulations as well as enhance the operations of Securities Exchanges particularly in the areas of governance and risk management. They are also aimed at classifying Securities Exchanges based on size and activities with a view to streamlining their operations and regulation. In addition, they are aimed at aligning the rules to support the current market structure as well as the operations of Securities Exchanges with international best practices.*