

INTERPRETATION GUIDELINES ON THE MINIMUM STANDARD REQUIREMENTS FOR THE OPERATIONS OF DEALERS

By the nature of their business, Dealers are medium to high risk operators. The risk here is strictly a result of counter party risk in the sense that they have an obligation to settle all trades (sale or purchase) in order to avoid a rippling effect in the market.

The Guidelines address the following five broad areas and provide the minimum standards expected in the operations of all Dealers in the Nigerian capital market:

1. Manpower and equipment;
2. Organizational structure and governance;
3. Effective processes;
4. Global competitiveness and
5. Technology.

1. Manpower

A dealer is expected to have efficient human resources to see to the daily operations of the firm in order to ensure effective service delivery and risk control. It is essential that it employs high quality staff that should be adequately supervised where required. This is in order to avoid exposure of the business to avoidable actions and unscrupulous practices which in turn threaten the integrity of the market.

The following qualifications and post qualification levels of experience are recommended for the roles set out below:

Chief Dealer /CEO	A university degree or its equivalent, ACS, 5 years cognate experience with at least 3 years in a management position.
Head of Operations/ IT	B.Sc. Computer Science or other relevant degree plus professional qualification; with a minimum of 4 years working experience, ideally in the financial services sector with at least 1 year in a management position.
Financial controller/Administration	B.Sc. Accounting/Finance or its equivalent, ACA and 4 years post ACA experience.
Risk Manager/Compliance Officer/ Internal Control Manager	B.Sc. Accounting/Finance or its equivalent, ACA, ACS or an Economist with a minimum of 4 years working experience in the financial services sector.
Human Resources (may be outsourced to a professional services provider).	B.Sc. degree in relevant discipline or its equivalent. CIPM or other professional qualification would be an added advantage and 4 years working experience.
Company Secretary (may be outsourced to a professional services provider).	BL, LLB, with at least 4 years post call to bar experience.



Minimum Equipment

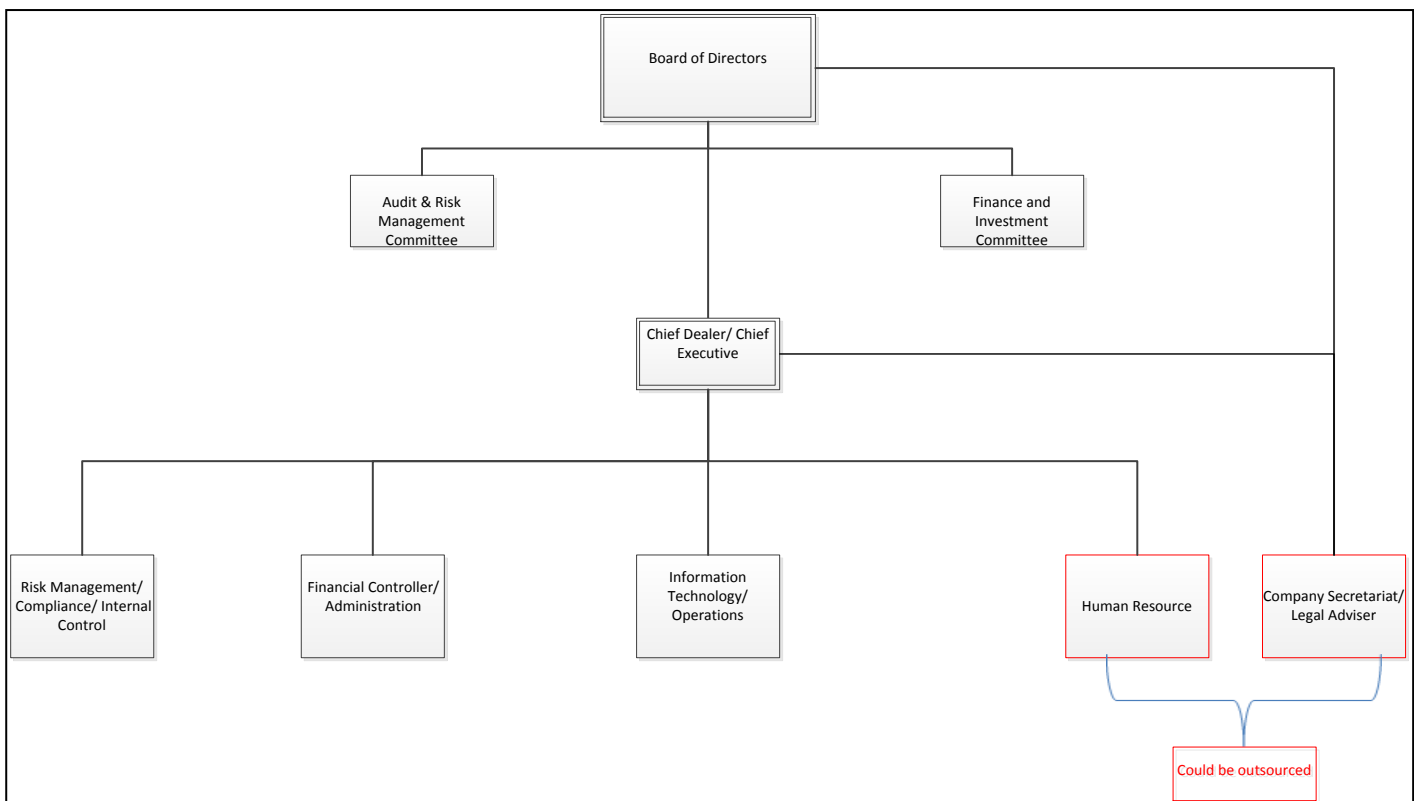
These items may be determined by the level of investments that the dealer is willing to invest in making their business compare to global standards. However the relevant work tools will be required to dispense the business of dealing in the company’s assets and a point of contact for regulators and other stakeholders:

1. An accessible office with decent space and meeting rooms and
2. Photocopying machines, scanner and adequate power supply with adequate backup.

2. Organizational Structure and Governance

An organizational structure is the foundation on which standard operating procedures and routines rest within a firm. The structure should determine how the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management. The organizational structure is influenced by the objectives and strategies of the firm and is manifested in the operations and performance of the firm.

A recommended sample Organogram of a Dealer is as shown below:



The following key departments are recommended for effective control and management:

- I. Finance/ Administration,
- II. Risk management/ compliance and Internal control,
- III. Information technology/ Operations,
- IV. Human Resources (Could be outsourced) and
- V. Company Secretariat/ Legal Adviser (Could be outsourced).

Committees

Committees assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. Each committee's terms of reference should set out clearly what the committee is to do, stating whether it is to take decisions or merely make recommendations to the Board. In line with good corporate governance, the Board of Directors of firms licensed to be dealers are advised to establish the following minimum number of committees:

1. Finance and Investment Committee and
2. Audit and Risk Management Committee.

It should be noted in addition, that the appointment of members of the Board of Directors must be approved by the Securities and Exchange Commission and The Exchange.

3. Effective processes

Business processes cut across organizational and functional boundaries. As a result, effective business processes are best accomplished through the involvement of cross-functional teams of individuals who actually work in the system and know it first-hand. For businesses to succeed having the right strategy is critical; and effective execution assists to move the business in the right direction towards achieving its set goals.

The recommended process and policy documents to be adopted and maintained include the following:

- I. articulated business plan and strategy,
- II. investment policy,
- III. risk management policy,
- IV. compliance manual,
- V. anti-money laundering/ counter terrorist financing manual
- VI. operational manual and Standard operational Procedure,
- VII. IT policy,

- VIII. Surveillance Model¹
- IX. information security, business continuity and back-up arrangement,
- X. human resources and succession planning policy,
- XI. ethics and conduct of business policy
- XII. finance and accounts,
- XIII. life insurance policy,
- XIV. pension plan policy and
- XV. property insurance (e.g. building, IT equipment, furniture, etc.)

4. Global Competitiveness

Globalization, trade liberalization and interconnectivity, ease and efficiency of movement of capital by investors across different markets; and rapid advancement in information systems and communications technology have resulted in stronger market competition globally. A Dealer's success and going concern ability is increasingly dependent on its global competitiveness in terms of using, adopting and maintaining the following tools and practices to support its business:

- Global best practice i.e. the ability to continuously benchmark and conform with internationally recognized business standards and trends,
- Ability to attract and retain best in class Human Capital for its operations,
- Adoption of high Ethical standards and a Compliance culture,
- Efficient service delivery for its customers and business partners and
- Twenty first century technology in its operations.

5. Technology

The operational environment in today's capital market is chiefly driven by modern technology. It is important that operators embrace modern technology and upgrade their facilities in order to become or remain locally and internationally competitive and to enhance transparency and the overall experience of investors doing business in the Nigerian Capital Market. The following minimum technology requirements are recommended:

¹ 'Dealing Members are required to have an effective surveillance model that oversees their trading activities for effective monitoring and oversight'

Baseline IT requirements

Technical	Support Services
Hardware	Documentation
Operating Systems	Change Management
Information Security	Risk Management
Business Continuity	Service Capacity, Availability and Improvements
	Service Capacity, Availability & Improvement

ITEM	DESCRIPTION
Hardware	<ul style="list-style-type: none"> • Hardware must have sufficient capacity and resilience to support the Business peak load requirements. • Uninterruptable power solution should be in place during core business hours to avoid service disruption.
Operating System	<ul style="list-style-type: none"> • Operating system must be kept up to date in terms of patch updates and should be a version currently supported by the software provider. • Licensed operating system must be used by Firms and not pirated software.
Information Security	<ul style="list-style-type: none"> • Firewall must be installed to protect the network. • Password protection and enforcement of complex password across board. • Firm must have an email and website domain name. • Regular testing of security perimeter and internal network by professionals. • Up to date malware protection software and processes. • On-going staff education on Information Security ethics. • Access should be provided on a need to know basis.
Business Continuity	<ul style="list-style-type: none"> • Daily Backups with offsite storage. • Up to date business continuity plan, signed up by the business Executives and tested at least twice a year.

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<p>Documentation</p>	<ul style="list-style-type: none"> • Ensure up to date detail documentation of all activities and processes. Critical services and applications must have their standard operating procedures and workflows outlined.
<p>Change Management</p>	<ul style="list-style-type: none"> • All changes to the technology systems must be documented, tested and approved by appropriate senior management staff via a change control system that is auditable before implementation to ensure that availability risks are minimized. • Risks associated with any changes must be fully understood and a rollback plan detailed and where possible and tested before changes are implemented. This should also include new releases and updates.
<p>Risk Management</p>	<ul style="list-style-type: none"> • Firm must have a risk management process in place and undertake regular risk assessment programmes. • Operational, Market and Information risks must be fully identified and addressed, among others.
<p>Service Capacity, Availability & Improvement</p>	<ul style="list-style-type: none"> • A regular review of technology capacity should be conducted to match the available technology resources to business requirements and demands.