

NOTIFICATION OF AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE (DEALING MEMBERS' RULES) (PART XVI) & INVITATION FOR COMMENTS

I. Introduction

Following an assessment of the current market structure, the Nigerian Stock Exchange (“The Exchange”) is embarking on changes to its equities market structure in order to create an optimal market design that facilitates improved market depth, liquidity provision and price efficiency. The new market structure will create a level playing field for all market participants, and allow for the creation of new trading strategies. Specifically, Market Makers, and other Dealing Members will be able to participate across all trading sessions, to further support competitive pricing, reduced spreads, and best execution.

Whilst in most advanced markets the market structure is made available as a manual to market participants, currently, The Exchange’s market model has been codified into the Rulebook of The Exchange. However, matters like the structure and timing of trading sessions, market intermediary roles, trading operations, parameters, responsibilities, restrictions etc. are matters that may sometimes require swift amendments in order to address market exigencies. The codification of these matters in The Exchange’s Rulebook is at odds with flexibility and swiftness with which changes may be required to be made to these matters as market circumstances dictate.

After careful consideration, The Exchange is of the view that the interests of the market will be better served if certain of these are taken out of its Rulebook and fulsomely addressed in a living document to which amendments can be more flexibly and nimbly effected. It is envisaged that certain provisions will still remain in the Rulebook with appropriate amendments.

In order address the impacted portions that we propose to remove from the Rules, The Exchange has developed a Market Model and Trading Manual for Equities Market (Manual). The Manual will provide the standard guidance for trading of equities on The Exchange, and it will be reviewed as The Exchange deems appropriate from time to time. On the effective date of the new market structure, the Manual will be published on The Exchange’s website, as obtains in other markets.

In light the foregoing, The Exchange is proposing amendments to its Dealing Members’ Rules in its Rulebook by deleting certain portions of the following chapters of the Dealing Members’ Rules:

- (a) Chapter 3: Trading and Exchange Operations; and
- (b) Chapter 8: Market Making.

II. Summary of the Proposed Amendments

- (a) **Chapter 3: Trading and Exchange Operations:** as part of the proposed changes to the equities market structure, the following portions of Chapter 3 of the Rulebook (Dealing Members' Rules) are to be deleted:
- (i) Rule 15.2: Extension or Reduction of Trading Times – deletion of paragraph (b) on opening and closing time for trading sessions on The Exchange.
 - (ii) Rule 15.23: Trade Types – deletion of paragraph (b) on order entry parameters.
 - (iii) Rule 15.24: Order Entry and Execution – deletion of the entire Rule.
- (b) **Chapter 8: Market Making:** Paragraph (a) of Rule 24:6 on the obligations of Market Makers with respect to filling of orders is to be deleted from the Dealing Members' Rules.

III. Invitation for Comments

In line with best practice, The Exchange is exposing the aforementioned Manual, for stakeholders' comments. The Exchange is pleased to invite you to participate in the commentary process for developing the Manual. [A copy of the Manual may be viewed through the link provided here.](#)

Moreover, The Exchange also wishes to invite your participation in the process of reviewing the proposed Amendments to the Dealing Members' Rules and providing your comments thereon. [A set of the proposed Rule amendments may be viewed through the link provided here.](#)

The Exchange views your participation as important for the following reasons:

- To create public awareness and solicit the public's feedback on the Manual and the proposed Rule amendments; and
- To improve the quality of the Manual and the proposed Rule amendments and thereby have a robust, well written Manual and set of Rules.

We are involving as many stakeholders as possible in this commentary process in order to achieve the aforementioned goals. Please be assured that your comments will be considered in arriving at the final text of the Rules.

IV. Response and Timeline

We will be grateful to receive your comments not later than the close of business on Wednesday, 18 April 2018. Your comments should be set forth in a WORD document attached to an electronic mail to Mr. Oluwatoyin Adenugba, Head, Rules and Interpretation at The Exchange at oadenugba@nse.com.ng.



V. Approvals

Please note that the draft Rules are subject to the approval of the National Council of The Exchange, and the Securities and Exchange Commission.

Tinuade T. Awe,
Executive Director, Regulation
19 March 2018