

**NOTIFICATION OF AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE, 2015  
(DEALING MEMBERS' RULES) (PART XI) & INVITATION FOR COMMENTS  
RULE 15.29: PRICING METHODOLOGY**

**I. Introduction**

The Exchange is proposing amendments to Rule 15.29: Pricing Methodology, Rulebook of The Exchange, 2015 (Dealing Members' Rules).

Rule 15.29 currently prescribes the process by which the prices of equity securities may be determined, and the minimum price movement for equity securities listed on The Exchange. Rule 15.29(a), states that “[s]ecurities shall trade in price increments of one (1) Kobo.” This is a “one size-fits-all” price movement or tick size for all equity securities. A tick size is the minimum price movement by which the price of a trading instrument can change.

Empirically, a very small “one size-fits-all” tick size can increase the risk of undue advantage for front runners, as well as other erroneous trading practices. In such instances, the liquidity providers, e.g., Market Makers and Institutional investors may be reluctant to submit limit orders, leading to a thin order book.

It is global best practice for exchanges to set price movements for securities in a manner which simplifies trading and promotes liquidity. The role played by price movements in every market structure, and its particular influence on the liquidity and trading momentum cannot be overemphasised.

**II. Summary of the Proposed Amendments**

The Exchange has considered the constraints of the current definition and practice of “*one size-fits-all*” price movement (One (1) Kobo) for all equity securities trading on The Exchange and has researched the tick size regulation in other leading jurisdictions. The inquiries revealed that most advanced markets do not adopt a “*one size-fits-all*” tick size for all equity securities. Consequently, The Exchange is proposing the following amendments to Rule 15.29: Pricing Methodology:

- (i) The classification of equities into groups for calculating price movements and price limits shall be as follows:

Group A: equities priced at ₦100.00 per share or above.



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Group B: equities priced at ₦5.00 per share or above but less than ₦100.00 per share.

Group C: equities priced at ₦0.01 per share or above but below ₦5.00 per share.

(ii) The minimum quantity of equities traded that will change the published price of an equity security shall be as follows:

(A) Group A: Ten Thousand (10,000) units (presently 50,000 units).

(B) Group B: Fifty Thousand (50,000) units (presently, 10,000 units).

(C) Group C: One Hundred Thousand (100,000) units (newly introduced).

(iii) The introduction of tick size, which is the minimum price movement that equities will trade shall be as follows:

(A) Group A: Ten (10) Kobo.

(B) Group B: Five (5) Kobo.

(C) Group C: One (1) Kobo.

### III. Invitation for Comments

The Exchange is pleased to invite you to participate in its rule making process. Your participation is required by way of reviewing the draft Rules and providing your comments thereon. A set of the Rules 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 draft Rules; and
- To improve the quality of the Rules and thereby have a robust, well written set of Rules.

We are involving as many stakeholders as possible in this rule making 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, 15 June 2016. Your comments should be set forth in a WORD document



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attached to an electronic mail to Mr. Oluwatoyin Adenugba of the Rules and Interpretation Department of The Exchange at [oadenugba@nse.com.ng](mailto:oadenugba@nse.com.ng).

**V. Approvals**

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

Tinuade T. Awe,  
**General Counsel | Head of Regulation**  
**16 May 2016**