

**NOTIFICATION OF AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE, 2015
(DEALING MEMBERS' RULES) (PART XII) & INVITATION FOR COMMENTS**

I. Introduction

The Exchange is proposing amendments to the Rulebook of The Exchange, 2015 ("Rulebook") (Dealing Members' Rules).

II. Summary of the Proposed Amendments

(a) **Amendments in Support of the Draft Disciplinary Procedure for Dealing Members of The Exchange (Disciplinary Procedure):** whilst preparing the proposed Disciplinary Procedure, The Exchange reviewed certain provisions of its Rules that are relevant to the Disciplinary Procedure, and decided to amend these Rules. The objective was to align the Rules with the draft Disciplinary Procedure, and properly set forth the position of The Exchange on the issues addressed in the reviewed Rules. The proposed Rules for amendment in that regard are as follows:

- (i) Rule 1.4: General Conduct
- (ii) Rule 1.19: Indemnification to The Exchange
- (iii) Rule 1.24: Definitions – Blacklisting, Indictment
- (iv) Rule 6.12: Specific Actions Requiring Prior Consent of The Exchange
- (v) Rule 6.14 (c): Revocation of Inactive Dealing Members' Licences
- (vi) Rule 8.12: Power to Suspend or Revoke the Registration of Authorized Clerks
- (vii) Rule 10.5: Compliance Officers - Definition of Roles, Responsibilities and Obligations
- (viii) Rule 19.1: Powers of Council to Discipline Members
- (ix) Rule 19.2: Specific Powers of Council
- (x) Rule 19.5: Suspension of Dealing Members Pending Investigation
- (xi) Rule 22.2: Eligibility to Act as Sub-Brokers
- (xii) Rule 22.5: Sanctions.

(b) **Rule 1.3: Authority to Administer Rules of The Exchange:** Rule 1.3 of the Rulebook (Dealing Members' Rules), gives the National Council of The Exchange ("Council") the authority to administer the Rules of The Exchange, and to exercise all powers and discretions in that regard.



THE Nigerian STOCK EXCHANGE

Council, by the provisions of Rule 19.1(b), delegated its disciplinary powers to the Disciplinary Committee. Also, the same Rule empowers the Chief Executive Officer of The Exchange to exercise other disciplinary powers and impose various sanctions as prescribed in Rule 19.10. Consequently, the proposed amendment is to show that the Council's powers to administer the Rules are exercised through the various administrative and governance channels existing within The Exchange. Hence, it is necessary to delete the word "The Council" from Rule 1.3.

The objective of amending this rule is to reflect the appropriate position regarding the administration of the Rules of The Exchange. The amendment also sets forth clearly the authority of the Management of The Exchange to administer its Rules and exercise the required discretions in various circumstances as they arise. This will enable The Exchange to carry out its regulatory functions and address regulatory issues without delay.

- (c) **Rule 1.6: Duty to Observe and Report Breaches:** the proposed amendment is to give The Exchange the discretion to reduce or waive applicable sanctions where a Dealing Member promptly and voluntarily reports its inadvertent breach of any of The Exchange's Rules and Regulations.
- (d) **Rule 7.4: Submission of Financial and Non-Financial Reports to The Exchange; and**
- (e) **Rule 7.5: Extension of time for Submission of Audited Financial Statements, and Quarterly Returns:** the current rule on granting of extension for the submission of financial statements is currently limited to only audited financial statements and it is for a maximum period of four (4) weeks. However, recently, The Exchange has received several applications for extension of time for the submission of quarterly returns for various reasons. The Exchange has also received some requests for additional extensions of time for the submission of audited financial statements for reasons beyond the control of the firm. In addition, at a recent meeting with the Securities and Exchange Commission, it was decided that The Exchange should review the period within which its Dealing Members would submit their quarterly returns from forty-five (45) calendar days to thirty (30) calendar days from the end of the quarter.

Consequently, the objective of amending these rules is to review the period within which Dealing Members will submit their quarterly returns from forty-five (45) calendar days to thirty (30) calendar days from the end of the quarter; ensure that they include penalties for non-submission of other periodic reports to enhance compliance; increasing the extension period for the submission of audited financial



statements from four (4) to eight (8) weeks; and granting an extension period of four (4) weeks for quarterly returns.

- (f) **Rule 19.4: Retention of Jurisdiction over Former Employees and Directors:** in view of the supervisory role of the Board of Directors over the management of Dealing Member Firms, it has become necessary to make directors more accountable for the activities of the management whom they oversee.

Directors are persons duly appointed by the company to direct and manage the business of the company. However, it has been observed that directors are often quick to resign in instances where the firms have either been mismanaged or exposed to disciplinary action for violation of the Rules without any form of liability or accountability.

Rule 19.4 currently gives The Exchange jurisdiction over former employees but this jurisdiction does not extend to directors. The objective of the proposed amendment is to make the rules more encompassing to hold both the management and board of Dealing Member firms accountable for activities which took place during their tenure.

- (g) **Rule 19.13: Expulsion of Dealing Member:** this Rule is being amended to align the provisions of the Rule with the procedure for expulsion of a Dealing Member as provided down in the Memorandum and Articles of Association of The Exchange.

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 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 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 Tuesday, 9 August 2016. Your comments should be set forth in a WORD document attached to an electronic mail to Mr. Oluwatoyin Adenugba of the Rules and Interpretation Department of 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,
General Counsel | Head of Regulation
12 July 2016