

NOTIFICATION OF THE DRAFT DISCIPLINARY PROCEDURE FOR DEALING MEMBERS OF THE NIGERIAN STOCK EXCHANGE & INVITATION FOR COMMENTS

I. Introduction

The Exchange is currently reviewing the disciplinary process for addressing the breaches of its Rules by its Dealing Members, in order to enhance the efficiency of the process.

To achieve this, The Exchange has carried out an extensive evaluation of the effectiveness and adequacy of the Dealing Members' Rules, the Code of Conduct for Members of the Investigation Panel, and the Terms of References for the Disciplinary Committee of the Council of The Exchange, amongst others. It has also reviewed the disciplinary process of its Dealing Members to see if it accords with the current Memorandum and Articles of Association of The Exchange, as well as statutory and regulatory requirements for disciplinary processes within the Nigerian capital market.

The current order of the flow of disciplinary matters within The Exchange, which is stated below were also considered:

- a. Management to the Investigation Panel of The Exchange
- b. Investigation Panel of The Exchange to the Disciplinary Committee ("The Committee") of the National Council ("The Council")
- c. The Committee to The Council
- d. The Council to the Securities Exchange Commission ("SEC").

Further to the above exercise, The Exchange has prepared a draft Disciplinary Procedure for Dealing Members of The Nigerian Stock Exchange ("Disciplinary Procedure"). Upon its approval, the Disciplinary Procedure shall apply in the event of breaches of applicable Rules of The Exchange by its Dealing Members.

II. Summary of the Proposed Disciplinary Procedure

A summary of the proposed Disciplinary Procedure includes the following:

a. The general principles of The Exchange's disciplinary process with regard to investigations and adequacy of remedial actions; matters that will be considered by The Exchange in arriving at a decision, such as the seriousness, size and nature of the breach of The Exchange's Rules, circumstances that led to the discovery of the breach, the actual or potential market impact of the breach, the extent to which the



breach was deliberate or reckless, the general compliance history of the Dealing Member, and specific history regarding the breach in question and other matters.

- b. To improve turnaround time, the Disciplinary Procedure also designates Administrative Breaches, as well as Minor Rule Breaches; and provides that where the Dealing Member accepts unconditional responsibility for a Breach, The Exchange will apply the applicable Default Penalties. There are provisions for notifying Dealing Members of administrative breaches, the procedure for acceptance by the Dealing Member of such Notice, and other requirements.
- c. In addition, the Disciplinary Procedure sets forth the following three (3) Disciplinary Organs of The Exchange namely, the Adjudication Panel; the Appeals Committee; and the National Council. The constitution, jurisdiction, powers and procedure of the Adjudication Panel and the Appeals Committee are spelt out.
- d. Lastly, the Disciplinary Procedure allows Consent Orders which involve The Exchange and the Dealing Member negotiating a proposed settlement, to be jointly submitted in writing to the Adjudication Panel for approval. However, the Disciplinary Procedure clarifies that Consent Orders cannot be entered for cases like insider trading, accounting fraud, market manipulation and other egregious Rule violations as The Exchange may determine.

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 Disciplinary Procedure and providing your comments thereon. The Disciplinary Procedure may be viewed through the <u>link provided here</u>.

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

- To create public awareness and solicit the public's feedback on the draft Disciplinary Procedure; and
- To improve the quality of the Disciplinary Procedure and thereby have a robust, well written document.

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 Disciplinary Procedure.



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 Disciplinary Procedure is subject to the approval of the National Council of The Exchange and the Securities and Exchange Commission.

T, Aue,

General Counsel | Head of Regulation

12 July 2016