

DATED

SUB-BROKER AGREEMENT¹

Between

[INSERT DEALING MEMBER'S NAME]

And

[INSERT SUB-BROKER'S NAME]

¹ This Agreement is intended to serve as a guide to the Parties. Therefore, the clauses contained herein are not exhaustive BUT ARE REQUIRED TO BE MAINTAINED; Parties are at liberty to insert additional clauses as are applicable to them and their transactions and to also insert clauses that it has been indicated they should insert. IT SHOULD ALSO BE NOTED THAT ADDITIONAL AMENDMENTS TO THIS AGREEMENT MAY BE REQUIRED BY THE PARTIES IN LINE WITH THE NIGERIAN STOCK EXCHANGE'S GUIDELINES FOR DEALING WITH SUB-BROKERS

THIS AGREEMENT is dated [Insert date]

PARTIES

- (1) [Insert Dealing Member's name], a company incorporated under the Laws of the Federal Republic of Nigeria with RC Number [●], whose registered office is at [REGISTERED OFFICE ADDRESS] (**The Dealing Member**), which expression shall where the context so admits, include its, successors-in-title and assigns) of the first part; and
- (2) [Insert Sub-broker's name], a company incorporated under the Laws of the Federal Republic of Nigeria with RC Number [NUMBER], whose registered office is at [REGISTERED OFFICE ADDRESS] (**Sub-Broker**), which expression shall where the context so admits, include its, successors-in-title and assigns) of the second part.

The Dealing Member and **the Sub-broker** are referred to individually as a "Party" and collectively as the "Parties".

RECITALS

1. [Insert Recitals/background of the relationship and the Parties]

AGREED TERMS

1. DEFINITIONS AND INTERPRETATION

- 1.1 Clients means (*Parties should insert a definition which indicates the clients that form the basis of this relationship*)
- 1.2 The Exchange means The Nigerian Stock Exchange
- 1.3 SEC means the Securities and Exchange Commission
- 1.4 [Insert additional definitions as Parties deem applicable].

2. ARRANGEMENT BETWEEN DEALING MEMBER AND THE SUB-BROKER

- 2.1 The Parties hereby acknowledge and agree that the Sub-Broker shall act within the scope of the authority given to it under this Agreement.
- 2.2 The Parties hereby agree that the Sub-Broker shall not undertake any activities as a Sub-Broker to the Dealing Member unless it has been registered by the SEC as a Sub-Broker and The Exchange has approved for the Dealing Member to appoint the Sub-Broker as its Sub-Broker.

3. OBLIGATIONS OF THE DEALING MEMBER

The Dealing Member shall be responsible for the following obligations, amongst others:

- 3.1 Jointly with the Sub-Broker, establish a complaints resolution mechanism between itself and the Sub-Broker for the clients, which complaints resolution mechanism must be acceptable to The Exchange.
- 3.2 Maintain a separate record including accounts in respect of the dealings in securities entered into on behalf of the ultimate client.
- 3.3²

4. OBLIGATIONS OF THE SUB-BROKER

The Sub-Broker shall be responsible for the following obligations, amongst others:

- 4.1³
- 4.2 Ensure that its sponsored individual(s) shall be an Associate Member(s) of the Chartered Institute of Stockbrokers (CIS) or a first degree holder(s) in a relevant field with a minimum of 5 years working experience excluding National Youth Service and such an individual(s) has an authorised clerk license from The Exchange.
- 4.3 Ensure that it complies with The Exchange's Rules and Regulations Governing Dealing Members and all Capital Market rules and regulations including the Know Your Customer requirements ('KYC'), as stipulated in Article 102 of The Exchange's Rules and Regulations Governing Dealing Members.
- 4.4 Ensure that it maintains similar legal and regulatory standards expected from Dealing Members and that it complies with all relevant laws, rules and regulations applicable to the Dealing Members in relation to the purchase, sale or dealing in securities.
- 4.5 Jointly with the Dealing Member, establish a complaints resolution mechanism between itself and the Sub-Broker, which is acceptable to The Exchange.
- 4.6 Maintain a separate record including accounts in respect of the dealings in securities entered into on behalf of the ultimate client.

² Insert other provisions which the Parties feel are relevant and also insert provisions which explain the nature of the relationship with the Parties and the commercial expectations of the Parties

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4.7 Display the name of the Dealing Member in a conspicuous and legible form in the Sub-broker's office.

4.8 Keep proper records and books of account in respect of all transactions.

5. OBLIGATIONS OF BOTH PARTIES

5.1 The Parties shall ensure that the Dealing Member's logo and the Sub-broker's logo should be reflected on all receipts, documents and other correspondences in respect of any securities transaction.

5.2 Each of the Parties hereby agree that any information provided to it by the other Party shall be maintained in strict confidence by such Party, provided that such information shall be provided to The Exchange upon request.

5.3 Each of the Parties shall promptly notify the other Party of any proposed material change in its status, constitution, business, etc., which would likely impact on the trading arrangement between the Dealing Member and the Sub-Broker.

6. DURATION

6.1 ⁴.

7. CONSIDERATION/COMMISSION/BROKERAGE FEE

7.1 The Dealing Member shall ensure that there is a mutual understanding between it and the Sub-Broker with respect to the consideration for this Agreement, which will be the sharing of the brokerage/commission from client transactions between them. Provided however, that the brokerage fee/commission payable to the Sub-Broker shall not exceed [●]⁵ per cent of the value of transaction carried out by the Dealing Member for the clients. The brokerage fee/commission shall be subject to any changes by the SEC or The Exchange to the commission receivable for client transactions, and as such may be amended by the Parties.

8. INDEMNITY

8.1 Without prejudice to the Dealing Member's liability to The Exchange, the Sub-broker shall be liable to and shall fully indemnify and hold the Dealing Member harmless from and against all claims, charges, demands, liabilities, judgments, costs, penalties, expenses, damages, losses and/or fees suffered or incurred by arising from any claim against the Dealing Member or incurred by the Dealing

⁴ Parties should insert the provisions which deal with their commencement date and the duration of the Agreement.

⁵ Parties should insert the amount agreed on

Member in respect of any unauthorised transaction(s) undertaken by the Dealing Member on behalf of the Sub-Broker, provided that the Sub-Broker duly authorised the Dealing Member to undertake such transactions on its behalf.

8.2 ⁶

9. AUDIT RIGHTS

9.1 During the duration of this Agreement and for a six (6)-month period thereafter, the Dealing Member shall have the right during normal business hours and upon 24 hours written notice to the Sub-Broker to audit and review the records, business, activities and controls of the Sub-Broker. The audit shall be conducted by the Dealing Member or its Affiliates, or a designee of the Dealing Member in such a manner as not to unreasonably interfere with the Sub-Broker's business operations. The Dealing Member and its Affiliates or designee shall also have the right to make, at their sole expense, copies of any books, documents and records of the Sub-Broker relevant to the audit. In the event that an audit by the Dealing Member and/or its Affiliates and/or its designee reveals any inaccuracies or breaches of this Agreement by the Sub-Broker, the cost of the audit will be borne by the Sub-Broker and the Dealing Member may further decide to terminate the Agreement in line with Clause [●] The Parties agree that the confidentiality obligations in this Agreement shall apply to the process of any audit conducted under this Agreement. The Sub-Broker shall during such audit provide all the necessary assistance required by the Dealing Member or its Affiliates, or a designee, provide the Dealing Member or its Affiliates, or a designee with all the information required and access to meet with and discuss with anyone within the control of the Sub-Broker which the Dealing Member or its Affiliates, or a designee needs to see in order to properly conduct the audit. The Dealing Member's failure to conduct an audit pursuant to this Clause shall not relieve the Sub-Broker from its responsibilities to comply fully with the terms and conditions of this Agreement.

10. TERMINATION ⁷

10.1 Dealing Member's Right of Termination

10.1.1 The Dealing Member may immediately in writing to the Sub-Broker terminate this Agreement where:

- a) The Exchange notifies the Dealing Member that Dealing Members are no longer allowed to utilise the services of the Sub-Broker; or

⁶ Parties should insert other indemnity provisions which they feel are important to them.

⁷ Parties are expected to include other termination provisions such as terminations with notice and without notice for breach, insolvency etc.

- b) The SEC de-registers or suspends the Sub-Broker; or
- c) During an audit of the Sub-Broker, the Dealing Member discovers that the Sub-Broker has been providing the Dealing Member with inaccurate information or has breached the terms of this Agreement.

10.2 Consequences of Expiration or Termination

10.2.1 Where the termination of the Agreement is with notice or where the Parties have agreed not to renew the term of the Agreement prior to its expiration, before the date on which the expiration or termination of this Agreement becomes effective:

- a) ⁸..... (*Parties are required to state what happens to the clients of the Sub-Broker upon termination; for example, it is expected that all mandate instructions received from clients must be duly executed before the termination of the Agreement and if not, a clear and seamless process must be stated for concluding the execution of such pending client orders in line with best execution obligations. Parties should also indicate whether or not the clients are to be retained by the Dealing Member. In the event that the clients are to be transferred to a new Dealing Member pursuant to the termination, the Agreement should also: (i) stipulate a reasonable time frame within which to finalise the transfer of clients' accounts from the current Dealing Member to another Dealing Member; (ii) indicate whose responsibility it is to communicate/introduce the new parties (i.e. clients and the new Dealing Member); (iii) stipulate who will bear any associated costs of transfer; (iv) stipulate that Parties will co-operate with each other and do all that is necessary to achieve an effective, efficient and a seamless transfer/hand-over process, including prompt execution of any relevant documents and the provision/disclosure of any necessary documents/information; and (v) Parties should expressly undertake to do all of the foregoing; etc.*).

10.3 Where the termination of the Agreement is without notice or where the Agreement expires before decisions are taken on the handover process after the expiration of the Agreement, within two days of the termination or expiration of the Agreement:

- a) ⁹..... (*Parties are required to state the steps to finalise the transfer of clients' accounts from the current Dealing Member to another Dealing Member. There should also be a clear arrangement on how to handle any pending client orders which were received prior to the termination of the Agreement*).

⁸ Parties should insert provisions regarding how handovers are to take place after the termination or expiration of the Agreement with respect to issues such as clients.

⁹ Parties should insert provisions regarding how handovers are to take place after the termination or expiration of the Agreement with respect to issues such as clients.

10.4 The expiration or termination of this Agreement for whatever reason shall not affect the accrued rights of the Parties arising in any way out of this Agreement as at the date of expiration or termination.

10.5 Upon the expiration or termination of this Agreement, all the provisions of this Agreement which are expressed to survive the expiration or termination of the Agreement or which are required to give effect to such expiration or termination or the consequences of expiration or termination or by implication ought to survive, will survive the expiration or termination of this Agreement howsoever occurring.

11 SEVERANCE

11.1 If a court of competent jurisdiction or other competent body decides that any provision of this Agreement is void or otherwise ineffective but would be valid and effective if appropriately modified, such provision will, to the extent possible, be modified with a legal, enforceable, and valid provision that is as similar in tenor to the stricken provision as is legally possible to make it valid and effective. If such a provision cannot be so modified, the invalidity or ineffectiveness thereof will not affect or impair the validity or legal effect of any other provision of this Agreement.

12 GOVERNING LAW, JURISDICTION AND DISPUTE RESOLUTION

This Agreement shall be governed by, and construed in accordance with, the laws of the Federal Republic of Nigeria.

Parties should insert other Boiler Plate Clauses which they feel are relevant to them e.g. Confidentiality, Intellectual Property, Waiver, Variation etc.

[Insert execution block as applicable]