

CIRCULAR TO ALL DEALING FIRMS

November 14, 2014

PRE-OPEN ORDERS: POTENTIALLY FICTITIOUS AND DECEPTIVE TRADING

The Exchange has observed that some Dealing Members engage in the practice of entering orders in small volumes which have the effect of moving the prices of securities during the pre-open auction session.

Dealing Members are hereby reminded about the Pricing Methodology Rule in Article 100(d)(2) of the Rules and Regulations Governing Dealing Members (Amendments and Additions Part I). The provision addresses price movements and price limits and states that the minimum quantity traded that will change the published price of an equity security shall be - Group A: 50,000 units, Group B: 10,000 units. Under this provision, an order of at least 10,000 units is required to move the price of stocks trading at ₦100 or above, whilst an order of at least 50,000 units is required to move the price of stocks trading below ₦100.

Dealing Members are also reminded that further to Article 104A of the Rules and Regulations Governing Dealing Members (Amendments and Additions Part I), titled *Churning, Fictitious or Deceptive Trading Patterns*, they are forbidden from engaging in transactions the primary purpose of which is to **unduly or improperly** influence the market price of securities.

The Exchange takes strong exception to the entry of small volumes which have the effect of circumventing the provisions of Article 100 and improperly influencing the market price of securities. Such activities will be treated as violation of Article 104A. Dealing Members are hereby warned to desist from engaging in any of the afore-mentioned activities; or risk being subject to enforcement measures by The Exchange.

Please be guided accordingly.



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