

SPONSORED ACCESS RULES¹

1.0 Introduction

The objective of the Sponsored Access Rules (the “Rules”) is to enable entities that are not Dealing Members of The Exchange to participate in the Nigerian capital market by granting them access to The Exchange’s trading facilities through Dealing Members of The Exchange. These Rules set forth the conditions under which such access may be granted and regulate the exercise of same.

2.0 Definitions

Member System: means any system administered and controlled solely by the Sponsoring Member that applies the pre-and post-trade financial and regulatory controls set forth in the Rules.

Sponsored Access: means the electronic access arrangement under which a Dealing Member of The Exchange (“Sponsoring Member”) permits an entity that is not a Dealing Member (“Sponsored Participant”) to transmit Orders using a Sponsored Access System, but the Orders do not pass through the Sponsoring Member System prior to reaching The Exchange’s Trading System.

Sponsored Access Officer: means an employee of the Sponsored Member, who shall be a competent person, as its contact person responsible for all matters connected with its Sponsored Access arrangements, including giving adequate responses to enquiries by an Exchange.

Sponsored Access System: means any system that applies pre-and post-trade financial and regulatory controls set forth in the Rules and that is not administered and controlled solely by the Sponsoring Member.

¹ Rule Making History

1. The draft Rules were reviewed by the Rules and Adjudication Committee of Council at its retreat of 8 to 9 November 2013;
2. The draft Rules were exposed from 12 to 26 November 2013 for stakeholders’ comments;
3. The draft Rules were reviewed at the Securities and Exchange Commission’s (SEC) Rules Committee meeting of 30 January 2014;
4. Additional comments were received from the SEC on 4 April 2014 and the revised rules were submitted to the SEC on 17 April 2014;
5. The SEC’s approval of the rules was received on 19 May 2014.

- Sponsoring Member:** means a Dealing Member that provides a Sponsored Participant with access to The Exchange's Trading System to enable the Sponsored Participant to enter Orders into The Exchange's Trading System using a Sponsored Access System.
- Sponsored Participant:** means an entity that is not a Dealing Member of The Exchange that is granted access to the trading platform of a foreign Exchange through a Sponsoring Member using a Sponsored Access System.
- Third Party Provider:** means a firm that provides a Sponsored Access System to Sponsored Participants for accessing an Exchange's Trading System.

3.0 Approval

- 3.1 No Dealing Member of The Exchange shall enter into a Sponsored Access arrangement with any foreign or Nigerian broker dealer unless it has obtained the prior written approval of The Exchange to such arrangement.
- 3.2 An application for the written approval of The Exchange to a Sponsored Access arrangement shall be made in such manner as may be prescribed by The Exchange from time to time.
- 3.3. The application shall be accompanied by a written certification from the proposed Sponsored Participant that it has received a copy of the Rules and Regulations of The Exchange and it is prepared to abide by them.

4.0 Obligation to Provide Information to The Exchange

- 4.1 The Exchange may at any time require a Sponsoring Member to provide information regarding its Sponsored Access arrangements.
- 4.2 The Sponsoring Member shall inform The Exchange of any material change with respect to its Sponsored Access arrangements not later than 24hours after discovery of the occurrence of such a change.

5.0 Responsibility

- 5.1 Every Sponsoring Member that enters into an arrangement with a Sponsored Participant to provide Sponsored Access shall do so through a Sponsored Access System. A Sponsoring Member may provide access to multiple Sponsored Participants.
- 5.2 A Sponsoring Member that provides Sponsored Access shall be responsible for all trading conducted by the Sponsored Participant pursuant to the Sponsored Access arrangement to the same extent as if the Sponsoring Member directly conducted such trading and shall be responsible for ensuring regulatory returns of all trades carried out by the Sponsored Participant.
- 5.3 The Sponsoring Member shall have the same liability for Orders which are placed by a Sponsored Participant pursuant to a Sponsored Access arrangement as for Orders which the Sponsoring Member places in any other manner; and the Sponsoring Member shall be liable for any and all actions taken using its electronic connections to The Exchange's Trading System, regardless of whether such actions are taken by an authorized representative of the Sponsoring Member, the Sponsored Participant or any other party.

6.0 Monitoring

- 6.1 The Sponsoring Member shall appoint one of its employees, who shall be a competent person, as its contact person responsible for all matters connected with its Sponsored Access arrangements, including giving adequate responses to enquiries by The Exchange. This employee shall be referred to as the Sponsored Access Officer. The Sponsoring Member shall also appoint a competent relief officer for the substantive Sponsored Access Officer.
- 6.2 The Sponsoring Member shall provide The Exchange with the resume of its Sponsored Access Officer and the substitute. The Sponsoring Member shall ensure that it notifies The Exchange in writing and not later than 24hours after discovery of any changes to the information provided with respect to the Sponsored Access Officer and the substitute.
- 6.3 The Sponsoring Member shall be responsible for implementing policies and procedures for supervising and monitoring all trading effected pursuant to its Sponsored Access arrangements in order to ensure that the creation and conduct of such arrangements are in compliance with all applicable rules and regulations. This obligation shall apply irrespective of the manner in which orders pursuant to such arrangements reach The Exchange.

- 6.4 The policies and procedures established pursuant to Rule 6.3 above shall include appropriate technical and administrative procedures aimed at ensuring that Orders placed through Sponsored Access arrangements do not violate The Exchange's Rules and Regulations.
- 6.5 Where a Sponsoring Member loses the capability to monitor the trading activity of its Sponsored Participant for any reason, the Sponsoring Member shall inform the Exchange of that fact not later than 24hours of such inability. Upon receiving such notification from the Sponsoring Member, the Exchange may, in its sole discretion, immediately terminate access by disconnecting the Sponsored Participant's trading session.
- 6.6 The Exchange maintains the discretion to adjust any of the timelines in these Rules as may be required in the specific circumstances.

7.0 Essential Terms of Sponsored Access Agreements

- 7.1 All Agreements for Sponsored Access shall be subject to approval by The Exchange.
- 7.2 At a minimum, Sponsoring Members providing Sponsored Access shall include in their written agreements with Sponsored Participants provisions addressing the matters set forth below:

I. General Provisions

- A. All trading activity executed by the Sponsored Participant shall comply with all applicable laws and regulations, including but not limited to The Exchange's Rules and Regulations.
- B. Each Sponsored Participant shall promptly upon request provide its Sponsoring Member with access to such books, records or financial information that are necessary to enable the Sponsoring Member to fulfill its regulatory obligations with respect to all activity of the Sponsored Participant within the Sponsored Access arrangement; and shall cooperate with the Sponsoring Member in the Sponsoring Member's compliance with all applicable regulatory requirements.
- C. Information provided by Sponsored Participants to Sponsoring Members shall be maintained as confidential by the Sponsoring Member, provided that such information shall be provided to The Exchange upon request.

- D. Each Sponsored Participant shall maintain its trading activity within the credit, product or other financial limits specified by its Sponsoring Member.
- E. Each Sponsored Participant shall procure and maintain requisite technology permitting sponsored access to The Exchange's Trading System in a physically secure manner and shall not permit unauthorized individuals to use or thereby obtain access to The Exchange's Trading System.
- F. Each Sponsored Participant shall ensure that its authorized individuals:
 - (i) Familiarize themselves with all applicable regulatory requirements; and
 - (ii) Receive appropriate training prior to using or accessing the Exchange's Trading System.
- G. Where it is determined by the Exchange that permitting continued access to a Sponsored Participant poses serious risk to the trading system of the Exchange or the integrity of the market:
 - (i) the Sponsoring Member shall have the right to immediately terminate the Sponsored Access arrangement; and
 - (ii) the Exchange shall immediately terminate the Sponsored Access arrangement in such manner as it determines fit, including physically terminating access to the trading system in respect of such arrangements.
- H. A Sponsored Participant's access shall be suspended where its Sponsoring Member has been suspended by The Exchange.
- K. Information provided by Sponsored Participants to Sponsoring Members shall be maintained as confidential by the Sponsoring Member, provided that such information shall be provided to The Exchange upon request.

II. Financial Control Provisions

- A. Each Sponsoring Member shall establish adequate procedures and controls that enable it to effectively monitor and control its Sponsored Access arrangements in order to systemically limit the Sponsoring Member's financial exposure. At a minimum, the Sponsored Access System shall be reasonably designed to prevent:
 - (i) each Sponsored Participant from entering Orders that in aggregate exceed appropriate pre-set credit limits including finely-tuned credit limits by sector, security or otherwise;

- (ii) sponsored Participants from trading products that the Sponsoring Member is restricted from trading or that the Sponsored Participant is restricted from trading for reasons specific to the Sponsored Participant; and
- (iii) sponsored Participants from submitting erroneous Orders by providing for the rejection of Orders that exceed certain price or size parameters, on an Order-by-Order basis or over a short period of time, or that indicate duplicative Orders.

III. Regulatory Control Provisions

- A. Each Sponsoring Member shall establish adequate procedures and controls reasonably designed to permit it to effectively monitor and control its compliance with applicable regulatory requirements in the context of its Sponsored Access arrangements.
- B. Each Sponsoring Member shall have systemic controls reasonably designed to ensure compliance by the Sponsored Participant with all applicable regulatory requirements.
- C. Each Sponsoring Member shall ensure that appropriate supervisory personnel receive and review timely reports of all trading activity by its Sponsored Participants sufficient to permit the Sponsoring Member to comply with applicable regulatory requirements, and to monitor for illegal activity such as market manipulation or insider trading.
- D. At a minimum, appropriate supervisory personnel should receive the following:
 - (i) immediate post-trade execution reports of trading activity of all Sponsored Participants, including their identities;
 - (ii) all required audit trail information by no later than the end of the trading day;
 - (iii) all information necessary to create and maintain the trading records required by applicable regulatory requirements not later than the end of the trading day; and
 - (iv) appropriate supervisory personnel shall review execution reports and all other reports immediately.
- E. Every Sponsoring Member that provides Sponsored Access shall enter into and maintain an agreement with each Third Party Provider, specifying which of the financial and regulatory controls provisions above are satisfied by the technology provided, and the agreement shall provide for the following obligations:
 - (i) Third Party Providers shall promptly upon request provide Sponsoring Members with access to such books, records or financial information that are necessary to allow the Sponsoring Member to fulfill its regulatory obligations with respect to all activity of the Sponsored Participant within the Sponsored Access arrangement; and

(ii) Third Party Providers shall cooperate with the Sponsoring Member in the Sponsoring Member's compliance with all applicable regulatory requirements.

8. Third Party Providers

8.1 Third Party Providers shall procure and maintain requisite technology permitting Sponsored Access to The Exchange's Trading System in a physically secure manner and shall not permit unauthorized individuals to use or thereby obtain access to the Exchange's Trading System.

8.2 The Exchange shall maintain the right to audit the quality assurance processes of any Third Party Provider connecting to The Exchange on an ongoing basis. Such providers shall be expected to maintain a rigorous methodology for software development, change control, release management and quality assurance.

9. Information Security Audits

An Exchange shall from time to time perform information security audits of the end to end systems implemented by third party providers and in use by the Sponsoring Members and Sponsored Participants.