

INTERPRETATIVE GUIDANCE OF THE NIGERIAN STOCK EXCHANGE AND THEIR NAMING CONVENTION

I. Introduction

The Nigerian Stock Exchange (The Exchange) as a Self-Regulatory Organisation¹ is empowered to make Rules and Regulations to guide its members and conduct within its market.

The Exchange, in carrying out its rulemaking function, seeks to promote just and equitable principles of trade, remove impediments to and improve the mechanism of a free and open market; and protect investors and the public interest. To enhance this function, The Exchange often attends to requests for clarification of certain aspects of its Rules from stakeholders. Often, these requests for clarification seek to determine whether specific conduct is permitted or prohibited or whether an interpretation accords with The Exchange's intent with respect to a specific rule or regulation. For a number of reasons, including:

- (i) the negative consequences that may accrue for violations of The Exchange's Rules and Regulations;
- (ii) engendering transparency with respect to The Exchange's regulatory framework; and
- (iii) providing the benefit of The Exchange's interpretation to an audience broader than those who specifically request it,

The Exchange has decided to forthwith adopt the practice of releasing Interpretative Guidance to market participants and stakeholders in appropriate cases.

II. When does an Interpretative Guidance Become Necessary?

An Interpretative Guidance may become necessary when The Exchange receives the same question about a Rule or Regulation from several sources; or there are two or more plausible interpretations of a Rule; or the implementation of a Rule could lead to unintended consequences or illogical results; or the Rule as applied will occasion a departure from pre-existing standard practice with which market participants are familiar; or an entity in a position of authority interprets the Rule differently.

Rule interpretation is a process that shares some characteristics with rulemaking. The Exchange expects both functions to influence the behaviour of market participants. Therefore, in preparing its Interpretative Guidance, there is careful consideration of the matters involved, with particular concern for their implications on market participants, investors and other stakeholders.

III. Status of Interpretative Guidance

Interpretative Guidance are not binding on The Exchange. However, they are of persuasive authority in an enforcement action by The Exchange. The Exchange will take into account whether a party has complied with its Interpretative Guidance whilst monitoring compliance with its Rules and Regulations. Although not mandatory, The Exchange may request a market participant to explain a decision to deviate from its Interpretative Guidance.

¹ Registered by the Securities and Exchange Commission (SEC) pursuant to Section 28 of the Investments and Securities Act, 2007

IV. Naming Convention

In line with the foregoing and in order to have a logical process to issuing Interpretative Guidance, The Exchange has developed a '*Naming Convention*' for its Interpretative Guidance. The Naming Convention is for ease of reference, to avoid confusion, to show the relationship of a subsequent Interpretative Guidance with a previous one, and to aid recognition of each Interpretative Guidance as unique to the subject it addresses.

For example, each Interpretative Guidance issued by The Exchange will be dated and numbered in the following manner:

“NSE/LARD/RID/IG1/OER1/11/14”

Please note the following legend:

- NSE** = The Nigerian Stock Exchange
- LARD** = Legal and Regulation Division
- RID** = Rules and Interpretation Department
- IG1** = Interpretative Guidance – please note that every Interpretative Guidance will be assigned a number which will be unique to it and any other Interpretative Guidance issued after it will be numbered consecutively, i.e., 1,2,3, e.t.c.
- OER1** = Obvious Error Rule - this is an acronym derived from the first letter of every word in the short title of a Rule, or the words that most easily describe a Rule. Here, each acronym is numbered consecutively as well, to make provision for the possibility of the issuance of more than one Interpretative Guidance on a specific set of Rules. In which case, each one is numbered consecutively, i.e., 1, 2, 3, e.t.c.
- 11** = This refers to the number representing the month in which the Interpretative Guidance was issued. The number 11 stands for November. An Interpretative Guidance issued in June will be numbered 6.
- 14** = This refers to the last two digits of the year of issue of the Interpretative Guidance which in this case is 2014.

V. Closing

Interpretative Guidance will be released as often as The Exchange deems it necessary. It is hoped that the foregoing would sufficiently assist stakeholders as they use Interpretative Guidance to aid their interactions with The Exchange and its ecosystem.



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