

NSE/RD/R&I/IG4/LVTR1/03/18

**AMENDMENTS TO THE RULEBOOK OF THE EXCHANGE
(DEALING MEMBERS' RULES, AMENDMENTS - PART XIII A)**

RULE 15.32: LARGE VOLUME TRADES IN EQUITIES

INTERPRETATIVE GUIDANCE

1. INTRODUCTION:

On 16 October 2017, The Exchange received the approval of the Securities and Exchange Commission (“SEC” or “the Commission”) to the Amendments to Dealing Members’ Rules (Part XIII A), which include the Rules on Block Divestments in Equities, and the Rules on Large Volume Trades in Equities, (“the Rules”).¹ The Exchange via a Notice dated 17 October 2017, informed the market of the SEC’s approval of the Rules. Additionally, the Rules were made effective on 12 February 2018, pursuant to a Notice issued on 6 February 2018.

Further to the Rules becoming effective on 12 February 2018, The Exchange received various reactions and communications from the market with respect to certain aspects of the Rules, and their implementation. Consequently, The Exchange is issuing this Interpretative Guidance specifically on the Rules on Large Volume Trades in Equities (“the LVT Rules”), to provide guidance to the market on the application of the LVT Rules, as well as to provide relevant information required to comply with the LVT Rules.

The Rules serve as a tool for monitoring of trade movements that are likely to have a significant impact on the total daily volume/value of executed trades on The Exchange.

2. TEXT OF THE LVT RULES²

***Rule 15:32: Large Volume Trades in Equities ~~Notification of Trade in Securities~~
~~Amounting to 5% of an Issuer’s Total Listed Securities or More~~***

(a) All Dealing Members or Authorized Clerks who wish to trade in any equity amounting to ~~five per cent (5%):~~

¹ The full text of the Commission approved Rules is set forth in section 2 below and can be viewed on The Exchange’s website by following this link:

[http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20\(Part%20XIII A\)%20-%20Block%20Divestments%20%20and%20Large%20Volume%20Trades.pdf](http://www.nse.com.ng/regulation-site/Dealing%20Members%20Rules/Amendments%20to%20Dealing%20Members%20Rules%20(Part%20XIII A)%20-%20Block%20Divestments%20%20and%20Large%20Volume%20Trades.pdf)

² **Legend:** additions underlined, deletions ~~struck through~~

- (1) 5% or more, but less than thirty per cent (30%) of an Issuer's total listed equities;
- (2) Eighty (80) million units or more, but less than thirty per cent (30%) of an Issuer's total listed equities ~~or more~~; or
- (3) trade value equal to, or in excess of Eight Hundred Million Naira (₦800,000,000), or such other threshold value or portion of listed equities as The Exchange may from time to time prescribe, but less than thirty per cent (30%) of an Issuer's total listed equity,

~~shall notify~~ apply for and obtain the written approval of The Exchange before executing such large volume trades. This paragraph shall not apply if the transaction will lead to a material change in the Board and/or Management of a listed company.
~~or within twenty four (24) hours after such trades have been executed~~

- (b) ~~Notification~~ The application from the Dealing Member or Authorized Clerk to The Exchange shall be in form of:
- (1) A letter from the Dealing Member or Authorized Clerk informing The Exchange about the mandate received; and
 - (2) A copy of the mandate which shall be in the form of a letter ~~or electronic mail~~ from the shareholder to the Dealing Member or Authorized Clerk;
 - (3) A duly completed Large Volume Trading Authorisation Form of The Exchange submitted to the Market Operations function of The Exchange before any trade execution in the thresholds as set out in paragraphs a(1) to a(3) above.

The Exchange's response to the Dealing Member or Authorised Clerk's application shall be issued within twenty-four (24) hours of its receipt of the complete application.

- (c) Where the trade is to be executed outside the prevailing market price, the Dealing Member or Authorised Clerk shall provide to The Exchange before submission of the trade on the automated trading platform, the basis upon which the price of the transaction has been calculated in accordance with the procedure set out above.

~~(c)(d)~~ Any breach of this rule shall result in the suspension of the Dealing Member for ten (10) business days and payment of a fine of One Hundred and Fifty Thousand Naira (₦150,000). Where a Dealing Member executes a large volume trade without the prior approval of The Exchange, he shall be liable to suspension for a period of ten (10) business days and payment of a fine of not less than five per cent (5%) of the value of the large volume trade.

- (e) The fees due to The Exchange for large volume trades in equities shall be an amount that shall be prescribed by The Exchange from time to time, and payable upon the grant of The Exchange's approval and prior to the trade execution.

3. THE AMENDMENTS:

Highlights of the Amendments to the LVT Rules are as follows:

(a) **Change in the Applicable Thresholds for Large Volume Trades:**

Before the LVT Rules, The Exchange recognized trades volumes of Eighty Million (80,000,000) units, or trades of under five percent (<5%), of the outstanding shares of a company as large volume trades. The rationale for this recognition was that these volumes, were of the sort that would have a significant impact on the volume and value of the shares traded as well as the market as a whole.

Under the amendments to the LVT Rules, the parameters have been changed to include within its ambit, parameters to address the situation with large price cap equities that may not trade Eighty Million (80,000,000) units in a long period, but for which lesser volumes are likely to have significant impact on the total daily value of trades executed on The Exchange. Hence, the introduction of a value parameter of Eight Hundred Million Naira (~~₦~~800,000,000).

Also, previously trades above the threshold of five percent (5%) of traded shares were classified as block divestments and they required the approval of the Quotations Committee of the National Council of The Exchange (“the QCN”). Under the amended LVT Rules, the threshold of five percent (5%) for Large Volume Trades has been increased to a threshold that is less than thirty percent (<30%) to further reduce trade execution turnaround across the market, which will lead to a reduction in the number of Block Divestment mandates requiring approval of the QCN .

(b) **Approval of The Exchange Before Execution of Large Volume Trades:**

Previously, **Rule 15.32: Notification of Trade in Securities Amounting to five percent (5%) of an Issuer’s Total Listed Securities or More**, Rulebook of The Exchange (Dealing Members’ Rules) required notification to The Exchange by the executing Dealing Member before or within twenty-four (24) hours after the trade has been consummated or executed on The Exchange. The amendments to the Rule now requires Dealing Members to seek the approval of The Exchange before consummation or execution of such trades.

4. THE NEW REQUIREMENTS FOR LARGE VOLUME TRADES, AND GUIDANCE NOTES:

Extracts of relevant portions of the Rules are reproduced below, and guidance notes regarding these paragraphs are provided thereunder:

A. Thresholds for Large Volume Trades:

Rule 15.32 (a): Large Volume Trades in Equities

Text of the Rule:

a. *All Dealing Members or Authorized Clerks who wish to trade in any equity amounting to:*

- (1) 5% or more, but less than thirty per cent (30%) of an Issuer's total listed equities;*
- (2) Eighty (80) million units or more, but less than thirty per cent (30%) of an Issuer's total listed equities; or*
- (3) trade value equal to, or in excess of Eight Hundred Million Naira (~~₦~~800,000,000), or such other threshold value or portion of listed equities as The Exchange may from time to time prescribe, but less than thirty percent (30%) of an Issuer's total listed equity,*

shall apply for and obtain the written approval of The Exchange before executing such large volume trades. This paragraph shall not apply if the transaction will lead to a material change in the Board and/or Management of a listed company.

Guidance Notes A:

- (A1) All large volume trades from five percent (5%) but less than thirty percent (<30%) of a company's total listed equities will require a written approval of The Exchange prior to the execution of the trades via the LVT Authorization Form (NSE/MOP/001). A copy of the LVT Authorization Form (NSE/MOP/001) is attached to this Interpretative Guidance as Appendix 1.
- (A2) Notwithstanding the requirements of Rule 15.32 (a), at the present time and until further notice, where Dealing Members execute large volume trades of Eighty Million (80,000,000) units or more, or Eight Hundred Million Naira (~~₦~~800,000,000) and above, amounting to less than five percent (<5%) of an Issuer's total listed equities, The Exchange will not enforce Rule 15.32 (a), provided a notification of the transaction details is submitted to The Exchange via the LVT Notification Form (NSE/MOP/002) not later than twenty four (24) hours after execution of the trades. A copy of the LVT Notification Form (NSE/MOP/002) is attached to this Interpretative Guidance as Appendix 2.

Please see the table below for a summary of the requirements for large volume trades:

Thresholds	Requirements	Timelines
From 5% but less than <30% of total listed equities	Obtain prior approval of The Exchange via LVT Authorization Form (NSE/MOP/001)	Before execution of trades. The Exchange's approval to be issued within twenty-four (24) hours of receipt of complete application
80 million units (or more) and N 800 million (and above) amounting to less than <5% of total listed equities	No enforcement of Rule 15.32 (a) provided you give notification to The Exchange via LVT Notification Form (NSE/MOP/002) after execution.	Not later than twenty-four (24) hours after execution of trades

- (A3) Note that as the proviso to Rule 15.32 (a) provides that transactions that meet the set thresholds for Large Volume Trades, but which will lead to a material change in the Board and/or management of a listed company are not to be treated under this Rule. In such a case, the seller through a sponsoring Dealing Member, will be required to seek the approval of the QCN. Such a transaction will be treated in accordance with the Block Divestment Rules, pursuant to which Rules, the approval of the QCN is required.

B. Requirements for the Approval of Large Volume Trades:

Rule 15.32 (b): Large Volume Trades in Equities

Text of the Rule:

(b) The application from the Dealing Member or Authorized Clerk to The Exchange shall be in form of:

- (1) A letter from the Dealing Member or Authorized Clerk informing The Exchange about the mandate received; and*
- (2) A copy of the mandate which shall be in the form of a letter from the shareholder to the Dealing Member or Authorized Clerk;*
- (3) A duly completed Large Volume Trading Authorization Form of The Exchange submitted to the Market Operations function of The Exchange before any trade execution in the thresholds as set out in paragraphs a(1) to a(3) of the rule.*

The Exchange's response to the Dealing Member or Authorised Clerk's application shall be issued within twenty-four (24) hours of its receipt of the complete application.

Guidance Notes B:

(B1) For ease of reference, provided below is the detailed procedure and the requirements to seek approval of Large Volume Trades as of the date of this Interpretative Guidance. These procedures and requirements are also set forth on the back of the Large Volume

Trading Authorization Form (NSE/MOP/001) of The Exchange. Form (NSE/MOP/001) is attached to this Interpretative Guidance as Appendix 1:

- (a) The Dealing Member shall seek The Exchange's approval³ in writing, explaining the rationale behind the transaction.⁴
- (b) The application shall be supported with mandates from both the buyer(s) and the seller(s).
- (c) The Dealing Member shall indicate if the buyer(s) already has shares in the Issuer, including the percentage and the number of shares already held.
- (d) The Dealing Member shall indicate the ultimate beneficiary of the shares.
- (e) As part of the documentation, corporate entities shall provide certified copies of the following documents:
 - (i) Its most recent Forms CAC 2 (Return on Allotment of Shares) and CAC 7 (Particulars of Directors) filed by the buyer(s)/seller(s) with the Corporate Affairs Commission.
 - (ii) A Board Resolution of the seller(s) or company authorizing the transaction. The resolution shall be certified by the Company Secretary.
- (f) The Dealing Member shall update The Exchange on:
 - (i) what would be the direct and indirect holdings or shareholding structure of the company after the transaction, and
 - (ii) what will be the total holding of the shareholder that initiated the transaction if the proposed transaction is consummated.
- (g) Having met all the requirements, The Exchange shall give its decision on the transaction in writing on the Large Volume Trade Authorization Form (NSE/MOP/001) within twenty-four (24) hours of receiving the complete application and the necessary accompanying documents, before the transaction can be executed.

³ The Exchange's approval shall be indicated on the Large Volume Trade (LVT) Authorization Form (NSE/MOP/001).

⁴ The Exchange's objective here is to address instances where the transaction may lead to material changes in the Board or Management of the Issuer, and to determine whether The Exchange should request for further information.

(B2) **Acceptable Form of Written Mandates:**

A copy of the mandate indicated in Rule 15.32(b)(2) above covers mandates received as electronic mails from investors to Dealing Members. At the present time and until further notice, The Exchange will accept mandates in any legible written format, and will not impose sanctions on Dealing Members that provide mandates in a format not expressly stated in the Rules.

C. **Large Volume Trades Executed Outside of the Prevailing Market Price:**

Rule 15.32 (c): Large Volume Trades in Equities

Text of the Rule:

(c) Where the trade is to be executed outside the prevailing market price, the Dealing Member or Authorised Clerk shall provide to The Exchange before submission of the trade on the automated trading platform, the basis upon which the price of the transaction has been calculated in accordance with the procedure set out above.

Guidance Notes C:

Negotiated Deals

- (C1) Where the trades are to be executed outside the prevailing market price of the security, the Dealing Member is expected to also include a document which explains the basis upon which the price of the transaction has been calculated. This should form part of submissions to The Exchange alongside the application letter.
- (C2) Dealing Members are to note that all negotiated deals require The Exchange's prior approval before execution of the trades, and the following requirements stated under Rule 15.32 (b) must be complied with in all instances:

“The application from the Dealing Member or Authorized Clerk to The Exchange shall be in form of:

- (1) A letter from the Dealing Member or Authorized Clerk informing The Exchange about the mandate received; and*
- (2) A copy of the mandate which shall be in the form of a letter from the shareholder to the Dealing Member or Authorized Clerk;*

(3) *A duly completed Large Volume Trading Authorization Form of The Exchange submitted to the market operations function of The Exchange before any trade execution in the thresholds as set out in paragraphs a(1) to a(3) of the rule.”*

D. Review of Thresholds for Large Volume Trades (Volume and or Value):

In the event that there is a need to revise the Large Volume Trades thresholds to reflect significant market changes in average trade volume/value at any time in the future, The Exchange shall rely on Rule 15.32(a)(3) to communicate revised thresholds to the market, without a need for amendments to the Rule.

E. Applicable Fees for Large Volume Trades:

The fees due to The Exchange for large volume trades in equities shall be an amount that shall be prescribed by The Exchange from time to time in its fees schedule. The current applicable fee for large volume trades is same as the market wide fee for execution of equity trades, which is zero point three percent (0.3%) of the value of the transaction.

F. Breach of the Rule and Sanctions:

Save for as set forth herein, where a Dealing Member executes a large volume trade without the prior approval of The Exchange, it shall be liable to suspension for a period of ten (10) business days, and payment of a fine of not less than five percent (5%) of the value of the large volume trade.

NOTES:

1. The above information does not constitute professional investment or legal advice to anyone. Professional advice should be sought by stakeholders or potential investors where required.
2. Should you require further clarification, kindly contact the Market Operations Department of The Exchange at mktops@nse.com.ng.
3. The Rules of The Exchange are also available on its website (www.nse.com.ng), for additional reference.

Issued this 16th day of March, 2018.

Appendix 1

LARGE VOLUME TRADE (LVT) AUTHORIZATION FORM (NSE/MOP/001)

I hereby apply to execute a Large Volume Trade on The Nigerian Stock Exchange trading platform.

Given below are full details for the trade transaction for approval.

S/N	Selling Client	Stock	Units	S/N	Buying Client	Units

BUYER'S DECLARATION/REASON FOR PURCHASE:
1.
2.

SELLER'S DECLARATION/REASON FOR SALE:
1.
2.

BUYER'S (OR ULTIMATE BENEFICIARY) CURRENT HOLDING IN CSCS ACCOUNT	UNITS:
	%:
BUYER'S (OR ULTIMATE BENEFICIARY) TOTAL HOLDING AFTER TRANSACTION	UNITS:
	%:

CLEARING HOUSE NUMBER/CSCS ACCOUNT	CEO OF DEALING MEMBER'S SIGNATURE
BUYER:	
SELLER:	

DOCUMENTS TO BE ATTACHED:

- A. PROFILE OF BUYER
- B. FORMS CAC2 AND CAC7 FOR THE BUYER OR SELLER IF A CORPORATE ENTITY
- C. BOARD RESOLUTION OF THE SELLER(S) AUTHORIZING THE TRANSACTION, CERTIFIED BY THE COMPANY SECRETARY
- D. SHAREHOLDING STRUCTURE OF THE COMPANY AFTER THE TRANSACTION
- E. VERIFIED SELLER'S/BUYER'S MANDATE

SUBMITTED BY (DEALING MEMBER'S REP.)	ACCEPTED BY (NSE STAFF)
SIGNATURE:	SIGNATURE:
NAME:	NAME:
PHONE NUMBER:	PHONE NUMBER:

NSE APPROVAL

HEAD, MARKET OPERATIONS:	DATE

NSE SURVEILLANCE AND INVESTIGATIONS NOTING

HEAD, MARKET SURVEILLANCE & INVESTIGATIONS	DATE

NSE LISTINGS REGULATION NOTING

HEAD, LISTINGS REGULATIONS	DATE

PROCEDURES AND REQUIREMENTS

- (a) The Dealing Member shall seek The Exchange’s approval in writing and explain the rationale behind the transaction.
- (b) The application shall be supported with mandates from both the buyer(s) and the seller(s).
- (c) The Dealing Member shall indicate if the buyer(s) already has shares in the Issuer, including the percentage and the number of shares already held.
- (d) The Dealing Member shall indicate the ultimate beneficiary of the shares.
- (e) As part of the documentation, corporate entities shall provide certified copies of the following documents:
 - (i) Its most recent Forms CAC 2 (Return on Allotment of Shares) and CAC 7 (Particulars of Directors) filed by the buyer(s)/seller(s) with the Corporate Affairs Commission.
 - (ii) A Board Resolution of the seller(s) or company authorizing the transaction. The resolution shall be certified by the Company Secretary.
- (f) The Dealing Member shall update The Exchange on:
 - (i) what would be the direct and indirect holdings or shareholding structure of the company after the transaction, and
 - (ii) what will be the total holding of the shareholder that initiated the transaction if the proposed transaction is consummated.
- (g) Having met all the requirements, The Exchange shall give its decision on the transaction in writing on the Large Volume Trade Request Form (NSE/MOP/001) within twenty-four (24) hours of receiving the complete application and the necessary accompanying documents, before the transaction can be executed.

Appendix 2

LARGE VOLUME TRADE (LVT) NOTIFICATION FORM (NSE/MOP/002)

This is to notify The Nigerian Stock Exchange of the execution of a Large Volume Trade done today, the day of 20....

Below are the full details of the executed trades:

S/N	Selling Client	CSCS NO	Stock	Units	S/N	Buying Client	CSCS NO	Units

• **JUSTIFICATION FOR TRADE EXECUTION:**

BUYER'S REASON FOR PURCHASE:	
BUYER'S (OR ULTIMATE BENEFICIARY) CURRENT HOLDING IN CSCS ACCOUNT	UNITS:
	%:
BUYER'S (OR ULTIMATE BENEFICIARY) TOTAL HOLDING AFTER TRANSACTION	UNITS:
	%:

SELLER'S REASON FOR SALE:	
SELLER'S CURRENT HOLDING IN CSCS ACCOUNT	UNITS:
	%:
SELLER'S TOTAL HOLDING AFTER TRANSACTION	UNITS:
	%:

Also attached to this completed form are the following documents:

- A. BOARD RESOLUTION OF THE SELLER(S) AUTHORIZING THE TRANSACTION, CERTIFIED BY THE COMPANY SECRETARY; AND
- B. VERIFIED SELLER'S/BUYER'S MANDATE.

SUBMITTED BY (DEALING MEMBER'S REP.):	ACCEPTED BY (NSE STAFF):
SIGNATURE:	SIGNATURE:
NAME:	NAME:
PHONE NUMBER:	PHONE NUMBER: