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SECURITIES AND EXCHANGE COMMISSION, NIGERIA

NEW RULES AND AMENDMENTS TO THE RULES AND REGULATIONS OF THE COMMISSION

Pursuant to the Investments & Securities Act (ISA) 2007, the Commission has reviewed and approved the following new Rules and Amendments to its existing Rules and Regulations as follows:

New Rules

- a.** Rules on Regulation of Derivatives Trading
- b.** Rules on Central Counter Party (CCP)
- c.** New Rule on Registration of Fixed Income Existing Securities

Major Amendments

- d.** Amendment to Rules on Collective Investment Schemes

Sundry Amendments

- e.** Amendment to Rule 27- Fidelity Bond
- f.** Amendment to Rule 42: Creation of sub-rule (6)- Minimum Disclosure Requirements by Public Companies on their websites



NEW RULE

A. RULES ON REGULATION OF DERIVATIVES TRADING

1. DEFINITION OF TERMS

Additional Margin means additional collateral required from participants or clients to protect against default by the participants or clients.

Call Option is a right but not an obligation to buy an underlying at a pre-agreed price, time, quality and quantity.

Call-Put Ratio is the ratio of traded call options to traded put options at a given time.

CCP means the Central Counterparty appointed by an exchange to clear its derivatives contracts.

Client or Clients means any person for whom a participant acts in relation to effecting trading, clearing and settlement of derivatives transactions.

Close out means the cancellation of a position in one direction with an equal and opposite position

Contract means Exchange Traded Derivatives Contract

Contract Code means a unique code assigned by an Exchange to Contracts traded on its platform

Contract Life/Tenor means the period between when a contract is issued and when it expires or reaches maturity.

Cost of Carry means the net financial cost of entering and holding a position in a Derivatives Contract until the expiration of that Derivatives Contract.

Default Fund is fund managed by the CCP, contributed to by Derivatives Clearing Members and the CCP to protect against exposures resulting from default.

Derivatives means any financial instrument or contract that creates rights and obligations and whose value depends on or is derived from the value of one or more underlying, or on a default event.



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Derivatives Clearing Member means an entity authorized by a CCP to perform clearing services either on its own account or on behalf of Dealing Members or clients

Dealing Member for the purpose of these rules means an entity registered by the Commission and a registered member of an Exchange, which has obtained a dealing license to execute trades for proprietary accounts or on behalf of its clients but is not authorized to clear trades through a CCP unless it is also a Derivatives Clearing Member.

Exchange Traded Derivatives Contract means standardised derivatives contracts traded on a recognized exchange and cleared through a CCP.

Expiry Date means the last day on which the contract expires and is no longer valid.

Expiry Month means the month in which the contract is expected to expire.

Initial Margin means collateral collected upon execution of an order to buy or sell a derivatives contract to cover potential changes in the value of each participant's position over the appropriate close-out period in the event the participant defaults.

Legal Entity Identifier is a 20-character, alpha-numeric code issued by accredited Issuing Organisations that are duly endorsed by the Global Legal Entity Identifier Foundation

Last Trading Date means the exact day and time when the contract will stop trading.

Leverage means total outstanding position of a participant in derivatives in relation to its initial outlay.

Listing Date means the date on which the contract is listed for trading.

Mark to Market means daily calculation of gains and losses of outstanding positions as a result of actual changes in the underlying or market prices of the underlying and market price of the derivatives contracts.

Mark to Market Model means the methodology used for marking to market outstanding positions of participants and clients.

Multiplier is the number of underlying contained in a single derivatives contract.

OTC Derivatives means derivatives contracts agreed between parties directly without going through an Exchange.



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Option means a contract where a holder has a right but not an obligation to buy or sell an underlying at a pre-agreed price, time and quantity.

Participant refers to a Dealing Member of an Exchange and Derivatives Clearing Member.

Position means an obligation or right of a person arising from Derivatives trading.

Position Limit means level of ownership or control of derivative contracts that a participant, group of participants, client or group of clients shall not exceed.

Put Option is a right but not an obligation to sell an underlying asset at a pre-agreed price, time and quantity.

Settlement Style/Method means medium of settlement e.g. cash settlement, physical delivery etc.

Strike Price means a price at which a call or a put option can be exercised.

The Commission means Securities and Exchange Commission.

The Exchange refers to Securities, Commodities or Futures Exchange where derivatives are listed and/or traded.

Trade Repository is an entity registered by the Commission to maintain a centralised electronic database of transaction data.

Trading Hours means the period of the business day during which the Derivative Contract is traded on an exchange.

Trading System means the infrastructure to be deployed by the Exchange to trade the contracts.

Underlying means the financial instrument, commodities, index, exchange rate, interest rate and other products or components on which a Derivative Contract is based.

Variation Margin means margin that is required from participants and clients with open positions to reflect current exposures resulting from actual changes in the market prices of the derivatives contracts or the underlying or collateral as the case may be.



2. APPLICABILITY

These Rules shall apply to:

1. Exchange Traded Derivatives and
2. OTC Derivatives where specifically mentioned

3. REGISTRATION REQUIREMENTS

- (1) The Commission's approval shall be sought and obtained prior to the introduction of any contract.
- (2) An application for registration of a contract shall be filed with the Commission by or on behalf of an Exchange with the following documents:
 - a. SEC Form AA5
 - b. Information Memorandum which shall provide the following:
 - i. Contract specification – Any contract filed with the Commission shall where applicable, have the under listed specifications:
 - Name of the Contract
 - Name and specification of the underlying
 - Type of Contract
 - Contract Code
 - CCP that will clear the contract
 - Trading Hours
 - Last Trading Date
 - Settlement Style/Method
 - Multiplier
 - Listing Date
 - Expiry Date
 - Expiry Month
 - Contract Life/Tenor
 - Mark to Market model
 - Actions to be taken on single stock derivatives where there are corporate actions
 - Any other specification applicable to the contract.



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- ii. The safeguards and the risk protection mechanisms adopted by the Exchange to ensure market integrity, protection of investors and smooth and orderly trading.
 - iii. The trading infrastructure and surveillance system to be deployed by the Exchange to effectively monitor trading.
 - iv. Target investors.
 - v. Any other documents/information required by the Commission from time to time.
- (3) Where an Exchange intends to amend the contract specifications, it shall notify the Commission within 24 hours of such amendments
- (4) An application for the registration of a Derivatives Contract on any Underlying filed with the Commission shall provide information on the following:
 - a. General information on the Underlying of the Derivatives.
 - b. Susceptibility to manipulation.
 - c. Protection of market participants and investors
 - d. Trading and pricing information
 - e. And such other requirement as may be prescribed by the Commission from time to time
- (5) The Exchange shall have a framework for the regulation of the derivatives segment separate from the framework governing the cash market.
- (6) Once the Commission approves a contract, it shall become the intellectual property of the originating Exchange.

4. REGISTRATION REQUIREMENTS OF DERIVATIVES CLEARING MEMBER

Eligibility

Only commercial and merchant banks licensed by Central Bank of Nigeria are eligible to register as derivatives clearing members.

Registration Requirements

- 1.** An application for registration as derivatives clearing member shall be filed on the appropriate SEC Form accompanied by:
 - a. A minimum of two sets of completed Form SEC to be filed by sponsored individuals



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- b. A copy of certificate of incorporation certified by the Corporate Affairs Commission; where a copy not certified is filed, the applicant shall present the original copy for sighting by an authorized officer of the Commission
 - c. A Copy of Memorandum and Articles of Association certified by the Corporate Affairs Commission which among others shall include the power to act as a derivatives clearing member
 - d. A copy of CAC Form containing the particulars of directors certified by the Corporate Affairs Commission
 - e. Copy of latest audited accounts or audited statement of affairs for companies in operation for less than one year
 - f. Profile of the bank covering among others brief history of the company, organizational structure, shareholding structure and principal officers
 - g. Fidelity bond issued by the Nigerian Deposit Insurance Corporation
 - h. Evidence of minimum paid up capital as stipulated by the Central Bank of Nigeria
 - i. Sworn undertaking to keep proper records and render returns as stipulated by the Commission
 - j. Sworn undertaking to abide by the Act and the rules and regulations of the Commission;
 - k. any other information or documents that may be required by the Commission from time to time.
- 2.** The sponsored individuals shall pass a special examination on derivatives trading to be conducted by the Commission.
 - 3.** The Bank shall provide evidence of an agreement with a central counterparty to provide clearing services.
 - 4.** Where a bank, registered as a capital market operator intends to take up derivatives clearing as an additional function, an application shall be filed to the Commission for registration of that function.

5. EXCHANGE RULES ON DERIVATIVES TRADING

- (1) . Exchanges shall develop rules for the derivatives market which shall include:
 - a. General Requirements
 - b. Membership Requirements
 - c. Reporting Requirements
 - d. Risk Management Requirements



- e. Such other requirements as may be determined by the Commission
- (2) Where an underlying is suspended from trading or delisted, contracts on such underlying shall cease to trade.
- (3) Exchange Traded Derivatives can only be traded on Exchanges recognized by the Commission.

6. CLEARING AND SETTLEMENT

- (1) All Exchange Traded Derivatives Contracts shall be cleared by a CCP registered/recognized by the Commission.
- (2) All standardized OTC Derivatives Contracts shall be traded on an Exchange.
- (3) The Commission shall issue guidelines on standardized OTC Derivatives Contracts from time to time.
- (4) Clearing derivatives shall be in line with the the provisions of the Act, SEC Rules and Regulations, and the rules of the relevant CCP.
- (5) Where physical delivery is required, the Exchange and/or the CCP shall make adequate arrangement for such delivery and ensure compliance with specification.
- (6) The arrangements referred to in number 5 above shall include place, time, quantity and quality and any other specifications as contained in the contract.

7. PARTICIPANTS

- (1) No person(s) shall trade on Exchange-Traded Derivatives either for proprietary accounts or on behalf of clients except entities registered with a recognized Exchange and/or CCP as Dealing Members and/or Derivatives Clearing Members.
- (2) No person(s) shall clear Exchange Traded Derivatives or OTC Derivatives except entities registered as Derivatives Clearing Members.
- (3) Participants shall promptly provide complete and accurate information on their trading and clearing activities to the Commission as the need arises in accordance with the Act and SEC Rules and Regulations.
- (4) Participants shall comply with all relevant provisions of the Act and SEC Rules and Regulations, whether or not expressly stated in these regulations.
- (5) Participants in Derivatives market shall have Legal Entity Identifier.



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8. SURVEILLANCE

- (1) The Exchange shall have the responsibility for market surveillance to ensure derivatives contract prices reflect demand and supply in order to deter market manipulations.
- (2) The surveillance systems shall be designed to detect:
 - a. Open positions, cost of carry, volatility and closing prices of the underlying as well as the derivatives contract.
 - b. Activities in the derivatives market vis-à-vis the spot market.
 - c. Timing of disclosure by issuer of the underlying, where applicable
 - d. Strike prices with large open positions which shall be determined by the Commission from time to time.
 - e. Large trades, call-put ratios and exercise patterns.
- (3) The surveillance systems shall be able to:
 - a. Capture and process client details.
 - b. Develop databases of trading activity by participants and clients.
 - c. Generate trading pattern in individual contracts or group of contracts by participants and clients over a period.
 - d. Generate the pattern of trading in a contract over a period giving such details as the purchases, sales, positions and open interest held by different participants and clients.
 - e. Detect any form of breach of the laid down rules and regulations.
- (4) Where the underlying is traded in more than one exchange or the participants are members of more than one exchange, the relevant exchanges shall share relevant information particularly on exposures in linked markets and/or on supplies relative to these markets, for surveillance and monitoring purposes to identify breaches, erroneous activities, misconduct and avoid regulatory arbitrage

9. POSITION LIMITS

- (1) Exchanges shall:
 - a. Set position limits to prevent participants and clients from holding positions large enough to control and/or manipulate the underlying.
 - b. Set stringent position limit on participants and clients related to issuers whose securities represent the underlying or determines price of underlying.



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- c. Notify the Commission on position limits prescribed, methodologies and rationale used for determining the limits.
- d. Monitor compliance with position limits and sanction any defaulting participants.
- e. Report to the Commission participants or clients that owns up to 5% or more of total open interest of a particular contract.

(2) Position limits shall be set for each contract based on the quantity of the underlying and trading volume.

10. LEVERAGE

The Exchange shall liaise with the CCP to determine the applicable leverage relevant to each type of Derivative contract which should be disclosed to the Commission within 24 hours.

11. DISCLOSURE

(1) Participants shall disclose their outstanding derivatives exposures to the Commission on a quarterly basis. The disclosure shall include but not be limited to the following information:

- a. List and description of proprietary and clients' outstanding positions.
- b. Outstanding derivatives exposure from proprietary and clients' positions.
- c. Profit or loss resulting from proprietary positions.
- d. Proprietary and clients outstanding positions as a percentage of net liquid capital, where applicable.
- e. Estimated maximum loss that could be incurred from proprietary outstanding positions and its effect on the financial position.

(2) Participants shall disclose their outstanding derivatives exposure from proprietary positions in their quarterly and annual financial statements.

(3) The outstanding exposure shall be determined in accordance with International Financial Reporting Standards (IFRS).

(4) Participants shall provide full disclosure of contract specifications and accompanying risks to clients before accepting orders from the clients.

(5) Participants shall provide statements with the following information to their existing clients on a monthly basis:



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- a. All trades carried out on the clients account within the reporting period
- b. Outstanding position of the clients as at the reporting date.
- c. Outstanding balance in the clients' margin account as at the reporting date.
- d. Profit made or loss incurred by clients within the reporting period.
- e. Closed out or liquidated positions of the client within the reporting period.

12. RISK MANAGEMENT

(1) Participants shall:

- a. Have risk management units within their organizations.
- b. Have comprehensive risk management frameworks and investment policies for managing derivatives related risks. The framework shall include but not limited to the following:
 - i. The officer responsible for coordinating risk function
 - ii. Reporting line
 - iii. Risk appetite and risk tolerance for all classes of risks
 - iv. Risk register
 - v. Roles and responsibilities of every staff including board members on risk management
- c. Include risk management report in their annual financial statements.

13. MARGIN AND COLLATERAL

(1) A CCP shall:

- a. Receive and maintain initial margin from participants before accepting to clear contracts from them.
- b. Pay to or receive from participants and clients, variation margins for gains or losses resulting from mark to market of positions.
- c. Hold initial margin posted by participants and their clients
- d. Have adequate arrangements to segregate its own resources from collateral of participants and clients.
- e. At least once every business day, mark to market outstanding positions and make margin calls if need arises.
- f. Not create or permit to exist any lien or other encumbrance on initial margin posted by participants and clients.

(2) Participants may request for additional margin from clients to protect themselves against default.

(3) A Derivatives Clearing Member shall:



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- a. Not use margins posted by clients and Dealing Members to finance its own trade or operate its own business.
- b. Segregate its resources from additional margin posted by clients and Dealing Members.

14. TRANSACTION FEE

(1) The Commission shall:

- a. Charge fees for registration of contracts
- b. Issue guidelines on fees for trading and clearing of contracts in the secondary markets.

15. REPORTING OF OTC DERIVATIVES

(1) Participants and other registered capital market operators shall report all OTC Derivatives transactions to a Trade Repository or an Exchange as the case may be in accordance with guidelines issued by the Commission from time to time. The report shall include:

- a. the entry into of an agreement or contract for the sale or purchase of a Derivatives contract or product, however concluded by the parties and however described;
- b. a change in the beneficial ownership of Derivatives contracts between parties one of whom is a Participant;
- c. the modification, assignment or termination of an agreement or contract for the sale or purchase of a derivatives contract or product, however described;
- d. Legal Entity Identifier code

(2) For the purposes of these Regulations and any guidelines issued by the Commission, a person that reports details of a derivatives transaction on behalf of a counterparty shall not be considered to be in breach of any restriction on disclosure of information imposed by any contract or by any legislative, regulatory or administrative provision. Where that person is a corporate entity, no liability resulting from that disclosure lies with it or its directors or employees.

(3) Participants shall keep records that demonstrate compliance with the requirements of these Rules.



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1. SANCTIONS

Any person who violates any provision of these rules and regulations shall be liable to a penalty of not less than N1,000,000 and a further sum of not more than N25,000 for every day of default.



B. RULES ON CENTRAL COUNTERPARTY (CCP)

1. DEFINITIONS

Central Counterparty (CCP) means an entity registered by the Commission that interposes itself between counterparties to a securities transaction traded on one or more financial markets, becoming the buyer to every seller and seller to every buyer.

CCP Rules means the constitution, Articles of Incorporation, by-laws, or rules of a CCP.

Clearing means the process of establishing positions, including the calculation of net obligation and ensuring that collateral is available to secure the exposures arising from those positions.

Clearing Member means an entity authorized by a CCP to perform clearing services either on its own account or on behalf of other Dealing Members or Clients, or for both on its own account and on behalf of other Dealing Members or Clients.

Clearing Services means services offered and activities performed by a Clearing Member in terms of the CCP Rules, to facilitate clearing of securities and such other product transaction.

Client means any person or entity to which a regulated person provides securities services, and includes a person that acts as an agent for another person in relation to those services in which case it will include the agent or exclude the other person if the contractual arrangement between the parties indicates this to be the intention.

Close Link means a situation in which two or more entities that are linked in any of the following ways: (a) participation in the form of ownership, direct or by way of control, of 20% or more of the voting rights or capital of an undertaking; (b) control; or (c) the fact that both or all are permanently linked to one and the same third person by a control relationship.

Close-out Period means the period which a CCP is reasonably expected to close out or transfer open positions of a defaulting Clearing Member.

Collateral means cash and other highly liquid, low risk securities collected by a CCP to protect itself and other Clearing Members from potential exposures that could arise as a result of default of a Clearing Member.



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Current Exposure means the market value of a position(s) with a counterparty that would be lost upon default of the counterparty, assuming no recovery on the value of the position(s).

Dealing Member for the purpose of these rules means an entity registered by the Commission and a registered member of an Exchange, which has obtained a dealing license to execute trades for proprietary accounts or on behalf of its Clients but is not authorized to clear trades through a CCP unless it is also a Derivatives Clearing Member

Defaulting Clearing Member means a Clearing Member who has defaulted in the performance of its open contracts.

Default Fund is fund established and administered by the CCP to protect against exposure resulting from default of a Clearing Member.

Default Waterfall refers to the financial safeguards available to a CCP to cover losses arising from a Clearing Member ("CM") default ("Default Losses"), and the order in which they would be expended.

Derivatives means any financial instrument or contract that creates rights and obligations and whose value depends on or is derived from the value of one or more underlying, rate or index, on a measure of economic value or on a default event.

Exchange Traded Derivatives means standardised derivatives contracts traded on a recognised exchange and cleared through a CCP.

Extreme but Plausible Market Conditions include the most volatile periods that have been experienced by the markets for which the CCP provides its services and a range of potential future scenarios. They shall take into account sudden sales of financial resources and rapid reductions in market liquidity.

Financial Market Infrastructure (FMI) includes central securities depositories, central counterparties, securities settlement systems, payment systems and trade repositories.

Futures Contract means an agreement to buy or sell securities on an exchange at a pre-agreed price, quantity, quality and time.

Haircut is a risk control measure applied to underlying assets whereby the value of those underlying assets is calculated as the market value of the assets reduced by a certain percentage. Haircuts are applied by a collateral taker in order to protect itself from losses



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resulting from declines in the market value of a security in the event that it needs to liquidate that collateral.

Individual Client Segregation means a form of accounts segregation where individual Client's funds are deposited in different accounts as opposed to a single omnibus account.

Initial Margin means collateral deposited by Clearing Members on open positions, typically representing a deposit against short term price movement. It also covers potential future exposure for the expected time between the last variation margin exchange and the liquidation of positions on the default of counterparty.

Interoperability means an arrangement between two or more CCPs whereby each CCP has a link with another CCP to enable two counterparties use different CCPs to clear the same securities.

Interoperable CCP means a CCP that has interoperability arrangement with another CCP.

Intraday Variation Margin Calls means requesting for replenishment of margin accounts by Clearing Members before the end of a business day.

Margin Calls means requesting for replenishment of margin accounts by Clearing Members at the end of a business day.

Netting means offsetting the value of multiple positions or payments due to be exchanged between two or more parties.

Novation means the act of replacing one party in securities or such other product transactions with another.

Omnibus Client Segregation means a form of account segregation where Clients' funds are deposited in a single omnibus account in order to separate the funds from Clearing Members' fund.

OTC Derivatives means derivatives contracts agreed between parties directly without going through an exchange. The parties may agree to clear the contracts through a CCP.

Portability means transferring a Client's accounts and funds from a defaulting member to non-defaulting member.



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Potential Future Exposure means losses that a central counterparty could potentially face between the period a Clearing Member defaults and the time it would be reasonably expected to close out or transfer a defaulting member's open positions.

Principal Officer means the chief executive officer or a member of the executive management team of a CCP.

Recovery means the actions of a CCP, consistent with its rules, procedures and other ex ante contractual arrangements, to address any uncovered loss, liquidity shortfall or capital inadequacy, whether arising from Clearing Members' default or other causes (such as business, operational or other structural weaknesses), including actions to replenish any depleted pre-funded financial resources and liquidity arrangements, as necessary to maintain the FMI's viability as a going concern and the continued provision of critical services.

Reserves means appropriation of retained earnings for a designated purpose which is not available for dividends to the shareholder and is of a permanent nature and able to absorb losses in going concern situations.

Resolution refers to processes and procedures that allow for orderly winding down of a CCP to ensure minimum disruption to the financial system.

Securities are as defined in the Investments and Securities Act.

Settlement means the process of moving cash and/or the physical underlying (where applicable) between Clearing Members resulting from derivatives or other contracts

Stress Market Scenario in Relation to a CCP that Operates in a Single Jurisdiction refers to a market condition that results in default of a Clearing Member to which it has the largest exposure to in extreme but plausible market conditions.

Stress Market Scenario in Relation to a CCP that Operates in a Multiple Jurisdiction refers to a market condition that results in default of at least two Clearing Members to which it has the largest exposure to in extreme but plausible market conditions.

Third-Party means a service provider whom a clearing service has been outsourced to.

Third-Party Pricing Services means entities/institutions that provide prices which are not readily available from exchanges.



Value Date means the day on which the payment, transfer instruction, or other obligation is due and the associated funds and securities are typically available to the receiving Clearing Member.

Variation Margin means margin that is transferred between Clearing Members to reflect current exposures resulting from changes in daily valuation of the position in the securities or such other product transactions set out by the exchange.

2. APPLICABILITY

These rules shall apply to entities registered by the Commission as CCPs.

3. REGISTRATION REQUIREMENTS

1. An application for registration of a CCP shall be made in Form S.E.C. 5C contained in Schedule III to these Rules and Regulations and accompanied by:
 - a) copy of certificate of incorporation certified by the company secretary;
 - b) two copies of the Memorandum and Articles of Association certified by the Corporate Affairs Commission;
 - c) latest copy of audited accounts or statement of affairs signed by its auditors and management accounts that are not more than thirty (30) days old as at the time of filing with the Commission;
 - d) two copies of existing or proposed rules and regulations, and code of conduct;
 - e) sworn undertaking to promptly furnish the Commission with copies of any amendment to the rules of the CCP;
 - f) information relating to clearing facilities, including settlement procedure;
 - g) fidelity bond representing 25% of minimum required capital;
 - h) sworn undertaking to keep such records and render such returns as may be specified by the Commission from time to time;
 - i) sworn undertaking to comply with and enforce compliance by its Clearing Members with the provisions of the Act and the Commission's rules and regulations;



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- j) an application for registration of all principal officers and compliance officers on Forms SEC 2 and 2D;
- k) Bank Verification Number and Credit Bureau Report of the directors of the company
- l) information memorandum on the company, including the organizational and shareholding structure, profile of promoters, Clearing Members of the board and principal officers;
- m) evidence of minimum capitalization of N5 billion, which shall be in the ratio of 90% cash and 10% fixed and other assets. The 90% cash should be escrowed in an interest-yielding account with the CBN until approval is granted
- n) filing fee of N50,000;
- o) processing fee of N200,000;
- p) registration fee of N1,000,000;
- q) registration fee of N10,000 for each of the sponsored individuals and the compliance officer;
- r) any other documents required by the Commission from time to time.

4. ADDITIONAL REQUIREMENTS

A registered CCP shall have:

1. Sufficient assets and resources, which include financial, management and human resources with appropriate experience, to perform its functions as set out in these Rules;
2. An effective and reliable infrastructure to facilitate its clearing operations or services;
3. A comprehensive risk management process;
4. Appropriate systems, controls and procedures that are reliable and secure and have adequate scalable capacity;
5. Adequate mechanisms for the purpose of reviewing, monitoring and evaluating its internal controls;
6. Proper arrangements for security and back-up procedures to ensure the integrity of the records of transactions cleared through its facilities;



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7. Arrangements for the efficient and effective supervision of Clearing Members to ensure compliance with its rules and directives.
8. Consistent communication procedures and standards relating to securities, futures contracts and member identification.
9. A complaint management framework in line with the Commission's rules on complaint management

5. PROHIBITED ACTIVITIES

A CCP shall not carry out any business, activity or function that is not related or incidental to clearing

6. FUNCTIONS

The functions of a registered CCP shall be to:

1. Interpose itself between counterparties to contracts traded in one or more financial markets through the process of novation, legally binding agreement or open offer system;
2. Facilitate post trade management functions;
3. Implement a margin system that establishes margin levels commensurate with the risks and particular attributes of each product, portfolio and the market;
4. Collect and manage collateral held for the due performance of the obligations of Clearing Members;
5. Establish and maintain a Default Fund to mitigate the risk of default by a Clearing Member and to ensure, where possible, that the obligations of that Clearing Member continue to be fulfilled;
6. Have a clearly defined default management system and waterfall where the obligations of the defaulting Clearing Member, other Clearing Members and the CCP are legally and clearly managed;
7. Provide for portability in the case of default of a Clearing Member;



8. Perform any other function as may be determined by the Commission from time to time.

7. GOVERNANCE

1. A CCP shall have:
 - a) Rules and procedures that support financial stability, safety and efficiency of its clearing activities;
 - b) A charter for the Board and Management that clearly stipulates responsibility and accountability which should be made publicly available;
 - c) Standard operating procedures that stipulate its entire business processes and operations and must be duly approved by the board;
 - d) Processes to identify, assess, and manage potential conflicts of interest of members of the Board, principal officers, employees or any person directly or indirectly linked to the Board.
2. The Board and Management of a CCP shall have the required mix of skills and competence to discharge their duties in line with the explanatory guidelines issued by the Commission from time to time;
3. The Board of a CCP shall consider the interest of relevant stakeholders before making critical decisions.

8. COMPOSITION OF THE BOARD

1. A CCP shall have a Board, which should be independent of Management;
2. Appointment of Board members shall be subject to approval of the Commission;
3. The Board shall comprise of:
 - a) A Chairman;
 - b) A Chief Executive Officer;
 - c) At least one Independent Director;
 - d) At least one Clearing Member;



4. The majority of Board members shall be Non-Executive Directors;
5. The Board shall have a minimum of 5 members;
6. Board members other than the Chief Executive Officer shall hold office for a period of 4 years subject to cumulative maximum of 2 terms.
7. The Board shall have all the relevant Board Committees, including a Risk Management Committee.

9. APPOINTMENT OF CHIEF EXECUTIVE AND PRINCIPAL OFFICERS

1. The Chief Executive Officer of a CCP shall hold office for a period of five (5) years in the first instance and may be re-appointed for a further period of five (5) years and no more;
2. The appointment of a Chief Executive Officer and Principal Officers of a CCP shall be subject to the prior approval of the Commission;
3. The Chief Executive Officer and the other Principal Officers of a CCP shall be registered by the Commission as sponsored individuals;
4. The Chief Executive Officer and other Principal Officers of a CCP shall:
 - a) Be persons of proven integrity with no record of criminal conviction;
 - b) Hold at least a university degree or its equivalent;
 - c) Have at least fifteen and ten (15 and 10) years cognate experience in the financial markets for the Chief Executive Officer and Principal Officers respectively;
 - d) Have the desired professional qualifications
 - e) Not have been found complicit in the operation of an institution that has failed or been declared bankrupt or has had its operating license revoked as a result of mismanagement or corporate governance abuses;
 - f) Not have been found liable for financial impropriety or any other misdemeanor by any court, panel, regulatory agency or any professional body or previous employer;
 - g) Comply with any other criteria which the Commission may, in the public interest, determine from time to time.



10. CCP RULES

1. A CCP shall make rules pursuant to the Act and these Rules to govern its operations and Clearing Members;
2. The rules of a CCP shall:
 - a) Be clear, transparent, understandable and enforceable for all its operations;
 - b) Ensure that its activities are consistent with relevant laws and regulations
 - c) Have a high level of certainty.
 - d) Provide for settlement finality
 - e) Clearly define default management procedures that are legally binding and enforceable
 - f) provide high level of certainty with respect to the following in case of default by a Clearing Member:
 - a. Rights to use and dispose of, collateral;
 - b. Authority to transfer ownership rights or property interests; and
 - c. Rights to make and receive payments.
 - g) Be made available to relevant stakeholders.
3. The rules shall provide for, amongst others:
 - a) Membership criteria which should be fair and transparent
 - b) Effective regulation of Clearing Members to ensure compliance with laid down rules and regulations
 - c) Reporting requirements
 - d) Complaints management process for disputes resolution
 - e) Disciplinary proceedings against erring Clearing Members
 - f) Process of communicating with Clearing Members
 - g) Margin requirements and management of collateral
 - h) Default management process
 - i) Processes of determination and disclosure of the haircuts to the Commission
 - j) Eligibility criteria for acceptance of cross border collateral which should be subject to prior approval of the Commission



11. ACCESS AND PARTICIPATION

A CCP shall:

1. Ensure fair and transparent access to its services and put in place the necessary controls against the risks to which it is exposed by its Clearing Members;
2. Have membership criteria that are:
 - a) Fair, transparent and in the interest of protecting the integrity of the market;
 - b) Risk-based, publicly disclosed and adequate to ensure that its Clearing Members meet appropriate operational, financial, and legal requirements to allow them to fulfill their obligations in a timely manner.
3. Ensure that its Clearing Members and other FMIs to which it has interoperability arrangement have the necessary operational capacity, legal powers and risk management measures to prevent risks which it may be exposed to;
4. Ensure regular communication to its Clearing Members on the assessment of the risks arising from its operations;
5. Monitor compliance by its Clearing Members with the laid down regulations and require Clearing Members to provide information on their activities and any developments on their inability to comply with the laid down regulations.

12. OUTSOURCING

1. Where a CCP outsources any of its functions, services or activities, it shall take full responsibility for the functions, services and activities outsourced.
2. A CCP that outsources any of its functions, services or activities shall ensure that the outsourcing does not affect the discharge of its obligations to Clearing Members and Clients.
3. A CCP shall:
 - a) Ensure that outsourcing of functions, services and activities does not change the terms and conditions of its registration with the Commission;



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- b) Ensure that outsourcing its functions, services and activities does not affect its effective management of risks;
- c) Not outsource its major risk management functions without the prior approval of the Commission. Such risk management functions include:
 - i. Margin requirement
 - ii. Collateral requirement
 - iii. Default management
 - iv. Stress testing
 - v. Segregation and portability
- 4. Where a CCP outsources any of its functions, services and activities to a third-party, it shall ensure that it obtains a "no objection" from the Commission and the CCP shall be responsible for the acts of the third party;
- 5. A CCP shall ensure that a third-party to which it outsources any of its functions, services or activities has the necessary business continuity arrangement;
- 6. A CCP shall have the necessary expertise and resources to evaluate the functions, services and activities provided by a third-party;
- 7. A third-party shall protect any confidential information of the CCP, Clearing Members and Clients.

13. EFFICIENCY AND TRANSPARENCY

- 1. A CCP shall:
 - a) Design its operations and processes to meet the need of the market. The design shall include:
 - i. specific clearing and settlement arrangements;
 - ii. operating structure;
 - iii. scope of products cleared;
 - iv. use of technology
 - b) Carry out a review of the efficiency of its operations and processes at least once in a year.



14. INVESTMENT POLICY

1. A CCP shall:
 - a) Have an investment policy that is consistent with its overall risk-management strategy which should be fully disclosed to Clearing Members;
 - b) Not prioritize pursuit of profit over financial soundness and liquidity risk management;
 - c) Consider its overall credit risks exposure to a single obligor;
 - d) Invest its cash collateral in liquid assets with low credit, liquidity and market risks.

2. A CCP investment shall:
 - a) Be fully secured to mitigate against credit risk;
 - b) Allow for quick liquidation with little, if any, adverse price effect.

15. FRAMEWORK FOR COMPREHENSIVE MANAGEMENT OF RISKS

A CCP shall have a framework, policies and procedures for comprehensive management of risks which should cover:

1. Legal basis that is clear, transparent and enforceable for each material aspect of its operations;
2. Credit exposures to Clearing Members and those arising from its payments clearing, and settlement processes where applicable;
3. Collateral and margin management requirements that are adequate and risk based;
4. Maintenance of adequate liquid resources to ensure timely fulfillment of payment obligations with a high degree of confidence;
5. Risk management tools to effectively manage systemic risks arising from its interconnectedness with other CCPs and FMIs;



6. Identification of critical situations that may impact its going concern status in terms of operations as well as development of appropriate policies for business continuity, recovery plans or winding-down;
7. Establishment of effective information management system and control that allows it to promptly get information needed for comprehensive management of risks.

16. RISK COMMITTEE

1. A CCP shall have a Risk Committee that will continuously identify, measure, monitor, and manage the range of risks that may arise.
2. The Committee:
 - a) Shall comprise representatives of Clearing Members, independent members of the Board and such other person(s) with the requisite expertise to serve the Committee;
 - b) May invite employees and relevant stakeholders to attend meetings in a non-voting capacity;
 - c) Shall report directly to the Board.
3. None of the groups of representatives required in 2(a) above shall have a majority representation on the risk committee;
4. The Committee shall meet every quarter, and where there is an urgency to have a meeting, it shall not hesitate to convene.

17. LIQUIDITY RISKS

1. A CCP shall:
 - a) have highly liquid resources and committed line of credit to enable it meet up with its financial obligations;
 - b) have diversified portfolio of liquid resources and avoid undue concentration with respect to any relevant asset class and issuer;



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- c) monitor and control the concentration of its liquidity risk exposure to Clearing Members and other entities;
 - d) meet its obligations timely and with high degree of certainty in a stress market scenario
 - e) assess the liquidity risks it faces including the risks that its Clearing Members may not be able to settle their obligations;
 - f) actively monitor and control its liquidity risk exposures and funding needs at the level of CCP as an entity or as part of a group structure;
 - g) periodically test the ability to convert its highly liquid securities into cash;
 - h) determine the amount and regularly test the sufficiency of its liquid resources through rigorous stress testing;
 - i) where an asset ceases to meet the criteria of highly liquid securities, remove the asset from its portfolio of highly liquid securities within 30 days;
2. No instruments borrowed in a securities lending transaction shall qualify as highly liquid securities;
 3. All highly liquid securities held by a CCP shall not be pledged, either explicitly or implicitly, to secure, collateralize or credit-enhance any transaction and cannot otherwise be subject to any further commitment.
 4. Highly liquid resources shall include:
 - a. Risk-free assets such as Sovereign government securities e.g FGN bonds/Sukuk and Treasury Bills or FGN-guaranteed securities, that are liquid; according to the CCP's determination of a liquid asset
 - b. Central Bank of Nigeria Open Market Operations bills;
 - c. Placement with Banks.

18. OPERATIONAL RISKS

A CCP shall:

1. Have clearly defined operational reliability objectives and policies designed to achieve those objectives.
2. Ensure that it has scalable capacity adequate to handle increasing stress volumes and achieve its service-level objectives.



3. Have comprehensive physical and information security policies that address all potential vulnerabilities and threats.
4. Have a business continuity plan to mitigate the risk of major disruptions.
5. Identify, monitor, and manage operational risks posed by its staff, Clearing Members, other FMIs and service utility providers.

19. BUSINESS RISKS

1. A CCP shall:
 - a) Have policies and procedures to identify, monitor and manage general business risks;
 - b) Maintain a viable plan for raising additional equity should its equity fall close to or below the capital required;
 - c) Hold sufficient liquid net assets to enable it operate as a going concern if it incurs general business losses. The net asset position shall be determined by:
 - i. its general business risk profile; and
 - ii. the length of time required to achieve a recovery or orderly wind down.

20. CREDIT RISKS

1. A CCP shall:
 - a) Have in place a comprehensive framework for managing its credit exposure to Clearing Members and their affiliates which should be reviewed periodically. The framework shall take into consideration the following:
 - i. current exposures;
 - ii. potential future exposures
 - b) Identify different sources of credit risks and regularly measure its credit exposures, and use appropriate risk-management tools to control these risks;
 - c) Closely monitor its exposure to individual Clearing Members and their Clients;
 - d) Monitor changes in creditworthiness of its Clearing Members;
2. A CCP may decide to place limits on its credit exposures irrespective of whether collateral has been provided.



21. COLLATERAL REQUIREMENTS

1. A CCP shall:
 - a) Only accept highly liquid assets with low credit, and market risks as collateral;
 - b) Establish prudent valuation practices and develop haircuts that are regularly tested and take into account stressed market conditions;
 - c) Ensure that it carries out mark to market valuation of collateral on a real-time basis as well as monitor credit, liquidity and market risks of all collateral regularly.

2. A CCP shall ensure that:
 - a) Its haircuts are adequate to compensate the expected decline in value by the time the collateral is expected to be liquidated;
 - b) Its haircuts are stable and conservative enough to withstand period of stressed market conditions;
 - c) It is able to liquidate its collateral quickly following the default of a Clearing Member;
 - d) Its Clearing Members do not post their own debt or equity securities, or debt or equity of companies closely linked to them as collateral.
 - e) Its regulation provides procedure for the determination of haircut which should be disclosed to the Commission.

3. A CCP shall avoid concentrating its collateral in one class of asset with the exception of Federal Government Securities.

4. Where a CCP accepts cross-border collateral, it shall:
 - a) Take steps to mitigate risks associated with its use and ensure that the collateral can be used in a timely manner;
 - b) Assess the foreign exchange, political and other country specific risks and set haircuts to adequately compensate for the additional risks.
 - c) Make provisions in its rules and regulations on eligibility criteria for acceptance of the cross border collateral which should be subject to the Commission's approval.



5. A CCP shall have a collateral management system that:
 - a) Is well-designed and operationally flexible;
 - b) Accommodates changes in the ongoing monitoring and management of collateral;
 - c) Allows for the timely calculation and execution of margin calls, the management of margin call disputes, and accurate daily reporting of levels of initial and variation margin;
 - d) Tracks the extent of reuse of collateral, both cash and non-cash;
 - e) A CCP's rules shall provide for the re-use of collateral and should clearly specify when the CCP may reuse its Clearing Member's collateral and the process for returning that collateral to the Clearing Member.
 - f) Has functionality to accommodate the timely deposit, withdrawal, substitution and liquidation of collateral.
6. "Collateral shall be perfected, realisable with no restrictions on sale and regularly valued in a transparent valuation method."

22. MARGIN REQUIREMENTS

1. A CCP shall have a:
 - a) System that stipulates margin requirements proportionate to the risks and attributes of the relevant products and the markets;
 - b) Reliable source of timely price data for:
 - i) Exchange traded products, contracts and derivatives to determine margin requirements;
 - ii) OTC derivatives contracts.
2. Where a CCP:
 - a) Utilizes data from third-party pricing services, it shall regularly evaluate the data's reliability and accuracy;
 - b) Uses its own valuation model, it shall validate the model under different market scenarios at least semi-annually. Such valuation model should be disclosed to the Commission. Where there are revision/amendments to the models, the Commission shall be notified of such valuation models no later than ten (10) business days prior to implementation.
3. Where price data from an Exchange and third-party pricing services are not readily available, a CCP shall have procedures and sound valuation techniques to determine



- the value of products, contracts and derivatives. Such procedures and valuation techniques should be disclosed to the Commission. Where there are revisions/amendments to the procedures or valuation techniques, the Commission shall be notified no later than ten (10) business days prior to implementation.
4. The Commission may request additional information and/or procedures and valuation techniques as it deems fit.
 5. A CCP shall adopt:
 - a) More conservative margin models for OTC derivatives;
 - b) A risk-based initial margin requirement that is sufficient to cover potential future exposures to Clearing Members between the last margin call and expected close-out period arising from default of Clearing Members;
 - c) An appropriate close-out period for each product it clears which should consider:
 - i. Historical price of the products or derivatives;
 - ii. Liquidity;
 - iii. Impact of a Clearing Member's default on prevailing market conditions;
 - iv. Stressed market conditions;
 - v. Position concentrations.
 - vi. Business cycle
 - vii. Other macroeconomic variables
 6. The initial margin requirement of a CCP shall take into consideration changes in market conditions.
 7. During periods of high volatility, a CCP shall increase its margin requirements to compensate for the additional risks.
 8. A CCP shall:
 - a) Mark Clearing Member positions to market and collect variation margin at least daily;
 - b) Have the authority and capacity to make intra-day variation margin calls and payments;
 - c) Regularly review the performance of its model and overall margin system taking into account a wide range of parameters and assumptions that reflect possible market conditions.



23. DEFAULT FUND

1. A CCP shall:
 - a) Establish and maintain a Default Fund to cover losses not covered by margin requirements;
 - b) Set a minimum threshold relative to the value of open interests in securities transactions;
 - c) Establish criteria for calculating Clearing Members' individual contributions to the fund which should be dependent on the level of exposure to Clearing Members.
2. A CCP may establish more than one Default Fund for different classes of instruments it clears.

24. ADDITIONAL FINANCIAL RESOURCES

1. A CCP shall maintain additional financial resources which must:
 - a) cover potential losses not covered by margin requirements and the Default Fund;
 - b) be freely available to the CCP;
 - c) not form part of the minimum capital requirement of the CCP;
 - d) not be used for day to day operations of the CCP;
 - e) not be used for potential general business losses of the CCP.
2. A CCP shall ensure that its Default Fund and additional financial resources are adequate in a stress market scenario.
3. A CCP shall:
 - a) have documented process for measuring additional financial resources;
 - b) adopt a framework that defines extreme but plausible market conditions.



25. DEFAULT WATERFALL

1. A CCP shall clearly stipulate the order of hierarchy of the financial resources to be utilized in covering the resultant losses in the event of default of a Clearing Member;
2. A CCP shall not use margins posted by a Clearing Member who is not a defaulting Clearing Member to cover losses of a defaulting Clearing Member;
3. A CCP may require non-defaulting Clearing Members to provide additional funds in the event of a default of another Clearing Member.

26. DEFAULT MANAGEMENT PROCEDURE

1. A CCP shall have rules and procedures that enable it to continue to meet its obligations to non-defaulting Clearing Members in the event of a Clearing Member's default;
2. The rules and procedures shall:
 - a) clearly define what circumstances constitute default of a Clearing Member;
 - b) allow the CCP to use any financial resources it maintains according to the Default Waterfall to cover losses and contain liquidity pressures arising from default of a Clearing Member;
 - c) stipulate guidelines for replenishing financial resources maintained by the CCP over an appropriate time horizon following a default of a Clearing Member to enable the CCP continue operating in a safe and sound manner;
 - d) ensure that the application of previously provided collateral will not be subject to prevention, stay, or reversal by any applicable law;
 - e) facilitate prompt close out or transfer of defaulting Clearing Member's open positions.
3. Where Clearing Members agree to bid upfront for the open positions of a defaulting member, the CCP shall, upon default by any Clearing Member, auction the open positions of the defaulting Clearing Member;
4. Where a CCP is unable to immediately close out or transfer open positions of a defaulting member, it shall hedge the positions as an interim risk management tool;
5. A CCP shall involve its Clearing Members and other stakeholders in periodic review and testing of its default management procedure to ensure effectiveness and practicability.



27. STRESS TESTING

1. A CCP shall:
 - a) test the sufficiency of its total financial resources available in the event of a default in extreme but plausible market conditions on an annual basis;
 - b) test the models and parameters used to adopt margin requirements, Default Fund contributions, collateral requirements and other risk control mechanisms;
 - c) conduct reverse stress tests aimed at identifying the extreme scenarios and market conditions in which its total financial resources would not provide sufficient cover.
2. The result of stress testing shall be reported to the Commission;
3. The frequency of the tests shall be higher when the products cleared become more volatile, less liquid or when exposure to Clearing Members increases significantly.

28. INTEROPERABILITY ARRANGEMENT

1. A CCP may enter into an interoperability arrangement with another CCP where applicable subject to prior approval of the Commission;
2. Where a CCP enters into an interoperability arrangement with another CCP, it shall:
 - a) Identify, monitor and manage all interoperability related risks;
 - b) Agree on their respective rights and obligations, including the applicable law governing their relationships where the CCPs operates in different jurisdictions;
 - c) Identify and manage potential spillover effects from the failure of interoperable CCP.
3. A CCP in an interoperability agreement shall be able to cover its current and potential future exposures through collection and application of margin.

29. PHYSICAL DELIVERIES

1. Where a CCP clears transactions that involve physical delivery of instruments or commodities, it shall:



- a) Make appropriate regulations and guidelines on its obligations and those of the Clearing Members;
- b) Identify and manage all risks and costs associated with the delivery;
- c) Identify and manage the specific risks associated with storage facilities taking into consideration the characteristics of the commodities involved;
- d) Arrange and manage the possibility of alternative assets or location as well as timing of the delivery if necessary;
- e) Arrange for deployment and training of relevant personnel to handle the delivery;
- f) Arrange for insurance policy of the instruments or commodities;
- g) Maintain accurate record management system that represent the actual holdings of the instruments;

2. A CCP shall:

- a) Stipulate in its regulations the various asset classes acceptable for clearing that end in physical delivery;
- b) Establish a system to monitor the performance of its Clearing Members to ensure that they have the resources and system to discharge their physical delivery obligations.

3. Where a CCP:

- a) Is required to warehouse and transport commodities, it shall make the necessary arrangement taking into consideration the type and characteristic of the relevant commodities;
- b) Adopts the system of matching Clearing Members with physical storage and delivery obligations of commodities from a risk management perspective, it shall:
 - i. Clearly state the legal delivery obligations of the Clearing Members;
 - ii. Stipulate if compensation would be sought from it in the event of loss by either the receiving Clearing Member or the delivering Clearing Member.

4. Where a CCP is holding margin involving matched Clearing Members, it shall not release the margin until it confirms that both Clearing Members have satisfied their respective obligations;



5. In carrying out stress testing, the CCP shall take into consideration the impact of relevant stress scenarios in terms of both defaulters' positions and possible price changes during liquidation.

30. SEGREGATION AND PORTABILITY

1. A CCP shall have a segregation and portability arrangement that distinguishes between positions and collateral of:
 - a) one Clearing Member from another Clearing Member;
 - b) Clearing Members from the assets of the CCP;
 - c) Clearing Members from those of their Clients in an omnibus account.
2. Clearing Members shall have adequate segregation and portability arrangement to protect Clients' positions and collateral in the event of default of a Clearing Member;
3. A Clearing Member shall offer its Clients the choice between omnibus Client segregation and individual Client segregation;
4. A CCP shall maintain a portability arrangement that enables it transfer the positions and collateral of a defaulting Clearing Member's Client to non- defaulting Clearing Member(s);
5. A CCP and Clearing Member shall publicly disclose protection and costs associated with individual account segregation;
6. A CCP shall disclose any legal or operational constraints, that may impair its ability to segregate or transfer a Clearing Member's Client's positions and related collateral.

31. RECOVERY AND RESOLUTION

1. A CCP shall have processes and procedures to achieve adequate recovery when its going concern status is threatened so that its critical operations and services can be sustained.
2. The processes and procedures shall clearly spell out pre-agreed obligations of Clearing Members and the CCP itself in the event of recovery which should be reviewed annually and disclosed to the Commission.



3. Where recovery is no longer feasible, the processes and procedures shall provide for orderly winding down to avoid causing distress to the system.
4. The processes and procedures shall make arrangement for transferring critical operations of the CCP to another CCP where available.
5. The Commission shall ensure seamless transfer of operations of a defaulting CCP to another CCP where available.

32. REPORTS TO BE FILED

1. A CCP shall file with the Commission:
 - a) A daily transaction report of its clearing activities;
 - b) A monthly report within 5 working days after the end of each calendar month;
 - c) Its quarterly financial statements and operational report separately within 1 month after the end of every quarter. This report should include information on functions, services or activities it outsourced;
 - d) Its annual report and audited financial statement within 3 months after the end of each financial year;
 - e) A quarterly assessment of the risks arising from its operations;
 - f) Any other information which the Commission may require from time to time.

33. RECORD KEEPING

A CCP shall:

1. Maintain records of its activities and services for a period of not less than 6 10 years;
2. Maintain records of all contracts cleared for a period of not less than 6 10 years from the termination of each contract;
3. Make available upon request by the Commission any record kept;
4. Keep its record safe, secured and in a manner which will make it easy for retrieval;
5. Ensure that records kept can be retrieved in their original form without alteration;



6. Upon request, provide the Commission with post trade and real-time access to transactions and or positions records.
7. **Transaction Records:** A CCP must maintain records of all transactions in all contracts it clears and shall ensure that its records include all information necessary to conduct a comprehensive and accurate reconstruction of the clearing process for each contract and that each record on each transaction is uniquely identifiable and searchable at least by all fields concerning the CCP, interoperable CCP, Clearing Member, Client, if known to the CCP, and financial instrument.
8. **Position Records:** A CCP shall maintain records of positions held by each Clearing Member. Separate records shall be held for each account and the CCP shall ensure that its records include all information necessary to conduct a comprehensive and accurate reconstruction of the transactions that established the position and that each record is identifiable and searchable at least by all fields concerning the CCP, interoperable CCP, Clearing Member, Client, if known to the CCP, and financial instrument.
9. **Business Records:** A CCP shall maintain adequate and orderly records of activities related to its business and internal organization, including minutes of meetings of the board and of the risk committee, amongst other things.
10. **Reports to a trade repository:** A CCP must keep a record of reports made to a Trade Repository.



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C. NEW RULE ON REGISTRATION OF FIXED INCOME EXISTING SECURITIES

The following fee structure shall apply to the registration of existing fixed income securities (including foreign dual listings):

Fee Structure

First N500 Million @ 0.015%

Next N500 Million @ 0.0113%

Balance above N1 Billion @ 0.0075%

Total fees payable subject to a maximum cap of N100 Million



MAJOR AMENDMENT

D. AMENDMENT TO RULES ON COLLECTIVE INVESTMENT SCHEMES

1. AMENDMENTS TO THE RULES ON RELATED PARTIES

Existing Rule – Contents of Trust Deed 465(z):

(z) 'provision prohibiting fund manager from investing in its in-house, Trustees, Custodians and their associates instruments'

Amendment – Contents of Trust Deed 465(1)(z)

(z) provision on permissible investment and limits in related party transaction instruments stating that:

"The Fund Manager of an authorized CIS shall not invest the assets of the Fund in securities or assets of related parties to the CIS and their affiliates except as otherwise permitted by the Commission;"

2. New Rule

New Rule 465(2)

- a) The Fund Manager of a CIS may invest in money market instruments issued by the affiliates of a related party to a CIS only where the following conditions have been satisfied:
 - i) that the Money market instruments issued by a related party affiliate shall not be below investment grade rating of A- and at yields better than prevailing market rates;
 - ii) that consent of the Trustees for compliance with pre- conditions for such investment has been obtained;
- b) The investment in money market instruments of a related party's affiliates shall not exceed the following thresholds –
 - i. Equity Funds and Balanced Funds – Not more than 5% of total value of money market allocation;
 - ii. Money Market Funds – Not more than 15% of the total assets of the fund;
 - iii. Fixed Income Funds – Not more than 10% of total value of money market allocation;
 - iv. REITs – Not more than 2% of 10% allowable exposure to liquid assets;



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- c) The CIS Trustee shall ensure and report to the Commission compliance with limit set in (b) above.

Provided that the Fund Manager is prohibited from undertaking investments on behalf of a CIS in the Fund Manager's, Custodian's and Trustee's assets/instruments.

3. Amendment

Existing Rule: 532(y)

(y) provision prohibiting fund manager from investing in its in-house, Trustees, Custodians and their associates instruments'

Amendment: 532(y)

(y) a statement that the fund manager may invest the assets of a CIS in money market instruments of a related party's affiliates provided that:

- i. Money market instruments issued by such affiliate shall not be below investment grade rating of A- and at rates and conditions better than that prevailing in the market;
- ii. The consent/approval of the Trustees for compliance with pre-conditions for such investment has been obtained;
- iii. Such investment shall not exceed 2% of 10% allowable exposure to liquid assets;
- iv. The CIS Trustee shall ensure and report to the Commission compliance with limit set in (iii) above

4. Creation of New Rules to replace 450 - General Rules for CIS

Provision on Management of Conflict of interest and Transactions in Affiliates of CIS Related Parties

A. Definitions:

1. **Principal transaction:** A transaction which, singularly or in aggregate of over a 12-month period equals five percent (5%) or more of the Fund's net asset value (NAV), in which the Fund Manager of an authorized Collective Investment Scheme acting on



behalf of the CIS enters with an affiliate of a related party to a CIS as defined under this Rule.

- 2. Related Party Transactions:** Transactions between the affiliates of related parties and the Fund Manager acting on behalf of a CIS.
- 3. Related Party/Related Party to a CIS:** A related party, having regards to a registered Collective Investment Scheme shall be the Trustee, Fund Manager and Custodian of such CIS.
- 4. Affiliate of a Related Party:** An affiliate of a related party having regards to a registered Collective Investment Scheme shall be any person, natural or corporate falling within the categories of the parties listed below:
 - a) Companies that share personnel of the Fund Manager who hold administrative, management and Board position in the Company, in addition to front office staff engaged in investment management function of the CIS;
 - b) Companies that share personnel of the Trustee Company who holds administrative, management and Board position in the Company;
 - c) Companies that share personnel of the Custodian Bank or Central Depository who holds administrative and management position in the Bank or Depository;
 - d) Companies that are affiliates of the Fund Manager, Trustees or Custodians within the same financial group or another group;
 - e) Key persons undertaking asset management, investment analysis and other key front office tasks that impact or likely to impact the Fund;
 - f) Persons capable of exerting influence on management and Board decisions in related parties and their affiliates;
 - g) Other Collective Investment Schemes managed by:
 - i. the Fund Manager;
 - ii. an affiliate of the Fund Manager and/or companies belonging to the same group as the Fund Manager;
 - iii. an affiliate of the Trustee and/or companies belonging to the same group as the Trustee;
 - iv. a Company whether as affiliate, subsidiary or parent of the Fund Manager, Trustees or Custodian whose securities are unlisted or listed on a recognized securities Exchange;



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- h) Sponsor, administrator or managers of electronic/digital platforms which serve as channel for subscription to or redemption from, of units of an authorized CIS;
- i) Companies which share interlocking directorship with the Fund Manager, Trustee or Custodian;
- j) Companies that engage in principal transactions with the Fund Manager, Trustee or Custodian;
- k) Companies/Entities with at least 5% shareholding or beneficial ownership in the Fund Manager, Trustee or Custodian;
- l) Any other person(s) identified by the Fund Manager, Trustees to the Fund, the Custodian or the Commission as an affiliate of a related party.

B. Management of Conflict of Interest

1. Conflict of Interest

- a) Conflict of interest issues shall be assessed on a case by case basis;
- b) A Fund Manager shall disclose to the Trustee and Commission not later than 24 hours, whenever a conflict arises or where it is reasonable to assume that a potential conflict may exist.

2. Trust Deed Provision

The Trust Deed of an authorized Collective Investment Scheme shall contain provisions on management of conflict of interest/related party transactions between the Fund Manager of an authorized CIS and affiliates of related parties on behalf of the CIS:

- a) Stating policies and procedures for management of real and potential conflict of interest between the CIS, the Fund Manager, Trustees, Custodians and affiliates of each;
- b) Requiring that all services or transactions undertaken by the Fund Manager on behalf of the CIS with the affiliate of a related party shall be done at arm's length and at terms based on cost, price, and prevailing market conditions in the interest of the CIS;
- c) Disclosure to the Commission of any service contract between a related party and an affiliate of a related party with potential of conflict of interest ~~between a CIS and affiliates of related parties of the~~ for the CIS;



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- d) Requirement for disclosure to the Commission, having obtained Trustees consent for purchase of securities on behalf of the CIS by the Fund Manager in which its affiliate acts as Issuing House/Underwriter to an offer;
- e) Disclosure to the Commission of purchase of securities in (d) where the Fund Manager and Trustees have:
 - i. shown the transaction to be in the best interest of the CIS and unit holders,
 - ii. shown the transaction to be carried out at arm's length;
 - iii. made full disclosure to the Commission on transaction cost and terms with the affiliate of a related party.

2. Requirement for Trustees Consent for Certain Transactions

The Fund Manager shall be required to obtain the Trustees consent in respect of:

- a) Principal transactions on behalf of the CIS by the Fund Manager with its ~~related party~~ affiliate as counter party or vendor to ensure that cost, terms and conditions of the transaction are carried out at better terms and price than prevailing market condition;
- b) Principal transaction for sales or purchase of securities in the secondary market where the affiliate of a related party acts as broker or intermediary for such sale or purchase showing the price or cost at which the transaction was made as compared to the highest and lowest price for the similar transaction in the market for that day.

3. Requirement on the Fund Manager

The Board of the Fund Management Company shall:

- a) Approve and institute guidelines, policies and procedures for managing conflict of interest on related party transactions for Collective Investment Schemes and all asset management operation;
- b) Identify and manage real and potential conflicts of interest in its overall asset management operations including its management of authorized CIS in line with the policies and procedures established in (a);
- c) Strictly enforce policies on conflict of interest management and guidelines on related party transactions undertaken for and on behalf of an authorized CIS;



- d) Report/disclose to the Commission (in its quarterly returns), and Trustees of all related party transactions, service contracts/agreements; fees, commissions, transaction costs arising from transactions or service provision with related parties of the Fund Manager and showing comparable best market price and cost to support that the transaction and service were carried out at terms and prevailing conditions in the best interest of the CIS;
- e) Maintain a record of all transactions and service executions undertaken with the affiliate of a related party on behalf of the CIS.

4. Disclosures on Related Party Transactions

The Fund Manager of an authorized CIS shall file periodic reports (quarterly and annual) disclosing the following:

- a) All service contract with affiliates of related parties such as securities brokerage, advisory, marketing fees and aggregate cost of such services to the CIS in absolute amount and as percentage to total operating cost;
- b) Investment/portfolio holdings in securities, instruments issued by affiliates of related parties showing aggregate value and percentage composition to CIS net asset value;
- c) Principal transaction (purchase or sale) of securities and assets between the Fund Manager of the authorized CIS and affiliates of related parties showing purchase cost or sale price, best prevailing market price or cost at the time of transaction, evidence that the transaction was carried out at best execution price or under terms same or better than prevailing market condition at time of transaction;
- d) Principal transactions (purchase or sale) of securities and assets between the CIS by the Fund Manager acting on its behalf, and a client of the Fund Manager under discretionary portfolio management service of the Fund Manager or affiliate of the Fund Manager, showing price or cost of the transaction and best market price or cost of similar transaction for that day;
- e) A primary market transaction involving the subscription to securities offerings at the primary market by the Fund Manager of the CIS in which an affiliate of a related party acts as Issuing House/Underwriter disclosing the number of



units/shares and value of securities subscribed for, percentage composition subscribed and total subscription of the offer.

5. Penalties

Contravention of the Rules in this part shall attract one or more of the following sanctions:

- a) Minimum penalty of N1 million;
- b) Disgorgement of proceeds of the transaction and payment to the Fund of three (3) times the profit realized;
- c) Withdrawal of license of offending party and
- d) Referral for criminal prosecution where this is established.

5. Amendments to Rules on Collective Investment Schemes

Creation of Rule 450 (B)

Name/citation of the Rule – Offer Process for Closed-Ended Collective Investment Schemes/ 450 (B)

Full Text of the Rules

A. Filing of Registration Statement

- (1) The Registration Statement for the offer of units shall be filed by an issuing house and shall conform with the requirements of the Investments and Securities Act (ISA), these Rules and Regulations and any other requirement prescribed by the Commission.
- (2) The Registration Statement shall be accompanied by the following documents:
 - a. An executed SEC Form 6A
 - b. Draft Prospectus
 - c. Draft Trust Deed
 - d. Draft Custody Agreement
 - e. Draft Vending Agreement
 - f. Sworn "Undertaking to File Periodic Reports and Returns" with the Commission



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- g. Board Resolution from the Board of the Fund Manager / Promoter authorizing the launching of the unit trust scheme
 - h. Evidence of payment of SEC fees
 - i. Rating Report (where applicable)
 - j. Evidence of appointment of a Sharia Adviser (for sharia compliant funds)
 - k. Such other relevant documents as may be required from time to time.
- (3) The Issuer/Fund Manager shall make a sworn declaration that it has fully disclosed all material facts in the Offer document and the declaration shall be signed by the Chief Executive Officer and the Company Secretary.
- (4) The Issuing House shall file, either at the time of submission of the Registration Statement or at the time of filing executed offer documents:
- a) All original letters of consent from the prospective parties to the Scheme dated and signed by named persons giving the consent. Provided that a corporate entity giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities with the seal of that entity; and
 - b) All original letters of consent from the directors of the Fund Manager and any other individual that is a party to the Scheme, dated and signed by the named persons giving the consent and duly notarized.

B. Executed Offer Documents

Convening of a completion board meeting for a closed-ended CIS offer shall be optional; however executed Offer documents of a closed-ended CIS offer shall be submitted to the Commission within 5 working days of clearance by the Commission.

C. Parties to an Issue/Scheme

Where there is more than one Issuing House for a public offer of a scheme, the Lead Issuing House shall not be a subsidiary, affiliate or a related company of the Fund Manager or Promoter.

D. Opening and Closing of Offer

- a) An offer for a closed-ended scheme shall remain open for a period not exceeding 28 working days.
- b) The Commission may grant an application for extension of time under any of the following circumstances:



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- i. Upheavals, which could be either religious, political or social. These must be national or within the catchment areas of the fund manager or promoter;
 - ii. Crisis such as labor unrest or riots which could lead to office shutdowns;
 - iii. A minimum of three (3) days public holidays within an offer period;
 - iv. Natural disasters such as earthquake, fire outbreaks, etc.
- c) The application for extension of time shall be made within 5 working days prior to closing date of the Offer as stated in the Offer documents.
- d) Notwithstanding the provisions stated herein, no offer shall continue beyond the closing date unless prior written approval of the Commission is obtained.

E. Proceeds of Issue

- a) The Issuing House to a scheme's offer shall ensure that all proceeds of an issue are deposited in an interest-yielding account with the Custodian.
- b) No withdrawal shall be made from the account except a lump sum representing the total cost of issue in accordance with the terms of the vending agreement and as disclosed in the Prospectus.
- c) In the case of over-subscription, the Custodian shall within one working day of clearance of allotment transfer electronically such sum representing the value of the over-subscription including accrued interest in the name of the Offer to the Registrar.
- d) The Registrar shall return all surplus monies to the affected subscribers within five working days of the approval of the allotment proposal.
- e) The Commission may grant an application for the absorption of the oversubscribed portion of a closed-ended CIS offer subject to:
 - (i) The filing of an application for registration of the units in the requisite Form; and
 - (ii) Payment of the requisite fees.
- f) The Registrar shall within 14 working days of approval of allotment, forward to the Commission, the following:
 - (i) statement of amounts received;
 - (ii) names and addresses of subscribers whose application monies were returned and the mode and evidence of dispatch.
- g) The Fund Manager is prohibited from using or investing the proceeds of the issue for purposes other than those stated in the Prospectus, Trust Deed, or Memorandum and Articles of Association of the CIS –in the case of an open-ended investment company.
- h) If return monies are not dispatched in compliance with sub-rule (d) above, accrued interest shall be paid by the Registrars to the unsuccessful applicants at a rate not below CBN MPR + 5 %.



F. Allotment Period and Submission of Allotment Proposal

- (1) An allotment proposal shall be presented to the Commission not later than 2 weeks after the close of the issue unless the Commission on application by the issuer deems it necessary, in the interest of the public and for the protection of investors, to grant a written extension of time not exceeding two weeks.
- (2) The Allotment Proposal filed by the Issuing House shall include:
 - i. summary of applications received;
 - ii. list of allottees acquiring 5% or more of the units on offer;
 - iii. list of all applications received including list of those rejected and the basis for rejection;
 - iv. draft newspaper announcement.
- (3) The Commission may declare any irregular allotment of units null and void and may prescribe appropriate measures to rectify such irregularities in accordance with these rules.
- (4) Where the Fund Manager/Issuing House fails to submit allotment proposal within the stipulated period or any extended period granted, the Commission may impose appropriate penalty or direct that the issue be aborted irrespective of the level of subscription.

G. Summary report on completion of a public offer

The Issuing House shall within 21 working days of approval of allotment file with the Commission a summary report containing among others, the following:

- a) problems arising generally from the conduct of the issue;
- b) satisfactory compliance of parties with their obligations under the issue;
- c) details regarding the return of surplus monies;
- d) details and any evidence of dispatch of share certificates/electronic statements;
- e) details and evidence of payment of net proceeds of the issue to the issuer;
- f) analysis of total costs incurred during the course of the offer;
- g) any other relevant information and recommendation.

H. Mode of Scheme Offer

Without prejudice to the Issuer's discretion, a closed-ended fund may offer its units by way of a shelf registration.



I. Abortion of a Scheme Offer

- a) The Fund Manager shall notify the Commission where it seeks to abort the offer of a close-ended scheme and such notification shall state reasons for the proposed abortion.
- b) The Commission may direct that a scheme's offer be aborted if it is considered to be in the public interest to do so.
- c) Where a scheme's offer is aborted:
 - i. The Offer shall be aborted by the Fund Manager/Issuing House within 4 weeks of the closing date of the Offer.
 - ii. The Issuing House shall publish in one daily national newspaper and its website details of the decision to abort the Offer not later than 5 working days after the Commission has been notified of the decision.
 - iii. The Registrar to the Offer shall return monies to subscribers to the aborted Offer not later than 15 days of the decision to abort the Offer and 2 days of the money being remitted to the Registrar.
- d) Subject to the prior approval of the Commission, an aborted Offer may be resuscitated by the Fund Manager/Issuing House within 15 days of the date of notification of the aborted Offer to the Commission.
- e) No resuscitation of such Offer shall be entertained by the Commission after subscription monies have been returned to subscribers as prescribed in paragraph (c) above.

J. Publication of Allotment

- a) The Issuing House shall within five working days of allotment, publish the allotment in at least two national daily newspapers. Provided this shall only apply to retail focused funds, to the exclusion of Alternative Investment Schemes except where the Fund Manager of such scheme elects to publish the allotment.
- b) Units shall be listed not later than 30 days after the allotment clearance (where applicable).

K. Cost of issue

- a) The total Offer cost of a closed-end CIS shall not exceed 1.65% of the total Offer size or such percentage as the Commission may prescribe from time to time.
- b) Provided that the fees for professional parties shall not exceed 1.30% (inclusive of VAT) of the offer costs, of which Issuing House fees must not exceed 0.50%.
- c) Provided further that where such Offer is not fully subscribed, the total costs shall not exceed 1.65% of the amount raised.



L. Underwriting of a Scheme Offer

Underwriting of a scheme offer is optional. Where an issuing house elects to underwrite an offer, the general provisions in the Rules on underwriting of public issues shall apply.

M. Vending Agreement

- a) All vending agreements shall be submitted to the Commission for clearance along with other registration documents.
- b) The Vending Agreement shall, among other things, provide for the following:
 - i. Definition of terms;
 - ii. Obligations of the Issuing House(s);
 - iii. Obligations of the Fund Manager and Promoter (where applicable);
 - iv. Representation and warranties by the Fund Manager/Promoter;
 - v. Covenant by the Fund Manager;
 - vi. Covenant by the Issuing House(s);
 - vii. Indemnities;
 - viii. Remuneration of the Issuing House(s);
 - ix. Terms of the relationship between the joint Issuing Houses where there is more than one Issuing House;
 - x. Conditions and terminations;
 - xi. Time;
 - xii. Notices;
 - xiii. Governing laws;
 - xiv. Arbitration.
- c) The Dispute Resolution Clause in the Vending Agreement shall include provisions to the effect that:
 - i. Whenever a dispute arises between the parties, the Commission shall be notified within 5 working days;
 - ii. a maximum period of 10 working days will be allowed for the parties to resolve the dispute themselves or to appoint a conciliator(s);
 - iii. the Conciliator(s) shall have a maximum period of 10 working days to resolve the dispute after the exchange of pleadings by the parties, failing which the matter shall be referred to the Commission for resolution;
 - iv. any party aggrieved by the decision of the Commission may refer the matter to the Investments and Securities Tribunal (IST).



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- d) The Indemnity Clause in the Agreement shall not exclude but ensure due diligence on the part of the Issuing House(s).
- e) The Vending Agreement shall contain a statement that the terms and conditions of the Agreement are in conformity with the provisions of the Act, and the Commission's Rules and Regulations made thereunder.

N. Quality and Completeness of Offer Documents

- a) The Applicant shall ensure the completeness of every application and document submitted in respect of an offer.
- b) The Applicant shall ensure that where the Commission has raised deficiencies, such deficiencies are addressed in subsequent submissions of the Offer documents.
- c) Any subsisting deficiencies observed shall attract a penalty of not less than one hundred thousand naira (N100,000.00) per submission.

This fine shall be payable by the Applicant without recourse to the Offer proceeds of the CIS being registered.

O. Additional Information

The Offer documents of a CIS shall disclose the policies and procedures for addressing and resolving conflict of interest between the Fund Manager or Trustee and the Scheme.

1. Creation of New Rule

Name/citation of the Rule – Offer Process for Open-Ended Collective Investment Schemes/ 450 (C)

Full Text of the Rules –

A. Applicability

These Rules shall apply to the registration, authorization and offering process of open-ended Collective Investment Schemes.

B. Registration Requirements

- (1) An application for the registration and authorization of an open-ended CIS and registration of the units or securities of the Scheme shall be made to the Commission by the Fund Manager via a letter of application for registration (registration



statement) and shall conform to the requirements of the Investments and Securities Act, these Rules and Regulations and any other requirement prescribed by the Commission from time to time.

- (2) The Registration Statement shall be accompanied by the following documents –
- a. An executed SEC Form 6A
 - b. Draft Prospectus
 - c. Draft Trust Deed
 - d. Draft Custody Agreement
 - e. Sworn “Undertaking to File Periodic Reports and Returns” with the Commission
 - f. Board Resolution from the board of the Fund Manager/Promoter authorizing the launching of the unit trust scheme.
 - g. Evidence of payment of SEC fees
 - h. Rating Report (where applicable)
 - i. Evidence of appointment of Sharia Adviser (for sharia-compliant funds)
 - j. Such other relevant documents as may be required from time to time
- (3) The Fund Manager shall file, either at the time of submission of the Registration Statement or at the time of filing executed offer documents –
- a. All original letters of consent from the prospective parties to the Scheme dated and signed by named persons giving the consent. Provided that a corporate entity giving consent shall do so through duly authorized persons who shall be a director, company secretary or persons acting in those capacities with the seal of that entity; and
 - b. All original letters of consent from the directors of the Fund Manager and any other individual that is a party to the Scheme, dated and signed by the named persons giving the consent and duly notarized.
- (4) The interval between the filing of documents and the approval or disapproval by the Commission shall not exceed the 60-day period stipulated in the Act subject to the adequacy of the filing.

C. Filing of Executed Scheme Document

Executed Scheme Documents shall be submitted to the Commission within 3 working days of their clearance.



D. Scheme Launch

- (1) An open-ended CIS shall be launched and open for subscription after registration and authorization by the Commission.
- (2) The Scheme's constituent documents as well as its offering/marketing documents shall disclose the commencement date of the Scheme.
- (3) A scheme's marketing material shall not contain any misleading or false statements regarding the Scheme or a participatory interest in the Scheme.
- (4) The Fund Manager of a scheme shall not market the Scheme in a manner that is fraudulent, misleading, or deceptive in respect to:
 - (i) The nature of the Collective Investment Scheme;
 - (ii) The conditions on which a participatory interest of the Scheme may be purchased or sold;
 - (iii) The price at which a participatory interest may be purchased or sold;
 - (iv) The risks associated with the Scheme;
 - (v) Any other material aspects of the Scheme.
- (5) The general guidelines on advertisement as prescribed by these Rules and Regulations shall apply to the marketing of a Scheme.
- (6) Prior to the registration and authorization of a scheme by the Commission, a fund manager shall not:
 - (i) Distribute any marketing or advertisement material relating to the Scheme;
 - (ii) Make any reference to such schemes at product launches.
- (7) The Scheme's documents shall disclose the time frame within which electronic Statements will be issued to subscribers, and monies returned to rejected subscribers as the case may be.
- (8) Subscription monies for a scheme shall be paid to the Scheme's Custodian who shall hold same pending investment by the Fund Manager.

E. Scheme Post-Registration Report

- (1) A report on the subscription to the Scheme as well as the Scheme's initial investments shall be filed within 90 days of registration and authorization of the Scheme.
- (2) The report shall contain:
 - a. A summary of applications received;
 - b. list of all applications received including list of applications rejected and the basis for rejection;
 - c. evidence of the Fund Manager's subscription for proprietary stake in the Scheme;
 - d. report on and evidence of any return monies;



- e. evidence of the Scheme's initial investments;
- f. details of and any evidence of dispatch of electronic statements;
- g. any other relevant information

F. Abortion of a Scheme Launch

- (1) The Fund Manager shall notify the Commission where it seeks to abort the launch of an open-ended scheme and such notification shall state reasons for the proposed abortion.
- (2) The Commission may approve the abortion of an open-ended scheme launch and/or revoke the registration and authorization of a scheme where it is deemed to be in the interest of the public.

G. Cost of issue

- (1) The total set up and launch cost of an open-ended CIS shall not exceed 1% of the Scheme's total initial registration size or such percentage as the Commission may prescribe from time to time.
- (2) Provided that the fees for professional parties shall not exceed 0.80% (inclusive of VAT);
- (3) Provided further that where such initial registration size is not fully subscribed, the total cost shall not exceed 1% of initial amount raised.

H. Quality and Completeness of Offer Documents

- (1) The Applicant shall ensure the completeness of every application and document submitted in respect of an offer.
- (2) The Applicant shall ensure that where the Commission has raised deficiencies, such deficiencies are addressed in subsequent submissions of the Offer documents.
- (3) Any subsisting deficiencies observed shall attract a penalty of not less than one hundred thousand naira (N100,000.00) per submission.
- (4) This penalty shall be payable by the Applicant without recourse to the offer proceeds of the CIS being registered.

I. Additional Information

In addition to the minimum disclosure requirements of the Prospectus or Scheme Offer document as prescribed in these Rules, the following shall also be disclosed:

- (1) The policies and procedures for addressing and resolving conflicts of interest between the Fund Manager or Trustee and the Scheme;



- (2) Means by which subscribers may obtain relevant information regarding the Fund.

2. New Rule

Name/citation of the Rule – Allowable fees/expenses/ 451 (I)

Full Text of the Rule –

- I. Marketing/Distribution fees;

3. Amendment

Name/citation of the Rule to be Amended – Advertising / 452

Full Text of the Existing Rule –

- (1) Further to existing Rules on the subject, every advertisement by a scheme shall be approved by the Commission;
- (2) No advertisement shall be made stating that a scheme has been fully subscribed or oversubscribed during the period the scheme is open for subscription, except to the effect that the issue is open or closed;
- (3) An advertisement shall not compare one scheme to another;
- (4) If any scheme indicates the past performance of the scheme in an advertisement, the basis for computing the rates of return/yield, and adjustments made (if any) shall be expressly indicated with a statement that such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments.

Amendment – Guidelines for Advertisement

- (1) Further to the general Rules on Advertisements, every advertisement by a scheme shall be approved by the Commission;
- (2) An issuing house or fund manager shall not publish any advertisement relating to a CIS offer or invitation to subscribe without the approval of the Commission;

~~No advertisement shall be made stating that a scheme has been fully subscribed or oversubscribed during the period the scheme is open for subscription, except to the effect that the issue is open or closed;~~

- (3) An advertisement shall not compare one scheme to another;



- (4) An advertisement, circular or any statement with respect to the sale price of units, the payments of other benefits received or likely to be received by unit holders or invitation to buy units shall not be made without disclosing also the performance from the units and unless such circulars, advertisements, etc., are cleared by the trustee (where applicable) and approved by the Commission;
- (5) If any scheme indicates the past performance of the scheme in an advertisement, the basis for computing the rates of return/yield, and adjustments made (if any) shall be expressly indicated with a statement that such information is not necessarily indicative of future results and may not necessarily provide a basis for comparison with other investments;
- (6) An advertisement of a CIS shall not be misleading. An advertisement shall be considered to be misleading if it contains:
 - (i) Statements made about the performance or activities of the CIS in the absence of necessary explanatory or qualifying notes, which may give an exaggerated picture of the performance than what it really is;
 - (ii) An inaccurate portrayal of past performance or its portrayal in a manner that suggests that past gains or income will be repeated in future.
 - (iii) Ambiguous and high sounding words, slogans and terminologies such as **"invest and haul in the future"**, **"top offer"**, **"superior offer"**, **"brighter future"**, etc.
 - (iv) Statements that promise or guarantee rapid returns or increase in profits.
- (7) An advertisement shall avoid the use of extensive technical legal terminology or complex language and the inclusion of excessive details, which may distract the investor.
- (8) Celebrities, fictional characters, landmarks or the likes shall not be displayed on or form part of the advertisements.
- (9) Advertisements shall not include any slogans or brand names for the issue except the normal commercial name of the CIS or brand names of its products already in use. Expletives or non-factual and unsubstantiated titles shall not appear in the advertisements.
- (10) The historical financial information and all other information to be incorporated in advertisement materials shall not exceed the period and information as contained in the approved offer documents.
- (11) Evidence of any award received by the fund manager to be stated in the advertisements shall be forwarded to the Commission for clearance before the advertisements.



(12) The publication of the following advisory clause: "Please read the Prospectus and where in doubt, consult your stockbroker, fund/portfolio manager, accountant, banker, solicitor or any other professional adviser for guidance before subscribing", shall be stated as a footnote in all print and electronic media advertisements of a CIS offer/invitation to subscribe.

4. Amendment

Name/citation of the Rule to be Amended – Contents of Prospectus / 463(e), (p) & (z)(ii)

Full Text of the Existing Rule: Every prospectus shall contain the information required by the Act and shall in addition state the following information:

- e) The offer stating the requirements of Rule 466, the dates of opening and closing of the offer, and the names of the trustee and custodian to the scheme;
- p) a forecast of income of the fund for the next three (3) years;
- z) detailed information of the Fund with respect to the following:

ii) three (3) to five (5) years financial summary. Where the Fund has just been created and is yet to solicit for investment, a statement of affairs of the Fund including financial projection.

Amendment – Every prospectus shall contain the information required by the Act and shall in addition state the following:

- e) The offer stating the requirements as prescribed under these Rules and Regulations, the dates of opening and closing of the offer for closed-ended funds and commencement date for open-ended funds, and the names of the trustee and custodian to the scheme;
- ~~p) a forecast of income of the fund for the next three (3) years;~~
- z) detailed information of the Fund with respect to the following:
 - ii) ~~three (3) to five (5) years financial summary. Where the Fund has just been created and is yet to solicit for investment, a statement of affairs of the Fund including financial projection.~~ for privately managed portfolios converting to a CIS



5. Amendment

Name/citation of the Rule to be Amended – Contents of a Trust Deed / 465(d)&(e)

Full Text of the Existing Rules –

- (d) redemption of units by the Fund Manager at prices calculated in the manner prescribed under these Rules and Regulations, and for settlement in respect thereof to be effected not later than five (5) working days following the transaction;
- (e) investment policy, including investment outlets;

Amendments –

- (d) redemption of units of open-ended funds by the Fund Manager at prices calculated in the manner prescribed under these rules and regulations, and for settlement in respect thereof to be effected not later than five (5) working days following the transaction;
- (e) investment policy, including investment outlets and target asset allocation stated within a range;

6. (a) Amendment

Name/citation of the Rule to be Amended – Contents of a Trust Deed / 465(k)

Full Text of the Existing Rule –

- (k) in addition to (j) above, the Fund Manager of the Scheme shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the Scheme's net asset value per annum;

Amendment –

- (k) ~~in addition to (j) above, the Fund Manager of the Scheme shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the Scheme's net asset value per annum~~ a statement as to the incentive fee to be charged

(b) New Rule

Name/citation of the Rule – Regulation on Incentive Fee / 465 (ff)

Full Text of the Rule –

- (a) all unit trust schemes shall be benchmarked to an appropriate index.



- (b) a fund manager may charge incentive fee where a Fund has outperformed its stated benchmark. The incentive fee shall be chargeable on the total annualized returns above the benchmark and up to 20% of the excess returns; Provided that:
- (i) a Fund's stated benchmark shall be reflective of the nature of the Fund and its underlying instruments;
 - (ii) only actively managed Funds may charge incentive fee;
 - (iii) where a Fund underperforms its benchmark, the management fee charged shall decrease by the same percentage by which the Fund underperformed;
 - (iv) the fund performance must have reached a high-water mark. A high-water mark is reached when the fund's value (per unit basis) exceeds its highest historical record.
- (c) the provisions of this Rule shall also apply to open-ended investment companies, real estate investment schemes and other relevant schemes.

7. Amendment

Name/citation of Rule to be amended – Contents of Trust Deed / 465(I)

Full Text of Existing Rule –

(I) a statement that the annual management fee and other expenses shall not exceed 5% of the net asset value of the Fund;

Amendment –

- (I) a statement that the ~~annual management fee and other~~ total expenses shall of the fund (including the annual management fee) but excluding incentive fee shall not exceed 5% 3.5% of the net asset value of the Fund per annum;

8. New Rule

Name/citation of the Rule – Types of Unit Trust Schemes

Full Text of the Rules –

The name of a fund shall mirror the asset allocation and/or investment objective of the fund.

- a) **New Rule**

Name/citation of the Rule – A. Equity Fund



Full Text of the Rules –

(1) Definition

An Equity Fund is a type of unit trust scheme authorized by the Commission having a minimum allocation of 70% of a fund's asset in equities listed on an exchange registered or recognized by the Commission.

(2) Use of Name/Title

The name and title '**Equity Fund**' or some other related variations such as '**Aggressive Fund**' or '**Growth Fund**' shall apply exclusively to schemes that qualify as such further to the definition in (1) above;

Provided that no scheme or proposed scheme shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as an equity fund where such does not meet the definition and other criteria specified in these rules. Accordingly, any existing scheme with the name 'equity' or 'aggressive' or 'growth' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

An Equity Fund may invest up to 15% or 1.2 times of that share's weight in the benchmark (whichever is greater) in the equity securities of any single company, provided that this will not apply to a fund whose principal objective is to track or replicate an index.

(4) Investment Objective

The trust deed of an Equity Fund shall state that the investment objective of such fund is capital growth and/or income generation.

(5) Benchmark

The trust deed of an Equity Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval. Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 5 years.

(6) Sector Fund

A sector fund is a type of equity fund that allocates at least 70% of the fund to a particular sector.



b) **Amendment**

Name/citation of Rule to be Amended – Money Market Fund/J2

Full Text of Existing Rule – *J2. Money Market Fund*

Amendment – B. Money Market Fund

c) **Amendment**

Name/citation of Rule to be Amended – Money Market Fund; Definition / 468

Full Text of Existing Rule –

Money Market Fund: is a collective investment scheme authorized by the Commission having as its primary objective, the provision to investors/participants in the Scheme of steady streams of income derived from investments in high quality money market instruments with financial institutions rated by a registered rating agency as may be specified from time to time by the Commission.

Amendment –

1. Definition

A Money Market Fund is a ~~collective investment scheme~~ type of unit trust scheme authorized by the Commission ~~having as its with the~~ primary objective to provide investors/participants in the scheme with capital preservation and steady streams of income derived from investments in money market instruments issued by the Federal Government and in highly rated instrument from financial and non-financial institutions rated by a registered rating agency as may be specified from time to time by the Commission.

d) **New Rule**

Name/citation of the Rule – Money Market Fund / Investment Objective and Benchmark

Full Text of the Rules –

(1) Investment Objective

The trust deed of a Money Market Fund shall state that the investment objectives of such fund are capital preservation and steady income.

(2) Benchmark



The trust deed of a Money Market Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval. Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 5 years.

e) **New Rule**

Name/citation of the Rule – C. Ethical Fund

Full Text of the Rules –

(1) Definition

An Ethical Fund is a type of unit trust scheme authorized by the Commission with ethical investment objectives or other moral/ethical-based investment strategies.

(2) Use of Name/Title

The name and title '**Ethical Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above:

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as an ethical fund where such does not meet the definition and other criteria specified in this Rule. Accordingly, any existing scheme with the name 'ethical' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

- i. An ethical fund shall be categorized as either an equity fund, a money market fund, a fixed income fund or a balanced fund;
- ii. The Rule on Investment Restrictions for Collective Investment Schemes shall apply provided that each restriction shall be increased by 5% for ethical funds.

f) **New Rule**

Name/citation of the Rule – D. Faith-based Fund

Full Text of the Rules –

(1) Definition

A Faith-based Fund is a type of unit trust scheme authorized by the Commission with investment objectives and/or strategies based on religious principles. This includes shari'ah compliant funds or other faith-based investment strategies.



(2) Use of Name/Title

The name and title '**Faith-based Fund**' or some other variation reflective of the faith or religion shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above; where it is a shari'ah compliant fund then the name and title 'Islamic/Shari'ah Fund' or other related variation is permissible.

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as a faith-based fund where such does not meet the definition and other criteria specified in these rules. Accordingly, any existing scheme with the name 'faith-based' or related variation that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Restriction

- i. Shari'ah complaint funds shall not invest more than 30% of the Fund's NAV in a single entity, transaction or contract;
- ii. The investment restriction for ethical funds shall apply to faith-based funds.

g) **Amendment**

Name/citation of Rule to be amended – **Islamic Fund/J3**

Full Text of Existing Rule – **J3. Islamic Fund**

Amendment – **D (3) Islamic Fund**

h) **New Rule**

Name/citation of the Rule – **E. Fixed Income Fund**

Full Text of the Rules –

(1) Definition

A Fixed Income Fund is a unit trust scheme authorized by the Commission with a minimum of 70% allocation to bonds or other debt instruments with a term to maturity of not less than 365 days

(2) Use of Name/Title

The name and title '**Fixed Income Fund**' or '**Bond Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above;

Provided that no scheme or proposed schemes shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter,



circular etc.) as a fixed income fund where such does not meet the definition and other criteria specified in this Rule. Accordingly, any existing scheme with the name 'fixed income' or 'bond' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.

(3) Investment Objective

The trust deed of a Fixed Income Fund shall state that the investment objective of such fund is income generation.

(4) Benchmark

The trust deed of a Fixed Income Fund shall choose a benchmark that is a recognized index and appropriate for the investment strategy of the fund, subject to the Commission's approval. Provided that the identified benchmark shall be the relevant benchmark for the fund for a period of not less than 5 years.

i) **New Rule**

Name/citation of the Rule – F. Balanced Fund

Full Text of the Rules –

(1) Definition

A Balanced Fund is a type of unit trust scheme authorized by the Commission with an asset allocation range of a minimum of 40% and a maximum of 60% to equities and a minimum of 40% and a maximum of 60% to fixed income and money market instruments provided that the fund shall maintain a minimum of 20% to fixed income securities at all times.

(2) Use of Name/Title

The name and title '**Balanced Fund**' shall apply exclusively to schemes that qualify as such on the basis of the definition provided in (1) above;

Provided that no scheme or proposed scheme shall hold itself out in any form of communication (application for registration, offer documents, advertisement, letter, circular etc.) as a balanced fund where such does not meet the definition and other criteria specified in these rules. Accordingly any existing scheme with the name 'balanced' that does not meet the qualifying criteria set in this Rule shall cease to use the appellation or upgrade to meet the criteria.



(3) Investment Objective

The trust deed of a Balanced Fund shall state that the investment objective of such fund is income generation and/or capital growth

(4) Benchmark

On a quarterly basis, the relevant fund management trade association shall publish a composite benchmark, which shall be based on the acceptable benchmarks for individual asset classes as provided by a securities exchange or OTC platform or any other recognized index that is registered or recognized by the Commission. This should be disclosed by the Fund Manager on its website as the relevant benchmark for the fund.

9. New Rule

Name/citation of the Rule – Investment Restrictions for Collective Investment Schemes

Full Text of the Rules –

The following restrictions shall apply to investments made by schemes

1. The value of a Fund's investment in:
 - i. Equity securities issued by a single company shall not exceed 5% or in the case of a company with a market capitalization of N50 billion or more, 10% of the Fund's NAV; Provided however that an Equity Fund may invest up to 15% of its NAV or 1.2 times of that share's weight in the benchmark (whichever is greater), in the equity securities of any single company, and provided further that these will not apply to a fund whose principal objective is to track or replicate an index.
 - ii. With the exception of treasury bills, money market instruments issued by any single issuer shall not constitute more than 20% of a fund's NAV. Provided however, that a Money Market Fund shall ensure compliance with the Rules on Money Market Funds;
 - iii. With the exemption of federal government bonds, bonds issued by any single issuer or one group of companies shall not constitute more than 30% of a Fund's NAV;



- iv. Fixed deposits with any single institution shall not constitute more than 20% of a Fund's NAV;
 - v. Units/shares of any collective investment scheme shall not constitute more than 20% of a Fund's NAV; Provided that this shall not apply to a feeder fund or fund of funds;
 - vi. No fund, other than Real Estate Investment Schemes, shall have any direct exposure to real estate.
2. No equity investment of a scheme shall represent more than 10% of the outstanding securities of an issuer;
 3. The provisions of this Rule shall not affect the applicability of the investment restrictions in unlisted securities as provided in the Rules on Investment by Collective Investment Schemes in Unlisted Securities.
 4. Where the investment limit as prescribed in this Rule is exceeded as a result of a corporate action or through an appreciation or depreciation of the Fund's NAV, a fund manager shall not make any further acquisition with respect to any security with which the relevant limit is breached, and the fund manager shall within a period of not more than 3 months from the date of the breach take all necessary steps and actions to rectify the breach.

10. Amendment

Name/citation of the Rule to be Amended – Investment by Collective Investment Schemes in Unlisted Securities / Unquoted Company /494(3)

Full Text of the Existing Rule –

Unquoted company:

A Fund Manager shall only invest in unlisted securities of a Company that has:

- a) demonstrated compliance with the Code of Corporate Governance;
- b) consistently produced audited accounts for the preceding five (5) years;
- c) a consistent history of profitability for at least the preceding five (5) years, and has paid dividend at least once in the preceding five (5) years.
- d) The company shall not be leveraged above a reasonable amount as may be prescribed by the Commission from time to time.



Amendment –

3. Unquoted company:

~~A Fund Manager shall only invest in unlisted securities of a Company that has:~~

- ~~a) demonstrated compliance with the Code of Corporate Governance;~~
- ~~b) consistently produced audited accounts for the preceding five (5) years;~~
- ~~c) a consistent history of profitability for at least the preceding five (5) years, and has paid dividend at least once in the preceding five (5) years.~~
- ~~d) The company shall not be leveraged above a reasonable amount as may be prescribed by the Commission from time to time.~~

(3) Unlisted Company

A Fund Manager shall only invest in unlisted securities of a public company that is traded on a registered over-the-counter (OTC) market.

11. Amendment

Name/citation of the Rule to be Amended – Investment by Collective Investment Schemes in Unlisted Securities / Rating /496

Full Text of the Existing Rule –

Rating

~~(1) A collective investment scheme (CIS) shall only invest in the unlisted securities of a company that has been rated to be of investment grade by a reputable/SEC registered rating agency;~~

~~(2) A collective investment scheme (CIS) which invests in unlisted securities shall undergo and submit a report of an annual rating by a SEC registered rating agency.~~

Amendment – Delete existing rule

12. Amendment

Name/citation of the Rule to be Amended – Fund of Funds and Feeder Funds /J5/501

Full Text of the Existing Rule –

J5. Fund of Funds and Feeder Funds



Amendment –

Umbrella Funds, Fund of Funds and Feeder Funds

13. Amendment

Name/citation of the Rule to be Amended – Sub-Fund of Funds/501

Full Text of the Existing Rule –

“**Sub-Fund of Funds**” means a group of funds under a Master Fund and/or an umbrella fund.

Amendment –

“**Sub-Fund(s)**” means a fund or group of funds under an umbrella fund.

14. Amendment

Name/citation of the Rule to be Amended –Umbrella Fund/501

Full Text of the Existing Rule –

“**Umbrella Fund**” means a mutual fund that invests primarily in other funds also called fund of funds

Amendment –

“**Umbrella Fund**” means a mutual fund that invests primarily in other funds also called fund of funds shell structure under which sub-funds are managed and each sub-fund is invested separately based on its investment objective.

15. New Rule

Name/citation of the Rule – B. Registration and General Requirements of Umbrella Funds

Full Text of the Rules –

- (1) Requirements for the authorization of a Unit Trust scheme shall apply;
- (2) The sub-funds of an Umbrella Fund may invest directly in underlying assets and other funds with similar investment objectives as the sub-fund;
- (3) The Umbrella Fund structure may be adopted for administrative and cost efficiency provided that –



- a. Investors of one sub-fund may exchange the units of that sub-fund for another sub-fund under the same Umbrella fund at no additional administration costs and upon fair valuation of the unit prices of both sub-funds;
- b. The Fund Manager shall disclose, in the fund's trust deed or other governing document, measures to ring-fence/segregate the assets and liabilities of each sub-fund within an Umbrella Fund;
- c. Such measures for segregation shall be such that the assets of one sub-fund cannot be used to discharge the liabilities of another sub-fund.

16. Amendment

Name/citation of the Rule to be Amended – Registration Requirements of Fund of Funds/ Fees & Charges /502(4)

Full Text of the Existing Rule –

Fee/Charges

- a) The management fee charged to Fund of funds shall be commensurate to the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not be more than 3% of the NAV per annum

Amendment –

Fee/Charges

- a) The management fee charged to a Fund of Funds shall be commensurate to the degree of investment strategies employed by the Fund Manager to achieve the stated objective and the TER shall not be more than ~~3%~~ 1.5% of the NAV per annum.

17. Amendment

Name/citation of the Rule to be Amended – Registration Requirements of Feeder Funds/ Fees & Charges /503(3)

Full Text of the Existing Rule –

Fee/Charges

The total fees/charges (on the Master and Feeder Funds levels) to the feeder-fund shall be commensurate with the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not exceed 3% of the Fund's NAV per annum.



Amendment –

Fee/Charges

The total fees/charges (on the Master and Feeder Funds levels) to the feeder-fund shall be commensurate with the degree of investment strategies employed by the Fund Manager to achieve the stated objective and shall not exceed 3% 1.5% of the Fund's NAV per annum.

18. Amendment

Name/citation of the Rule to be Amended – General Requirements of Feeder Funds / 504(2)

Full Text of the Existing Rule – ~~A Feeder Fund Manager shall appoint a custodian/trustee for the fund;~~

Amendment – Delete existing sub-rule

19. New Rule

Name/citation of the Rule – Total Expense Ratio for REICO

Full Text of the Rule – The total expense ratio for a REICO shall not exceed 3.5% of its net asset value;

20. Amendment

Name/citation of the Rule to be Amended – Contents of Trust Deed / 532(j) and (k)

Full Text of the Existing Rule –

(j) All fund expenses including the annual management fee shall not exceed 5% of the net asset value of the fund

(l) In addition to (j) above, the fund manager of the trust shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the scheme's net asset value per annum

Amendment –

~~(j) All fund expenses including the annual management fee shall not exceed 5% of the net asset value of the fund~~



(i) ~~In addition to (j) above, the fund manager of the trust shall be entitled to an incentive fee not exceeding 30% of total returns in excess of 10% of the scheme's net asset value per annum~~

(j) all REIT expenses, including the annual management fee shall not exceed 3.5% of net asset value of the REIT;

(k) in addition to (j) above, the fund manager of the REIT may charge an incentive fee in the manner provided in these Rules;

21. Amendment

Name/citation of the Rule to be Amended – SCHEDULE I / PART C - Securities

Full Text of the Existing Rule –

(1) Application fee for registration of a Collective Investment Scheme, flat rate of	N35,000.00
(2) Filing fee for registration of securities flat rate of	N10,000.00

Amendment –

Registration Fees for Units/Securities and Others

(1) Application fee for registration of a Collective Investment Scheme, flat rate of	N35,000.00 <u>N50,000.00</u>
(2) Filing fee for registration of <u>units</u> /securities flat rate of	N10,000.00 <u>N50,000.00</u>

22. Amendment

Name/citation of the Rule to be Amended – Authorization fee for units of the fund of unit trust scheme /Schedule I Part C(5)

Full Text of the Existing Rule –

Authorization fee for units of the fund of unit trust scheme:

First N10 million	0.1%
Next N10 million	0.075%



Above N20 million and up to N40 million 0.050%

Any sum thereafter 0.025%

Amendment –

Authorization fee for units of a unit trust scheme (including ETFs):

Up to N5 billion 0.027%

Over N5 billion 0.025%

23. Amendment

Name/citation of the Rule to be Amended – Registration of real estate investment funds /Schedule I Part C(6)

Full Text of the Existing Rule –

(6) Registration of real estate investment funds

First N50 million 0.1%

Next N50 million 0.075%

Above N100 million and up to N200 million 0.050%

Any sum thereafter 0.025%

Amendment –

(6) Authorization fee for units/securities of Real Estate Investment Schemes; Specialized Funds; Private Equity Funds and Venture Capital Funds

Up to N10 billion 0.027%

Over N10 billion 0.025%

A flat fee of 0.025% of registered size

24. Amendment

Name/citation of the Rule to be Amended – Registration of Venture Capital Funds /Schedule I Part C(7)

Full Text of the Existing Rule –



~~(7) Registration of Venture Capital funds~~

First N100 million	0.1%
Next N100 million and up to N400 million	0.075%
Above N400 million and up to N900 million	0.050%
Any sum thereafter	0.025%

Amendment – Delete entire provision

25. New Rule

Name/citation of the Rule – (7) Authorization fee for Infrastructure Funds

Full Text of the Rule –

Up to N15 billion	0.075%
Over N15 billion	0.050%
<u>A flat fee of 0.025% of registered size</u>	

26. Amendment

Existing Rule:

SCHEDULE III

Forms

- FORM S.E.C. 6A: Registration of Unit/Investment Trust Scheme
- FORM S.E.C. 6A1: Registration of Private Equity Funds
- FORM S.E.C. 6A2: Registration of Venture Capital
- FORM S.E.C. QR8: Quarterly Return for Private equity funds

Amendment:



SCHEDULE III

Forms

FORM S.E.C. 6A: Registration of Unit Trust Scheme

FORM S.E.C. 6A1: Registration of Real Estate Investment Schemes

FORM S.E.C. 6A2: Registration of Venture Capital funds

FORM S.E.C. 6A3: Registration of Private Equity Funds

FORM S.E.C. 6A4: Registration of Foreign Collective Investment Schemes

FORM S.E.C. 6A5: Registration of Infrastructure Funds

FORM S.E.C. 6A6: Registration of Exchange Traded Funds

FORM S.E.C. 6A7: Registration of Additional Units/Securities of Collective Investment Schemes

FORM S.E.C. 6A8: Registration of Specialized Funds

FORM S.E.C. QR8: Quarterly Return for Private equity funds, Specialized Funds, Venture Capital Funds and Infrastructure Funds.

27. Amendment

Existing Rule:

SCHEDULE IV

Information, Returns and Reports Required to be Filed by Public Companies, Capital Market Operators, Collective Investment Schemes and other Self-regulatory Organizations

1. Annual report and accounts of public companies
2. Quarterly and half yearly return by public companies
3. Continuous reporting of material changes in activities by public companies
4. Quarterly Report/Return from Capital Market Operators
5. Annual Report and Accounts by Capital Market Operators
6. Monthly return from Capital Market Operators
7. Miscellaneous Returns by Capital Market Operators
8. Quarterly Return by Securities Exchanges and other Self-Regulatory Organizations
9. Monthly and quarterly returns of Collective Investment Schemes
10. Quarterly Returns of Venture Capital and Private Equity Funds



Amendment:

SCHEDULE IV

Information, Returns and Reports Required to be Filed by Collective Investment Schemes

1. Annual report and accounts of public companies
2. Quarterly and half yearly return by public companies
3. Continuous reporting of material changes in activities by public companies
4. Quarterly Report/Return from Capital Market Operators
5. Annual Report and Accounts by Capital Market Operators
6. Monthly return from Capital Market Operators
7. Miscellaneous Returns by Capital Market Operators
8. Quarterly Return by Securities Exchanges and other Self-Regulatory Organizations
9. Monthly and quarterly returns of Collective Investment Schemes
10. Quarterly Returns of Venture Capital and Private Equity Funds
11. Quarterly report by Custodian

28. Amendment

SCHEDULE VI

Basis of Computation of Bid and Offer Prices for Collective Investment Schemes

- (1) Name/citation of the Rule to be Amended** - Basis of Computation of Bid and Offer Prices for Collective Investment Schemes / Schedule VI

Full Text of the Existing Rule – The bid and offer prices of units in a collective investment scheme shall be based on the net asset value of the scheme calculated on a weekly basis by the scheme manager as follows:

Offer Price:

Value per unit = (1) minus (summation of 2- 10) divided by number of units on sale rounded off.

1. Total market value of securities based on the Exchange daily official list as at the date of valuation (lowest market offer price).



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2. Stamp duties;
3. Brokerage fee;
4. S.E.C. fee;
5. Other relevant approved costs
6. Actual cost of investment in unquoted securities (if applicable);
7. Estimate of capital appreciation/diminution in value for unquoted companies (if applicable);
8. Un-invested cash;
9. Undistributed income to date less expenses;
10. Total value of money market instrument;
11. Manager's charge.

Bid Price:

Value per unit = summation of (1) minus (2 - 8) divided by number of units on sale rounding off.

1. Total market value of securities based on exchange daily official list as at date of valuation (highest market bid price).
2. Actual cost of investment in unquoted securities (if applicable).
3. Estimate of capital appreciation for unquoted companies (if applicable).
4. Un-invested cash.
5. Undistributed income to date less expenses.
6. Total value of money market instruments.
7. Stamp duties.
8. Brokerage fee.
9. S.E.C. fee.
10. Other relevant approved costs.



Amendment – The bid and offer prices of units in a an open-ended collective investment scheme shall be based on the net asset value of the scheme calculated on a weekly daily basis by the scheme's manager as follows:

COMPUTATION OF BID PRICE	#	#
<u>Add securities / investments (as applicable):</u>		
Quoted equities		X
Fixed income investments		X
Other investments (with disclosures)		X
Cash and bank		X
Dividend/income		X
Less payables (if any, with disclosures)		(X)
Net asset before fees		X
<u>Less expenses (as applicable):</u>		
Auditor's fee		(X)
Custodian's fee		(X)
Fund manager's fee		(X)
Trustee's fee		(X)
Registrar's fee		(X)
Other allowable fees and expenses (with disclosures)		(X)
Total fees		(X)
Net asset value after fees		X
Less charges		
Stamp duty	(0.0075 x Quoted ordinary shares)	(X)
Brokerage fees	(0.003 x Quoted ordinary shares)	(X)
Securities Exchange (sell only)	(0.003 x Quoted ordinary shares)	(X)



CSCS (sell only) (0.0075 x Quoted ordinary shares) (x) (X)

BID VALUE AT VALUATION DATE **X**

BID PRICE = $\frac{\text{BID VALUE AT VALUATION DATE}}{\text{NUMBER OF OUTSTANDING UNITS}}$

COMPUTATION OF OFFER PRICE # #

Add securities /investments (as applicable):

Quoted equities _____ x

Fixed income investments _____ x

Other investments (with disclosures) _____ x

Cash and bank _____ x

Dividend/income _____ x

Less payables (if any, with disclosures) _____ (x)

Net asset before fees _____ **X**

Less expenses (as applicable):

Auditor's fee _____ (x)

Custodian's fee _____ (x)

Fund manager's fee _____ (x)

Trustee's fee _____ (x)

Registrar's fee _____ (x)

Other allowable fees and expenses (with disclosures) _____ (x)

Total fees _____ **(X)**

Net asset value after fees _____ **X**

Add charges

Stamp duty (0.0075 x Quoted ordinary shares) _____ x

Brokerage fees (0.003 x Quoted ordinary shares) _____ x



SEC (buy only) _____ (0.003 x Quoted ordinary shares) _____ x _____ X

OFFER VALUE AT VALUATION DATE _____ **X**

OFFER PRICE = _____ **OFFER VALUE AT VALUATION DATE/**
NUMBER OF OUTSTANDING UNITS

(2) Name/citation of the Rule to be Amended - Basis of Computation of Bid and Offer Prices for Collective Investment Schemes / Schedule VI Note

Full Text of the Existing Rule –

Note:

Securities traded on a Stock Exchange or any regulated market will generally be valued at the last traded price quoted on the relevant exchange or market as at the date of computation. If no trade is reported for that date or if the exchange was not open on that day, the last published sale price or the recorded bid price (whichever is more recent) shall be used. Unlisted equity securities will be valued initially at cost and thereafter, as the Scheme’s Manager shall in its discretion deem appropriate. Unlisted securities (other than equities), for which there is an ascertainable market value will be valued generally at the last known price dealt on the market on which the securities are traded on or before the day preceding the relevant date of valuation and unlisted securities (other than equities), for which there is no ascertainable market value, will be valued at cost plus interest (if any) accrued from purchase to (but excluding) the Valuation Date plus or minus the premium or discount (if any) from par value written off over the life of the security. Any value otherwise than in Nigeria Naira shall be converted at the prevailing market exchange rate.

Amendment –

Note:

The closing unit price of Closed-ended funds shall be published on a daily basis on the fund manager’s website.

Securities traded on a Stock Exchange or any regulated market will generally be valued at the last traded price quoted on the relevant exchange or market as at the date of computation. If no trade is reported for that date or if the exchange was not open on that day, the last published sale price or the recorded bid price (whichever is more recent) shall be used. Unlisted equity securities will be valued ~~initially at cost~~



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at the last traded price on a recognized trading platform and thereafter, as the Scheme's Manager shall in its discretion deem appropriate. Valuation of Unlisted Securities should comply with the International Financial Reporting Standards.



29. Form SEC 6A8 – Registration of Specialized Funds

FORM SEC 6A₈

(To be completed in duplicate)

SECURITIES AND EXCHANGE COMMISSION (SEC)

NIGERIA



APPLICATION FORM FOR REGISTRATION OF UNITS OF A SPECIALIZED FUND IN ACCORDANCE WITH
THE PROVISIONS OF THE INVESTMENT AND SECURITIES ACT, NO 29, OF 2007 AND THE SEC RULES
AND REGULATIONS

Instructions for Completion of Forms

- i. All questions must be answered in the spaces provided and not left blank. Where a question is not applicable please indicate by N/A in the space provided.
- ii. Information supplied/entered in the application form must be valid and correct as at a date not earlier than 30 days preceding the date of this application.
- iii. In the event of any material change to the information provided in this application prior to the authorization of the Offer/Scheme, the applicant shall notify the Commission of such changes immediately.
- iv. Any false/misleading information found to have been supplied herein shall attract appropriate sanction/penalty in line with the requirement of the SEC Rules and Regulations.

Date of submission of application	
Reference/Processing Application No	
Cheque NO.	



1. APPLICANT/REGISTRANT

- a) Name
(Exact name as in certificate of incorporation)
- b) Address
(Registered Office Address)
- c) Telephone Number

2. THE SCHEME/FUND

- a) (i) Name of proposed Scheme
- (ii) Proposed Date of Commencement
- b) Objective of the Scheme:
.....
.....
.....
- c) (i) Number of units proposed for issue:
- (ii) Value per unit:
- (iii) Minimum Subscription Level per investor:
- d) Investment Allocation *(investment mix of the proposed Fund in % terms)*

(i) By Asset Class:

Listed Equities	Unquoted Equities	Fixed Income	REIS	Commodities	Derivatives	SEC Registered Funds	Others - Specify

(ii) By Jurisdiction:

Nigeria <i>(at least 80%)</i>	Eligible Foreign Jurisdiction <i>(i.e. IOSCO Ordinary Member countries):</i>
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**attach an appendix if necessary*

e) (i) State voting rights of unit holders (if any)

.....

.....

(ii) Disclose any special rights under the (proposed) scheme

.....

.....

f) Details of redemption provisions (if any):

.....

.....

g) (i) Frequency of Distribution of Income:

.....

.....

(ii) State provision for closure of register of unit holders

.....

.....

a. Is automatic reinvestment of distribution permitted? Please give details

.....

.....

(iii) Briefly explain proposals for accounting to unit holders, the share of fund individually invested

.....

.....



- h) Disclose borrowing limit of the Fund
- i) Investment - Portfolio of Fund prior to Application with SEC (if Applicable)
- | (i) Equities | (ii) Money Market | (iii) Bonds |
|--|--|---------------------|
| (1) Quoted <input type="checkbox"/> | (1) Treasury Bills/Certificates <input type="checkbox"/> | (1) Government Bond |
| Unquot | | |
| (2) ed <input type="checkbox"/> | (2) Commercial Paper <input type="checkbox"/> | (2) Corporate Bond |
| | (3) Bankers Acceptances <input type="checkbox"/> | |
| | (4) Others specify <input type="checkbox"/> | |
| (iv) Real Estate Investment <input type="checkbox"/> | | |
| (v) Other (Specify)..... | | |
- j) Disclose procedure for undertaking continuous due diligence and risk assessment of investible assets (*attach an appendix if necessary*):
-
- k) Disclose valuation basis and methodology per asset class (*attach an appendix if necessary*):
-
- l) Management Fees
- m) Fund Benchmark
- n) Incentive Fees
- o) Name and Address of Trustee and Custodian for the Scheme



.....
.....

(i) Disclose special relationship of Trustee and Custodian with Management Company of the Fund

.....
.....

(ii) Remuneration

(iii) Basis of Remuneration

3. THE MANAGEMENT COMPANY

a) Name & Address

.....
.....

b) Date & Place of Incorporation

.....

c) Date of commencement of business

.....

d) Name(s) of Substantial Shareholders (5% & above)

	Name of Company	No. of shares	Amount	%
NIGERIAN				
FOREIGN				

e) Give the names of beneficial owners of Nominee Company shareholding of at least 5% of the ordinary share capital apart from pension funds. (*State*



the percentage in each case)

.....
.....

f) Details of funds and portfolio being managed (indicate Country of operation)

Name of Fund	Year Commenced	Privately managed funds/ Aggregate Value			Institutional Investors/ Aggregate Value		
		Quoted Equities	Money Markets	Others	Quoted Equities	Money Markets	Others

(Attach schedule to accommodate additional clients if need be)

g) State specific lines of business (where appropriate) and percentage contribution to turnover from each line

No.	Description	% contribution to	
		Turnover	Net Profit
1			
2			
3			

h) Furnish details of Affiliates as follows:

(i) Name of Affiliate

.....

(ii) Address:

(iii) Nature of Affiliate



i) Management and Principal Officers

Name	Educational Qualification	Position Held	Addresses	Share Qualification	% Shareholding in relation to total share capital	No. of Units of Schemes held	Remarks
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j) Give full details of contingent liabilities (if any) and estimate probability of falling due:

.....
.....

k) (i) Are you a member of any Association of Fund Managers or Security Dealers? Yes/No

(ii) Have you ever been found guilty of any misdemeanor or breach of the rules of any such association?

l) (i) Is any Investment advisory contract subsisting between your company and any other? Yes/No

(ii) Give details about such Investment Advisers below:

Name & Address	Pertinent Fund	Basis of Remuneration
.....
.....

m) (i) Are your officers covered by a Fidelity guarantee Insurance? Yes/No

Name & Insurer	Insured Valued	Date Last Premium paid	Previous Claims (if any)
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.....

n) Furnish details regarding previous claims relating to (m) above

.....
.....

o) Five Year Financial Summary (including management account as at immediate quarter preceding submission of application).

4. TRUSTEE

a. (i) Name of Proposed Trustee

(ii) Date & Place of Incorporation.....

b. Relationship with Management Company.....

c. Authorized Capital

d. Issued and paid-up Capital

e. Management of Trustee Company

Name	Educational	Position Held	Address	Units of Scheme held	Remark

f. Particulars of Trusteeship of other Unit Trust Schemes within the last 10 years



Title of Scheme	Year Commenced	Status	Reasons for Cessation

g. Have you ever been found guilty of breach of Trust under the laws of Nigeria? Yes/No

If yes, please give details

.....
.....

h. (a) Remuneration/Charges of Trustee

(b) State basis

i. Briefly describe operational procedure and provision for safe custody of the funds and assets of the Unit Trust Scheme(s) under your Trusteeship

.....
.....

j. Five Year Financial Summary (including management account as at immediate quarter preceding submission of application).

SIGNATURES AND CERTIFICATION

Pursuant to the requirements of the Investment and Securities Act CAP I24 LFN 2007 and the Rules and Regulations thereunder, the Applicant/Registrant has duly caused this application form to be signed on its behalf by the undersigned hereunto duly authorised.

.....

Applicant/Registrant

Date.....

Signature



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SECURITIES AND EXCHANGE COMMISSION, NIGERIA

(Full Name and Title)

I certify that to the best of my knowledge and belief the information set forth in this application form is true, complete and correct.

.....

Date

.....

Signature

.....

(Full Name and Title)

NB: This form should be duly notarized.



SUNDRY AMENDMENTS

E. AMENDMENT OF RULE 27 – FIDELITY BOND:

A. Existing Rule 27: Fidelity Bond

- (1) Every registered corporate body shall provide and maintain a bond which shall be issued by an insurance company acceptable to the Commission against theft/stealing, fraud or dishonesty, covering each officer, employee and sponsored individual of the company;

Amendment to Rule 27(1)

- (1) Every registered corporate body other than a corporate body licensed as a dealing member of a securities exchange and capital market experts/professionals shall provide and maintain a bond which shall be issued by an insurance company acceptable to the Commission against theft/stealing, fraud or dishonesty, covering each officer, employee and sponsored individual of the company;

B. Creation of new Rule 27A — Insurance Policy for Corporate Bodies Licensed as a Dealing Member of a Securities Exchange

27A Insurance Policy

- (1) Every registered corporate body licensed as a dealing member of a securities exchange shall procure and maintain an insurance policy issued by an insurance company acceptable to the Commission. The policy shall cover all aspects of the insured business activities and risks including but not limited to the following:
 - (a) fidelity guarantee against theft/stealing, fraud or dishonesty, covering each officer, employee and sponsored individual of the company;
 - (b) professional indemnity in respect of loss arising from any claim or claims for any act or omission or breach of duty by officer, employee and sponsored individual of the company;



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- (c) directors liability in respect of claims against wrongful acts committed in the capacity of a director;
- (d) legal liability, or other third-party claim;
- (e) other risks associated with its products and services.

Provided however that the insurance policy shall take into consideration the situation whereby the dealing member is a member of multiple securities exchanges

2. Every corporate body licensed as a dealing member of a securities exchange shall procure and maintain an insurance policy which shall where applicable, as may be determined by a securities exchange, name the securities exchange's investors' protection fund as the co-insured.
3. Payments from the policy shall be utilized by the securities exchange's investors' protection fund towards compensating investors who have suffered losses on their securities traded on a securities exchange from the occurrence of the risks covered by the insurance policy.

Provided however that where the dealing member is a member of multiple exchanges, payment shall be made to the relevant securities exchange where the defalcation occurred.

4. The insurance policy maintained by a dealing member of a securities exchange shall provide that payment under the insurance policy can be made directly to the:
 - (a) securities exchange's investors' protection fund which shall compensate investors who have suffered losses or;
 - (b) affected dealing member with the prior written consent of the securities exchange's investors' protection fund.
5. The insurance policy shall provide that it shall not be cancelled, terminated or modified by the dealing member of a securities exchange without the prior written consent of the securities exchange's investors' protection fund and the Commission. Where the cancellation,



termination or modification is at the instance of the insurance company such cancellation, termination or modification shall not be carried out except after written notice shall have been given by the insurance company to the Commission and the securities exchange's investors' protection fund, not less than sixty (60) calendar days prior to the effective date of cancellation, termination or modification.

6. The insurance policy shall be provided in such reasonable form, terms and under such premium as the fiduciary duties of the officer, employee or sponsored individual require, but with due consideration to all relevant factors, including but not limited to the risks insured, products and services, clientele, the value of the aggregate assets of the dealing member of a securities exchange in relation to all its registered functions, to which any officer, employee or sponsored individual may have access, the type and terms of the arrangements made for the custody and safekeeping of assets and securities in the company's portfolio.
7. The insurance policy shall cover not less than 20% of the minimum paid up capital of the dealing member of a securities exchange.
8. Every dealing member of a securities exchange shall file with the Commission and the securities exchange:
 - (a) a statement of the nature and value of a claim within five (5) business days after the making of any claim under the insurance policy; and
 - (b) a copy of the terms of the settlement of any claim made under the insurance policy within five (5) business days of the receipt thereof.
9. Every securities exchange on the advice of the securities exchange's Investor Protection Fund (IPF) shall provide quarterly reports to the Commission on all claims settled under the insurance policy, and the report shall include the name of the investor and the sum received under the insurance policy.



F. AMENDMENT TO RULE 42: CREATION OF (6)- MINIMUM DISCLOSURE REQUIREMENTS BY PUBLIC COMPANIES ON THEIR WEBSITES

Public companies shall, in addition to the corporate governance disclosures in their annual reports, disclose the following minimum corporate governance information on their websites.

SECTION A – GOVERNANCE STRUCTURE

1. Board Committee Charters/Terms of Reference:

- Responsibilities of the Board and Board Committees
- Duties of the Board and Board Committees
- The roles of the Chairman and the Chief Executive Officer
- Directors' Nomination and Appointment Process
- Induction and Continuous Training
- Annual Board Plan, Evaluation Report of the Board, Board Committees and Individual Directors.

2. Statement of compliance with the requirements of established Codes of Corporate Governance

3. Organogram

SECTION B – THE BOARD

1. Profile of Directors

A tabular representation of the profile of Directors containing the following:

- Biography
- Experience
- Educational and Professional Qualifications
- Date of Appointment
- Committee Membership



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SECTION C. – OTHER GOVERNANCE PROCESS

In keeping to the highest standard of governance, Companies would be required to disclose detailed information as it relates to:

- Internal Control Policy
- Risk Management Policy
- Staff Development Programme (Training) Policy
- Insider Trading Policy
- Communications Policy
- Whistle Blowing Policy
- Code of Ethics for Directors
- Sustainability Issues, including Gender Analysis

MADE AT ABUJA THIS 23rd DAY OF DECEMBER 2019

SIGNED:

ENO OTUNBA-PAYNE
Ag. Secretary to the Commission

MARY UDUK
Ag. Director-General