



INVESTORS' PROTECTION FUND

RULES



Investors' Protection Fund Rules

The Board of Trustees of The Nigerian Stock Exchange's Investors' Protection Fund ("The Board") hereby makes the following Rules to govern the operations and effective management of the Investors' Protection Fund, pursuant to the powers conferred on it by the Investments and Securities Act, 2007 ("ISA"):

Pursuant to the provisions of section 197 of the ISA, The Nigerian Stock Exchange ("The Exchange") established its IPF.

PART 1 PRELIMINARY

1.01 Establishment of the Fund

- 1) At a meeting held on 29 January 2012, the National Council of The Nigerian Stock Exchange ("The Exchange") resolved to take the necessary steps to establish a fund to be known as the Investors' Protection Fund pursuant to the provisions of the ISA.

1.02 Citation and Commencement

- 1) These Rules shall be cited as "the Investors' Protection Fund Rules, 2013" and shall come into effect following approval of the Rules by the National Council of The Exchange and the Securities and Exchange Commission (the "Commission").

PART 2 MANAGEMENT OF THE FUND

2.01 Power of Management

- 1) The Board shall be responsible for the management of the Investors' Protection Fund established pursuant to the ISA (the "Fund") and shall hold, manage and apply the Fund in accordance with the provisions of these Rules and the provisions of the ISA.
- 2) For the purpose of managing the Fund, the Board may by resolution



- a. engage such number of staff as it may deem necessary for the efficient performance of its functions;
 - b. set up sub-committees to assist in the discharge of its functions, in particular for the purpose of determining the eligibility of an investor to receive compensation and the amount payable; and
 - c. appoint a management sub-committee of not less than 3 and not more than 5 persons.
- 3) The Board may by resolution delegate to any sub-committee appointed under subsection 2 above all or any of its powers.
 - 4) Any power, authority or discretion so delegated by the Board shall be exercised by members forming a majority of the sub-committee as if that power, authority or discretion had been conferred on a majority of the members of the sub-committee.
 - 5) Any such delegation by the Board may at any time in like manner be rescinded or varied.
 - 6) The Board may at any time remove any member of a sub-committee appointed by it under this section and may fill any vacancy in the sub-committee howsoever arising.
 - 7) A decision of the sub-committee of the Board shall be of no effect until it is confirmed or ratified by the Board.

3.02 Payments into the Fund

- 1) There shall be paid into the Fund the following:
 - (a) Contributions from Dealing Members firms which shall comprise of:
 - (I) A mandatory Initial Payment of the sum of N1,000,000.00 (One Million Naira) prior to the Dealing Members firm's acquisition of a Dealing



- Membership License from The Exchange, provided that the value of this mandatory initial payment may be changed from time to time as determined by the Board, subject to the approval of The Exchange;
- (ii) A mandatory Initial Payment of the sum of N1,000,000.00 (One Million Naira) prior to the Dealing Members firm's acquisition.
 - (iii) A mandatory Annual Premium calculated in accordance with the following formulae:

The following shall be used to calculate the percentage value of each Dealing Members firm's ratio of customers' securities and funds to the Dealing Members firm's assets from the data available from the Dealing Members firm's disclosures, subject to the approval of The Exchange:

$$\frac{\text{Total customer securities and funds managed by the Dealing Member firm}}{\text{Dealing Member firm's assets}} \times 100\%$$

Once the ratio of customers' securities and funds to the Dealing Member firm's assets has been calculated as set out above, the table below shall be used to determine the ratio of customers' securities and funds to the Dealing Member firm's assets risk factor associated with the Dealing Member firm and the amount payable for each risk factor range shall be an amount to be determined by the Board from time to time:

Bands	Capital Adequacy Ratio	Risk Factor	Amount Payable
1	> 70%	High	
2	40 – 69%	Medium	
3	< 40%	Low	



- (l) Periodic Payment of an amount as may be determined by the Board from time to time in accordance with Section 208(b) of the ISA to be applied towards making up any deficiency in the event that the Fund falls below the minimum amount approved for the Fund;
- (b) An amount from erring Dealing Member firms equal to a percentage of penalties/fines paid by such Dealing Member firms to The Exchange for contravening capital market Rules, Regulations and Market Practices, such percentage shall to be determined by The Exchange from time to time;
- (c) The interest and profits accruing from the investment of the Fund;
- (d) All monies paid to the Fund in accordance with the provisions of the ISA;
- (e) All monies recovered by or on behalf of the Board in the exercise of any right of action conferred by the ISA;
- (f) All monies paid by an insurer pursuant to any contract of insurance or indemnity entered into by a Dealing Member firm or the Board of Trustee; .
- (g) Any monies whether in form of grants, donations or subventions received from The Exchange or other institutions and persons;
- (h) Monies received as income from, or the proceeds of sale of any investments; and
- (i) Monies borrowed by the Board from The Exchange for the purposes of the Fund.
- (j) Payment on transactions by Dealing Member firms of 1bp or N100.00 per N1 million on both sides, subject to the approval of The Exchange.

Provided that in the appropriate circumstances, the Board may in its sole discretion place a moratorium on any of the sources of fund identified in Clause 2.02(1)(a), (b) and (j).

- (k) All other monies received by the Fund pursuant to the provisions of the of the ISA to compensate investors whose losses are not covered by the IPF.



- 2) The Board shall not apply the Funds towards any payment except by the authority of an ordinary resolution of the Board or a written resolution signed by all the members of the Board approving such payment.

3.03 Fund to be Kept in Separate Bank Account

All monies forming a part of the Fund shall be paid or transferred into such custodial account or separate bank account within the Federal Republic of Nigeria as may be determined by the Board from time to time with The Exchange's prior approval pending the investment or application of such monies in accordance with the provisions of the ISA.

3.04 Payments out of the Fund

- 1) There shall from time to time be paid from the Fund
 - a) Monies required by the Board for the payment of compensation to investors, in accordance with these Rules;
 - b) Monies required for the arrangement, service or repayment of loans obtained by the Board from The Exchange for the purposes of the Fund;
 - c) Premiums on policies of insurance taken out by the Board for the purposes of the Fund;
 - d) All expenses incurred by the Board in its administration and management including expenses arising from professional services in establishing the Fund, professional fees and expenses of the auditor to the Fund, expenses of the staff of the Fund, professional fees and expenses of advisers appointed by the Board from time to time to render services to the Board or Fund; and
 - e) Such other monies as are permissible to be paid may be payable out of the Investors' Protection Fund in accordance with the provisions of the ISA.
- 2) Payments of compensation out of the Fund shall be in monetary form only.



3.05 Indemnity

The Board and any of its members, officers or servants shall be indemnified out of the Fund against any liability for anything done or omitted in the discharge of the functions of the Board under these Rules, unless such acts or omissions are in bad faith; and any amount payable by virtue of these Rules are to be treated as management costs for the financial year in which it is paid.

3.06 Annual Report

- 1) The Board shall submit to the Commission and The Exchange an Annual Report on the activities and administration of the Fund, covering each successive financial year, and made within three (3) months of the end of the year reported on provided that the timeline for submission of the Annual Report to the Commission shall not apply to the Fund's first year of operation.
- 2) The Annual Report shall inter alia include the following:
 - a) Financial statements prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS), the ISA, the Companies and Allied Matters Act, and the Financial Reporting Council of Nigeria Act, , showing the movements in the Fund during the year and a statement of assets and liabilities of the Fund at the end of the year;
 - b) A statement indicating all payments into the Fund and payments out of the Fund during the year;
 - c) A statement by the Chairman of the Board highlighting the activities of Fund covering the relevant financial year.
 - d) A report of the Board's Auditors.
 - e) Such other monies as are permissible to be paid may be payable out of the Investors' Protection Fund in accordance with the provisions of the ISA.
- 3) The Board shall ensure that The Exchange's auditors are not appointed as the

auditors of the Fund.

- 4) The Board shall endeavor to ensure that all Annual Reports of the Fund which have been submitted to the Commission and The Exchange shall be displayed on The Exchange's website or such other website as the Board may decide.

3.07 Quarterly Reports

The Board shall also make quarterly reports to Exchange, giving details of the exercise of its powers and functions.

3.08 Report on Particular Events

The Board shall notify the Commission and The Exchange in writing of significant events occurring in the process of administering the Fund.

3.09 Records

The Board shall keep records which show and explain the transactions of the Fund and shall:

- a) disclose the financial position of the Fund at any time and enable the Board to make reports required by these Rules.
- b) maintain such records for a minimum period of seven (7) years.

3.10 Public Enlightenment

The Board may from time to time disseminate information to the public on the operation of the Fund in such manner as it deems fit.

PART 4 COMPENSATION OF INVESTORS

4.01 Verification of Claims

- 1) In respect of claims submitted to The Exchange by persons who allege that



they have suffered pecuniary losses as provided under Section 212(1) of the ISA, The Board shall make payment based on verified claims in accordance with these Rules and the provisions of the ISA.

4.02 Payment of Compensation

- 1) The Board shall pay compensation where it is satisfied, on the basis of evidence provided by an investor or Dealing Member or which is available to it from other sources, that:
 - a) the investor has a claim against a Dealing Member;
 - b) the investor has duly applied for settlement of its claim from the Dealing Member;
 - c) the Dealing Member is unable to satisfy the claim within a reasonable period;
 - d) the investor has exhausted The Exchange's internal complaint resolution procedure;
 - e) the investor has duly applied for compensation from the Fund; and
 - f) The Exchange has verified the claim.

- 2) An application for compensation may be rejected if:
 - a) the claim arose from an event described in Section 212(1) of the ISA, which occurred before a time as may be decided by the Board from time to time; or
 - b) it is not promptly made and in any event within the periods stipulated in the ISA; or
 - c) the investor is responsible for, or has directly or indirectly profited from, events relating to the Firm's business which gave rise to the Member

Firm's financial difficulties.

- 3) In determining whether the investor is responsible for, or has directly or indirectly profited from, events relating to the Firm's business which gave rise to the Dealing Member Firm's financial difficulties, the Board shall take into account all prevailing circumstances, including but not limited to the following matters:
- a) whether there is a decision by a body of competent jurisdiction indicating that the investor is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties;
 - b) whether the investor has admitted that it is either is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties;
 - c) whether there is evidence provided by the Dealing Member Firm or which is available to the Board from other sources that the investor is responsible for, or has directly or indirectly profited from events relating to the Dealing Member Firm's business which gave rise to the Dealing Member Firm's financial difficulties; and
 - d) such other matters similar to the foregoing.

4.03 Multiple Claims

- 1) Where a person claims in a double capacity for himself and as the Personal Representative of a deceased investor, he is to be treated in respect of the representative claim as if he were the deceased investor without prejudice to his own personal claim, with sufficient evidence of supporting documentation to the claim on behalf of the deceased investor, including but not limited to a death certificate, letters of administration, wills, executors authorization etc.
- 2) Where a person claims for himself and as a trustee, he is to be treated in



respect of the latter claim as a different person.

- 3) Where two or more persons in partnership have a joint beneficial claim, then, the claim is treated as the claim of the partnership, otherwise each of them would be taken to have equal shares in the claim unless the contrary is proved to the satisfaction of the Board.
- 4) Where an agent has a claim for one or more principals, the principal or principals are to be treated as having the claim, to the exclusion of the agent.

4.04 Amount of Compensation

- 1) The maximum compensation payable to an investor who has suffered a loss shall be an amount that is determined by the Board from a written policy from time to time; and where the loss is less than the maximum amount fixed by the Board at any given time, the investor may be paid the full amount of the loss, less any amount or value of all monies or other benefits received or receivable by him from a source other than the Fund in reduction of the loss.
- 2) An investor is entitled to no more than one claim for compensation where he has numerous claims against the IPF in respect of the same Dealing Member Firm.
- 3) Notwithstanding the above, the amount of compensation may be reviewed by the Board on a biennial basis or as otherwise agreed by the Board as the need arises from time to time. In determining the maximum amount of compensation payable, the Board shall take into account circumstances prevailing in the capital market

4.05 Adjusted Payments

- 1) Where the Board is satisfied that in principle compensation is payable but considers that immediate payment in full would not be prudent having regard to other applications for compensation, or to any uncertainty as to the amount of the investor's overall net claim, it may determine to pay an



appropriate lesser sum in final settlement or to make a payment on account.

- 2) The Board may also determine to make a payment on account or to pay a lesser sum where the investor has any prospect of recovery in respect of the claim from any third party or through an application for compensation to any other person or authority.
- 3) The Board may determine to reduce the compensation which would otherwise be payable to an investor in circumstances where it is satisfied that the investor is partly to blame for the loss which he has suffered.

4.06 Recoveries and Subrogation

- 1) The Board upon the payment to any investor shall be subrogated to all rights of the investor against the Dealing Member concerned to the extent of such payment; and such subrogation shall include the right on the part of the Board to recover an equivalent amount from the Dealing Member or from the proceeds of the sale of the assets of such Dealing Member.
- 2) Any amount received by the Board by virtue of this Rule shall be paid into the Fund.

4.07 Protection for Whistle-blowers

The Board shall establish and maintain a system to receive disclosures in respect of contraventions as provided in the ISA and act on them, where appropriate.

4.08 Code of Conduct

The Code of Conduct for the members of the Board shall be deemed to be incorporated into and made a part of these Rules.

4.09 Investment Policy

The Investment Policy of the Fund shall be determined by the Board from time to time, subject to the approval of The Exchange.

