

PENALTIES FOR BREACHES OF THE RULES GOVERNING DEALING MEMBERS

POLICY NO. 01NSE

This Policy dated this 3rd day of August 2011 is made pursuant to Articles 13, 15(c), 15 (h), 45, 59(e), 59(v) , 102 (c)(ii), 106, 139(b) and 143(b) of the Rules and Regulations Governing Dealing Members and derives its force there from. This Policy shall be known and referred to as Policy No. 01NSE and shall become effective from the 1st day of November 2011.

1. UNAUTHORIZED SALE OF SECURITIES (Article 59(v))

- a. In no circumstances shall a Dealing Member that sells securities without the authorization of the owner be permitted to keep any benefits accruing from such sales, including but not limited to Bonuses, Rights, Cash Dividends, Capital Appreciation, and any profit whatsoever.
- b. A Dealing Member that sells securities without the authorization of the owner shall:
 - i. be required to buy back the securities; and
 - ii. where the sale transaction is N5 Million and below in value, be liable to pay a fine of N100,000 and N5,000 for every day from the day of the unauthorized sale until the day the Dealing Member completes buying back the shares for the owner; or
 - iii. where the sale transaction is above N5 Million in value or the Dealing Member had engaged in such unauthorized sale of securities on a previous occasion, shall have its dealing license withdrawn by the Council of The Exchange and shall in addition pay a fine of N100,000 and N5,000 for every day from the day of the unauthorized sale until the day the Dealing Member completes buying back the shares for the owner
- c. No Dealing Member shall have its license withdrawn pursuant to Article 1(a)(iii) above, unless the Disciplinary Committee of Council has made a finding that the Dealing Member engaged in the unauthorized sale of securities within the ambit of Article 1(b)(iii) and has made a recommendation to Council that the license should be so withdrawn, provided that during the pendency of any investigative or disciplinary proceedings, the Dealing Member shall be suspended from trading.

2. VERIFICATION OF SHARES IN CONNIVANCE WITH ANOTHER (Article 106)

Any Dealing Member that in connivance with another verifies shares owned by any other person, shall be liable to pay a fine of N50,000.

3. MISAPPROPRIATION OF FUNDS (Article 143(b))

- a. In no circumstances shall a Dealing Member that misappropriates its client's funds be permitted to keep any benefits accruing from such misappropriation, including but not limited to Bonuses, Rights, Cash Dividends, Capital Appreciation, and any profit whatsoever.
- b. Any Dealing Member that misappropriates a client's funds shall:
 - i. Where the funds are N5 Million and below in value, be liable to return the misappropriated funds with interest at 2% above the Monetary Policy Rate; or
 - ii. Where the Dealing Member had engaged in such misappropriation of funds on a previous occasion or the funds misappropriated are above N5 Million in value, the Dealing Member shall have its dealing license withdrawn by the Council of The Exchange and shall in addition return the misappropriated funds with interest at 2% above the Monetary Policy Rate;
- c. The provisions of Section 3(b) above shall apply whether the funds misappropriated were client's funds kept with the Dealing Member for use for some other purposes, proceeds of sales of the Dealing Member's client's shares, conversion of the client's dividend warrants, or funds in the possession of the Dealing Member as a result of invoicing the client at a wrong price, or any client's funds how so ever.
- d. No Dealing Member shall have its license withdrawn pursuant to Article 3(b)(ii) above, unless the Disciplinary Committee of Council has made a finding that the Dealing Member engaged in misappropriation of funds within the ambit of Article 3(b)(ii) and has made a recommendation to Council that the license should be so withdrawn, provided that during the pendency of any investigative or disciplinary proceedings, the Dealing Member shall be suspended from trading.

4. THIRD PARTY TRANSACTIONS (SALES PROCEEDS IN THE NAME OF THIRD PARTY) (Article 102(c)(ii))

Any Dealing Member that delivers the proceeds of sale of a Client's securities to a third party shall on demand of the client immediately buy back the client's securities.

5. MAINTENANCE OF CLIENTS' ACCOUNTS (Article 13)

- a. Failure of a Dealing Member to keep and hold all monies on behalf of Clients in a Bank Account separate from its own monies shall attract an immediate penalty of suspension from trading until such Account is opened and evidence of maintaining the account is submitted to The Exchange and a fine of N500,000;
- b. Non-payment of the fine stated in sub-article (a) shall be a ground for not lifting the suspension placed on the Dealing Member notwithstanding that the Dealing Member has opened such Clients' Account and provided evidence of same to the Exchange;
- c. Where eight weeks have expired since a Dealing Member has been suspended pursuant to sub-article (a) The Exchange shall make a recommendation to Council for the withdrawal of the Dealing Member's License and Council shall in its sole discretion determine whether the suspension should be continued or the Dealing Member's license withdrawn, provided always that such suspension pursuant to sub-article (a) shall continue pending Council's decision;
- d. The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

6. APPOINTMENT OF A COMPLIANCE OFFICER (Article 15(c))

- a. Failure of a Dealing Member to have at all times in its employment, at least one Compliance Officer: who shall be competent to advise the Dealing Member and its employees on the applications of the Rules; whose role shall be separate and distinct from the Internal Auditor or any other similar roles; and who shall be identified to The Exchange shall attract a penalty of a fine of N500,000 and immediate suspension from trading until such appointment is made and such Officer is duly introduced to The Exchange;

- b. Non-payment of the fine stated in sub-article (a) shall be a ground for not lifting the suspension placed on the Dealing Member notwithstanding that the Dealing Member has appointed the said Compliance Officer and introduced the Compliance Officer to The Exchange;
- c. Where eight weeks have expired since a Dealing Member has been suspended pursuant to sub-article (a), The Exchange shall make a recommendation to Council for the withdrawal of the Dealing Member's License and Council shall in its sole discretion determine whether the suspension should be continued or the Dealing Member's license withdrawn, provided always that such suspension pursuant to sub-article (a) shall continue pending Council's decision;
- d. The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

7. RENDITION OF FINANCIAL STATEMENTS (Article 15(h))

- a. Failure of a Dealing Member to submit Quarterly Returns on the date due for submission shall attract a penalty of ₦5,000 per day of default and the Dealing Member shall be suspended from trading with effect from the first trading day after the due date;
- b. Failure of a Dealing Member to submit Audited Financial Statements on the date due for submission shall attract a penalty of N5,000 per day of default for a maximum of four weeks;
- c. Where a Dealing Member fails to submit Annual Financial Statement after four weeks of default, the Dealing Member firm shall forthwith be suspended from trading;
- d. Where a Dealing Member is suspended from trading under sub-article (a) or (c), such suspension shall be lifted upon submission of the Quarterly Returns or Annual Financial Statements;
- e. The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.

8. EXTENSION OF TIME FOR SUBMISSION OF ANNUAL FINANCIAL STATEMENTS (Article 15(h))

- a. Where appropriate, a Dealing Member must apply for an extension of time for submission of its Annual Financial Statements two weeks before same is due and shall be expected to give reasons for requesting the extension;
- b. The decision to grant a Dealing Member's request for an extension of time under sub-article (a) shall be entirely at the discretion of The Exchange and shall in no event be longer than a period of four weeks from the due date for submission;
- c. Where a Dealing Member fails to submit its Annual Financial Statements at the expiration of the extended time period, the Dealing Member shall forthwith be suspended from trading;
- d. Where a Dealing Member is suspended from trading pursuant to sub-article (d), such suspension shall be lifted upon submission of the Annual Financial Statements;
- e. The penalties stated herein are subject to review without notice by Council and any change thereto shall be made public by way of a Circular.