

Rule 1

Market Makers: Appointment

- 1(i) When The Nigerian Stock Exchange considers it to be in the interest of the market that liquidity in a specified security be improved, it may enter into agreements with Dealing Member-firms one of whom shall assume the role of a Primary Market Maker for such security and the rest shall assume the role of Supplemental Market Makers.
- (ii) The Nigerian Stock Exchange shall determine the minimum and maximum number of Supplemental Market Makers for a specified security.
- (iii) A Primary Market Maker may act as Market Maker for more than one specified security.
- (iv) There can only be one Primary Market Maker per security.

Rule 2

Allocation of Securities

- 2(i) The Nigerian Stock Exchange shall determine and assign Primary Market Makers to Issuers whose securities are already listed.
- (ii) New Issuers of securities on The Nigerian Stock Exchange shall upon listing and in consultation with The Exchange, appoint a Dealing Member- firm as a Primary Market Maker for their instruments.
- (iii) The Exchange will create buckets of securities to be allocated to Primary Market Makers who are desirous of assuming market making responsibilities in existed listed securities.
- (iv) Where a Primary Market Makers is contending for assignment of responsibility in respect a security to be listed, The Exchange shall in consultation with the Issuer allocate the security in the following manner:
 - a. publicize the availability of an assignment of responsibility;
 - b. collect service level bids from interested Primary Market Makers through a bidding process;
 - c. Review the service level bid(s) before making a final determination.
- (v) A Primary Market Maker who is desirous of exchanging or transferring one or more specified securities to another market maker in exchange for consideration shall submit a proposal in writing to The Exchange for review and determination.

- (vi). The Nigerian Stock Exchange shall publish and regularly update the list of Market Makers and relevant information relating to their activities.

Rule 3

REGISTRATION OF MARKET MAKERS

QUALIFICATION CRITERIA

- (1) An applicant who intends to apply to be a Market Marker for a Specified Security shall be a Dealing Member-firm of The Exchange and fulfill the following:
 - (i) have a subsisting broker/dealer registration with SEC.
 - (ii) have a subsisting registration with the CSCS Limited;
 - (iii) have and maintain the minimum paid up capital requirements as determined by The Exchange from time to time, and shall notify the Exchange promptly in the event of a failure to meet such capital requirements.
 - (iv) have at least 2 personnel who are Authorized Clerks of The Nigerian Stock Exchange with core stockbroking experience of not less than 5 years.
- (2) in addition to the requirements in Rule 1, an applicant must also fulfill the following requirements:
 - (a) have in place facilities and personnel adequate for the expeditious and orderly carrying out of its business of market making; and
 - (b) have in place proper supervisory programme and a system of internal controls to ensure the following:
 - (i) Proper conduct of the business of market making;
 - (ii) Proper undertaking of risk management;
 - (iii) Proper separation between its brokerage, proprietary trading and market making operations;
 - (iv) Compliance with these Rules.

Rule 4**APPLICATION PROCEDURE**

- (1) An applicant is required to apply as a Market Maker in respect of each Specified Security that it intends to make market.
- (2) The applicant shall comply with application procedure and submit the relevant information and documents as determined by The Exchange.
- (3)(i) The Exchange may after appropriate notice and opportunity for hearing, reject an application to register as a Market Maker.
- (ii) If an application for approval as a Market Maker is refused, no further application for the same Dealing Member-firm shall be considered within a period of 90 days after the date of refusal.
- (4) An applicant shall be notified in writing of the Exchange's decision of its application.

Rule 5 Obligations

- (1) Market Makers shall trade on their own accounts to a reasonable degree under existing circumstances, particularly when there is a lack of price continuity and lack of depth in the market or a temporary disparity between supply and demand. In each of their securities of responsibility, the Market Maker shall:
 - (i) contribute to market liquidity and depth, and moderate price volatility;
 - (ii) maintain a continuous two-sided market within the spread goal for the security agreed upon with the Exchange;
 - (iii) perform their duties in a manner that serves to uphold the integrity and reputation of the Exchange;
- (2) A Market Maker is required to designate a Trader within the firm for each security that has been assigned by the Exchange to such Market Maker.
 - i. The Market Maker Firm shall provide the Exchange with the names of all Designated Traders and their security assignments, and forthwith advise the Exchange of any changes to such information.

- ii. Notwithstanding the appointment of the Designated Traders, the Market Maker shall continue to be responsible for the market making obligations relating to the securities assigned to the firm.

CONTINUING OBLIGATIONS

- (1) The following conditions shall apply to a Market Maker throughout the term of its registration—
 - (a) the Market Maker shall comply with the qualification criteria stated in Rule -----;
 - (b) the Market Maker shall notify the Exchange in writing the following, in writing of:
 - (i) any change that would disqualify it as a Market Maker based on Rule -----;
 - (ii) any change in the place of business of the Market Maker; and
 - (iii) change in name of the Market Maker.
 - (c) the Market Maker is bound by and shall comply with these Rules and directives that may be issued by the Exchange from time to time.

Rule 6

RESIGNATION

- (1) If a Market Maker wishes to resign as a Market Maker of a Specified Security, it shall give not less than 30 days prior to the proposed date of resignation a written notice to the Exchange of its intention to resign.
- (2) The Exchange may accept the Market Maker’s resignation subject to any conditions impose by the Exchange.

Rule 7

TERMINATION, SUSPENSION OR RESTRICTION OF MARKET MAKING ACTIVITY

- (1) The Exchange may automatically suspend or terminate a Market Maker or restrict its market making activities, upon the happening of all or any of the following events:
 - (a) If the Market Maker has been wound up whether on a voluntary basis or otherwise;
 - (b) If a receiver / manager, provisional liquidator or liquidator has been appointed for the Market Maker;

- (c) If the Market Maker fails to fulfill any of the requirements in-----;
- (d) If the Market Maker is convicted of any offence in or outside of Nigeria, or had disciplinary action taken against it and its officers for breaches involving dishonesty or fraud; or
- (e) if the Market Maker continuously breaches its obligations under Rule ----- for a period determined by the Exchange.

Rule 8

BID AND OFFER PRICES

- (1) A Market Maker for a Specified Security shall enter bid and offer prices into the ATS for the purpose of buying and selling of the Specified Security as follows:
 - (a) with a minimum presence as stipulated by the Exchange;
 - (b) within the maximum spread allowed by the Exchange; and
 - (c) shall not be less than the minimum quantity allowed by the Exchange.
- (2) A Market Maker is exempted from entering bid and offer prices as required under Rule ----- in circumstances deemed fit or allowed by the Exchange.

Rule 9

Market Makers in Order Driven Securities

Obligations

- (1) A Primary Market Maker shall fill order imbalances at the Opening and closing auctions on any given day and will provide liquidity to reduce or eliminate imbalances.
- (2) A market maker in a specified security shall maintain a continuous two-sided quote during regular market hours that are within a certain percentage band of the National Best Bid and Offer (NBBO).
 - a. Quotes shall be equal to or better than the National Best Bid Offer (NBBO) for:
 - i. at least 90% of continuous trading during the mandatory period for a Primary Market Maker; and at least 60% for a Supplemental Market Maker ;
 - ii. The duration of the closing auction until market close, including any extension.
 - b. A Market maker shall not quote outside the trading band for any given day.

- c. The minimum /maximum trading band on any given Trading day shall be as determined by The Exchange.
- d. Where there is wide price movements in a particular security for more than two days, The Exchange may on the request of a market maker, suspend or vary the market makers obligations.

Rule 10 Exceptions

- 1. A market maker has no obligation to maintain executable quotes:
 - (i) In a security during the opening auction or where an unscheduled intra-day auction has been triggered due to price monitoring breach.
 - (ii) A market maker's quoting obligations shall be suspended during a trading halt, suspension or pause, and shall not re-commence until after the first regular-way transaction following that halt, suspension or pause. The quoting obligation will commence as soon as there has been a regular-way transaction on the security.
 - (iii) A market maker is not expected to enter a quote based on the prior day's last sale at the commencement of regular trading hours if there is no National Best Bid ("NBB") or National Best Offer ("NBO").

Rule 11 Spread Maintenance

- 1. Primary Market Makers shall maintain the spread goal agreed upon with The Exchange in each of their securities of responsibility on a time-weighted average basis.
- 2. The Exchange shall monitor the spreads on an ongoing basis, and assess the performance of Market Makers on a monthly basis.

Exception: Spread Maintenance

The Primary Market Maker shall notify the Exchange if for any reason it is unable to maintain its spread goal.