



**THE Nigerian
STOCK EXCHANGE**

Frequently Asked Questions (FAQs)

**ON MINIMUM OPERATING
STANDARDS FOR DEALING MEMBERS**

The Nigerian Stock Exchange





1. What are the Minimum Operating Standards (“MOS”)?

MOS are a set of standards prescribed by The Exchange for Dealing Members to develop robust controls, a strong governance framework and effective human capital that will enable them achieve best-in-class operations in order to compete on a global level for the benefit of investors and the Nigerian capital market.

2. Why did The Exchange develop the MOS?

The Exchange developed the MOS to:

- Improve Corporate Governance in Dealing Members;
- Strengthen and deepen the capital market;
- Develop world class and globally competitive capital market operators;
- Restore investor confidence and create wealth;
- Protect investors and develop a sustainable market; and
- Reduce the cost of capital formation and increase economic growth.

3. What areas do the MOS cover?

The MOS cover five broad areas:

- Manpower and equipment;
- Organizational structure and governance;
- Effective processes;
- Global competitiveness; and
- Technology.

4. Can a Dealing Member combine the functions of the Chief Executive Officer (“CEO”) and Chief Dealer, particularly for small sized firms that have just one broker?

No, a Dealing Member cannot combine the functions of the CEO and Chief Dealer because they are two separate positions with different functions and reporting lines.

5. What is the timeframe for new Compliance Officers’ training; how frequent will the training be, quarterly or annually?

The duration of the training for new Compliance Officers is six months. During this time, the new Compliance Officer can function as such. The training will be conducted quarterly for participants that enrolled in each quarter.

6. What is the difference between Sales Trader and Client Service Manager?

There is no difference. The Sales Trader and Client Service Manager perform similar functions. A Sales Trader and Client Service Manager receive orders from clients and both require in-depth understanding of the capital market in order to identify trends in the marketplace and provide market information to clients thereon. They both work as part of a sales team and act as the main or first point of contact for the clients of a Dealing Member.

7. Do Sales Trader/Client Service Manager have to be Associate member of the Chartered Institute of Stockbrokers (“ACS”)?

No. The qualification is not limited to ACS. The CIS Professional Diploma in Securities and Investments will suffice or any other internationally recognized capital market certification as approved by The Exchange.

8. Can an employee who is still in the process of getting a CIS Professional certification serve as Sales Trader/Client Service Manager?

Yes, if the employee is in the final stage of the CIS qualifying professional examinations.

9. Can a Sales Trader/Client Service Manager use other capital market qualifications as a substitute for CIS qualification?

Yes, other internationally recognized capital market certifications are acceptable, for example Chartered Financial Analyst, Certified International Investment Analyst, Chartered Institute of Securities and Investments, etc, as approved by The Exchange.

10. Can an employee who is still in the process of obtaining the CIS Professional certification serve as the Head, Sales Traders/Client Service Manager function of a Dealing Member?

Yes, provided the employee is in the final stage of the CIS professional examination.

11. Does every Sales Trader/Client Service Manager have to meet the qualification requirements or just the head of the unit?

Yes, every Sales Trader/Client Service Manager is expected to meet the qualification requirements.

12. Can a Dealing Member combine the role of a Compliance Officer and Company Secretary?

Yes, a Dealing Member can combine the roles of a Compliance Officer and Company Secretary provided the employee has sufficient knowledge of the capital market and meets the requirements for appointment to act in both capacities.

13. Can a Dealing Member outsource its Compliance Officer and Company Secretary functions where the same person performs both functions?

The MOS do not permit outsourcing of the Compliance Officer function but the function of the Company Secretary can be outsourced.

14. Can the Company Secretary of a Dealing Member also act as the firm’s in-house lawyer?

Yes, the Company Secretary of a Dealing Member may act as its in-house lawyer if he/she has the qualifications and experience required to carry out both functions.

15. Can some functions such as Internal Audit, Finance, Risk Management, Human Resources and Information Technology sit at the parent’s Head office outside Nigeria where a Dealing Member is part of a Holdco structure?

No, the stated functions should be carried out from the Dealing Member’s office in Nigeria. However, this does not prevent employees that operate within a group structure from maintaining a reporting relationship with their line managers outside Nigeria.

16. Can a Dealing Member within a Group/Holding Company structure leverage on the parent or other companies within the group for shared services?

Yes, Dealing Members within a Group/Holding Company may share services subject to the approval of The Exchange.



17.Can a Dealing Member combine the functions of Risk Manager/CRO and Financial Controller/CFO?

No, a Dealing Member cannot combine both functions.

18.Can The Exchange extend the qualification for Risk Manager/CRO to other relevant degrees other than just B.Sc. Accounting/Finance?

Yes, individuals that have other relevant degrees with requisite experience will be considered.

19.What is the role of a Chief Dealer?

A Chief Dealer is an employee that has oversight over the trading activities of a Dealing Member.

20.Should a Dealing Member replace an employee who currently holds a position and does not meet the requirement for the position as stated in the MOS by the time they become effective?

Not necessarily. The Dealing Member is expected to ensure that the employee has the requisite qualifications and experience upon commencement of the MOS on January 1, 2015. The Exchange may consider approving a candidate for a particular function if such candidate is at an advanced stage of obtaining the required qualifications and experience.

21.Will the foreign equivalent of ACS qualification, e.g., Series 7 in the US, be acceptable as the requirement for Managing Director/CEO?

No. Currently the Managing Director/CEO has to be an ACS and an authorized clerk of The Exchange.

22.What does a Help Desk mean?

A Help Desk is a contact point within a Dealing Member Firm that attends to general enquiries on the business services of the Firm.

23.If a Dealing Member changes its operational strategy to provide online brokerage services only, will it still be required to have an accessible office?

Yes. Currently, every Dealing Member must maintain a physical office and any change of its address must be notified to The Exchange.

24.What is the timeframe within which a non-executive director should undergo training after appointment?

Currently, the MOS do not prescribe a minimum period within which a newly appointed non-executive director should undergo orientation and training. Notwithstanding, The Exchange recommends the conclusion of such relevant training not later than six months from the date of appointment.

25.Can the members of the Board Committees of a parent company serve on the Board Committees of a Dealing Member?

Yes, the members of the Board Committees of a Dealing Member's parent company can serve on the Board Committees of a Dealing Member Firm.

26.Can some of the Board Committees of a Dealing Member combine their functions?

Yes, some of the Board Committees of a Dealing Member firm can combine their functions subject to the approval of The Exchange. The Exchange may grant its approval on a case-by-case basis with consideration to the size, complexity, risk profile, potential for conflicts of interest and structure of the Dealing Member.

27.If the Board of Directors of a Dealing Member must have five (5) members, is there any recommended mix of Executive to Non-Executive members?

Although the MOS do not indicate a recommended ratio of executive to non-executive board members, The Exchange strongly advocates the recommended mix prescribed in the Securities and Exchange Commission's Code of Corporate Governance that there should be more Non-Executive Directors than Executive Directors, at least one of whom should be an independent director.

28.Why does The Exchange fix the minimum number of board members for Dealing Member at five instead of two by CAMA?

The minimum board member is fixed at five so as to have adequate board members to facilitate sound corporate practices, effective corporate governance and supervisory oversight on the operations of the Dealing Member.

29.Can a Dealing Member constitute its Finance and Investment Committee of the board with employees who are not necessarily on the Board, but report to the Board of Directors?

No, only duly appointed directors can be members of Board Committees; however, members of senior management may attend meetings of the Board Committees in order to provide information on the firm's operations, where required.

30.What is the purpose of Standard Operating Procedures ("SOPs")?

The purpose of SOPs is to contribute to the effective and efficient running of Dealing Members' operations. They provide a consistent approach for the execution of functions within a Dealing Member firm.

31.What are the differences between an Operations Manual and SOPs?

An Operational Manual contains policies, procedures and work instructions that define the way a Dealing Member carries out its operational functions. SOP is a written set of procedures prescribed for repetitive use to achieve desired operational outcomes.

32.Is the finance and accounts policy under effective processes supposed to be a model, policy or process flow?

The finance and accounts policy under effective processes should be a policy adopted and maintained by Dealing Members for their finance and accounts functions.



33. What is a surveillance model?

A surveillance model is the process and technology that a Dealing firm uses to self-monitor and detect trading rule violations in its trading activities. A Dealing Member must pay special attention to all complex, unusual large transactions and potential transactions perceived to be identified as suspicious. In addition, when any staff detects a “red flag” or suspicious activity, the firm is required to inform the compliance officer promptly, who shall immediately file a suspicious transaction report with the appropriate authorities.

34. Does a surveillance model include a review of recorded telephone conversations?

Yes, this is to enhance effective monitoring of the activities of a Dealing Member in carrying out clients instructions.

35. What is a Best Execution Policy?

It is a policy adopted by a Dealing Member to obtain the best possible result for its clients, taking into account price, costs, speed, likelihood of execution and settlement, size, nature and/or any other relevant order execution consideration.

36. What does the phrase “bill generation for services rendered” mean?

This is an automated process used by Dealing Member Firms to generate fees/invoices for services rendered to its clients.

37. What is Biometric technology?

Biometric technology is deployed to measure and analyze biological data of clients, for identification and authentication purposes. Biometrics uniquely identifies individuals by their physical characteristics that include fingerprints and iris (eye) recognition among others.

38. What is the significance of biometric technology on KYC as Dealing firms execute trades electronically?

The Rules and Regulations Governing Dealing Members’ stipulate that no Dealing Member should accept or operate a share trading account or deal on behalf of clients unless it has taken all reasonable steps to establish the identity of that person, including any other information that can sufficiently identify him.

Dealing Members are also required to obtain confirmed orders from their clients before placement of an order on the system and they should keep records relating to all aspects of such orders, from placement by the customer to completion or cancellation and all key events in between. Therefore, electronic execution of trades is not intended to replace a Dealing Member’s obligation to comply with The Exchange’s KYC requirements.

The significance of Biometric technology to KYC is that it increases security, reduces identity fraud, eliminates problems caused by lost identification documents or forgotten passwords and unequivocally links an individual to a transaction.

39. What is the implementation plan for biometric technology?

The implementation plan is to start enforcing the requirement on biometrics as soon as the infrastructure is available to the market. A grace period will be given to Dealing Members to capture their client’s data prior to enforcement.

40. Is there anything being done to set up a database/process to facilitate the implementation of the usage of biometric technology?

Yes, The Exchange is working with the Central Securities Clearing System Plc (CSCS), the Securities and Exchange Commission (SEC), and the Central Bank of Nigeria (CBN) via the Financial Services Regulation Coordinating Committee (FSRCC) to facilitate the implementation of the biometric technology. It is intended that CSCS will be the custodian for the database for Dealing Members.

41. How does The Exchange expect Dealing Members to capture its foreign clients’ biometric data?

Biometrics will not be required until the technology is accessible to Dealing Firms. Further information on biometrics technology will be provided prior to roll out.

42. Is every Dealing Member required to comply with the MOS, regardless of its size?

Yes, every Dealing Member is required to comply with the MOS regardless of its size

43. In what area is The Exchange ready to assist Dealing Members to meet these standards?

The Exchange is ready to assist Dealing Member firms to comply with the standards through the provision of interpretative guidance and technical assistance.

44. Can Dealing Members implement the MOS in phases?

Yes, Dealing Members can implement the MOS in phases as long as they meet the deadline of December 31, 2014.

45. What are client predefined policies?

Client predefined policies are the risk exposure levels specified by clients that is always validated before their orders are “jobbed” from the portal successfully.

46. Does The Exchange have an approved list of OMS vendors for FIX, Independent Software Vendor (ISV) and third party provider of market news feed?

Yes, The Exchange has certified OMS vendors for FIX. You may obtain a list of these vendors from The Exchange.

47. How can we receive real-time news feed from reputable market news feed vendors (e.g. Thomson Reuters, Bloomberg etc.) into our OMS?

With your subscription to Real-time data feed via FIX, you can access the market news directly from The Exchange.

48. How should your OMS deal with “Real-Time Inventory Management” requirement?

The OMS must be able to determine the real-time price of any security in the market, the client’s stock position and cash account balance before the client order is “jobbed” successfully.

49. Will The Exchange provide a prompt on corporate actions or Dealing Firms are expected to rely on CSCS information?

Yes, The Exchange will disseminate corporate actions information through News items. The OMS should be able to process all corporate actions in real-time via FIX from the NSE FIX engine.



50.Does the requirement for “XBRL generation support within accounting solution” extend to other reports such as the stockbroking report, internal control reports?

No, the requirement is for only Capital position. It will be generated from various sources including the Financial Statements. The other reports e.g. Monthly transaction reports and the internal review reports shall be uploaded via a different interface.

51.Does The Exchange have a Business Continuity Plan (“BCP”) plan?

Yes, The Exchange has a BCP in place. The NSE Disaster Recovery (“DR”) site is up with real time trade data replication on the DR Trading Engine. In case of service disruptions or downtime, the facility to route all Brokers directly to the DR site is in place.

52.Does The Exchange have Recovery Site for Dealing Firms?

The Exchange is working on an Extended Recovery Site for Dealing Firms. The process is on-going and roll out will be communicated to the market in due course.