



MARKET BULLETIN/ NSE/BDR/MSI/09/14

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GUIDELINES FOR PHASE 1 OF THE WEST AFRICAN CAPITAL MARKET INTEGRATION PROGRAM

PREAMBLE

The West African Capital Markets Integration (WACMI) program is the initiative to establish a harmonized regulatory environment for the issuance and trading of securities across the West African sub-region. The program will be rolled out in three (3) phases:

- Phase 1: Sponsored Access
- Phase 2: Direct Access by Qualified West African Brokers (QWABs)
- Phase 3: Integrated West African Securities Market (WASM)

In Phase 1, brokers in WACMI member countries will be able to trade securities and settle in markets other than theirs through local brokers in those markets. The objective of Phase 1 in the Nigerian capital market is to enable brokers that are not registered market operators in Nigeria to participate in the market by granting them remote access to The Nigerian Stock Exchange's (The Exchange) trading facility through a local Dealing Member firm licensed by The Exchange.

It is imperative to emphasise that Dealing Member firms (the Sponsoring Members) will ultimately bear any risks associated with, and will be held liable for any infractions resulting from the Sponsored Participant's (SP) trading activities. In line with this, The Exchange may request any information from a Dealing Member firm, regarding its trading activity. Also note that only members with Exchange certified Order Management System (OMS) vendors can participate in the WACMI program.

MARKET UPDATE: LAUNCH OF PHASE 1

Pursuant to the announcement by the West African Capital Markets Integration Council (WACMIC) of the launch of Phase 1 (Sponsored Access), and in order to facilitate a seamless integration process across the West African sub-region, Phase 1 has been structured into two (2) sub-phases. The first sub-phase is Direct Market Access (DMA), leading to the second sub-phase, Sponsored Access (SA).

We have set out below an overview of the DMA/Sponsored Access sub-phases as well as the guidelines and documentation necessary for participation.



THE SUB-PHASED APPROACH: DIRECT MARKET ACCESS AND SPONSORED ACCESS

1. **Direct Market Access:** Under this first sub-phase, a Sponsoring Member (SM) firm can allow a Sponsored Participant who operates in a WACMI member country to submit orders to The Exchange's trading system under the SM's trading codes via the SM firm's OMS (i.e. Dealing Member firm's infrastructure).
2. **Sponsored Access:** Unlike DMA, Sponsored Access allows a SP to submit orders under a SM firm's trading codes to The Exchange's trading system directly, without passing through a SM firm's OMS. Instead, the SP's orders pass through a series of validation checks carried out by The Exchange and the orders are monitored by the SM firm in real-time (i.e. The Exchange's infrastructure).

REQUIREMENTS FOR THE EXCHANGE'S "NO OBJECTION" TO THE DMA NOTIFICATION

1. Prior to permitting the submission of any orders through the SM's OMS, every SM that intends to provide Direct Market Access to a SP shall notify The Exchange and seek its "No Objection" to the of the DMA arrangement.
2. The requirements for receiving The Exchange's "No Objection" to the DMA Notification are as follows:
 - a) The SM should submit a DMA Notification, in form of an official letter from the SM addressed to The Exchange, advising The Exchange of the SP's official name, registered/business address, and name of contact person of the SP which it wishes to sponsor and provide DMA services to.
 - b) The DMA Notification should be accompanied by the following documents/information;
 - i. A "Letter of Good Standing" in respect of the SP issued by the domestic exchange where the SP is an active member. The letter is to be provided by the SP and addressed to the SM;
 - ii. A copy of the risk policy/framework that the SM plans to use in monitoring the SP's trading activities. Any subsequent changes to the risk policy/framework must be submitted to the Broker Dealer Regulation department of The Exchange within one (1) business day via email or letter format; and
 - iii. The name and registered/business address of the SM's OMS provider.



3. The SM will receive a “No Objection” response from The Exchange regarding the DMA Notification if all the above criteria are adequately met. In the case of an “objection” The Exchange will advise the SM on the deficiencies. The Exchange may request any additional information prior to granting the “No Objection”.
4. Subsequent to The Exchange’s “No Objection”, the SM will be required to set up a sub-account for the SP on the SM’s OMS to enable automated trading.
5. The SM shall to assist the SP in establishing settlement accounts (i.e. CSCS or custodian accounts), where necessary.
6. Once the settlement account is established, the SM shall advise the Broker Dealer Regulation department of The Exchange of the account type (i.e. CSCS or custodian), nomenclature and other relevant details of the SP.

Please be guided accordingly.

Yours faithfully,

Olufemi Shobanjo

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