

# ÁELEX

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## THE NIGERIAN STOCK EXCHANGE AMENDS RULES ON ONLINE TRADING

A shopping cart with an orange handle and a stack of three brown cardboard boxes are positioned on a laptop keyboard. The background is a solid light blue color.

ARTICLE SERIES

# INTRODUCTION

The Nigerian Stock Exchange (the “NSE”) recently amended its rules on online trading through a press release.

The objective of the amendment, according to NSE, is to assist with the regulation of online trading in Nigeria as well as provide an intermediary between the Nigerian Online Trading Market and the NSE.

## NSE RULES ON ONLINE TRADING

In the amended rules (the “Rules”), the Online Trading Portal (“OTP”) is defined as an interface between a Dealing Member and its existing clients or new clients to enable the dealing member give instructions and information about the services being rendered and explain the need for a cloud solution to help store information which has been generated between a dealing member and the clients over the internet.

A Dealing Member has been defined under Rule 169(ix) of the Rules and Regulations Governing Dealing Members as “a Member company who has been granted licence by the NSE as a Dealer in securities hereinafter referred to as a Member.”

Under the rules, the OTP to be used by a Dealing Member must be subjected to a Vulnerability Assessment Penetration Test (“VAPT”)

and must be assessed on a regular basis or not less than twice in a year by a credible information security company known as the “VAPT Assessor or Assessor.” Every Assessor must also be accredited by the NSE before it can carry out a VAPT assessment.

The Dealing Member shall ensure that a VAPT report gotten from the Assessor is submitted to the NSE not later than 10 days after the report is made.

In the event that the Dealing Member already had an online platform before the emergence of this Rule, such a member must get an accredited assessor to carry out an assessment on the OTP and also secure the approval of the NSE within 3 months.

The Rules also provide that every Dealing Member must ensure that the risk management systems on the online trading platform are properly encrypted and safeguarded by a Hypertext Transfer Protocol (“HTTPS”) in order to prevent fraud, loss of clients’ accounts and information and such other risks.

Dealing Members must also ensure that all applications for registration by clients are duly forwarded to the NSE and a written authorisation from the NSE is obtained before it can operate an OTP.

The Rules stipulate that any dealing member that contravenes the rules of the online trading portal will be liable to a fine of N250,000 or such other penalties as the NSE may deem fit to prescribe.

The Rules not only provide for the due regulation of OTPs, but also ensure that Dealing Members do not run at a risk of being left unprotected. In addition to this, the Rules aid in avoiding fraudulent practices in online trading which may lead to a loss on the path of the Dealing Member.

This is achieved through the creation of a comprehensive Know Your Client ('KYC') exercise carried out on all clients before an online trading account is activated and before any transaction is carried out by clients on the portal.

The information gathered from the clients in the preliminary stage before activating the account must be kept for a minimum period of 6 years.

The Rules also enable Dealing Members to close a client's account where there are suspicious activities being carried out with the account or where it is being used for fraudulent transactions or money laundering and the likes.

With respect to the clients' dealing on the OTP, the Rules seek to protect their online information by ensuring that each client has a login and a non-transferrable password which must conform to the industry standards of the stock exchange market.

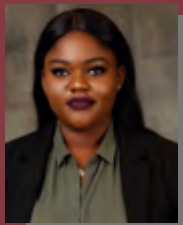
Also, before commencing activities on the online platform, clients are to be informed of all risks and dangers associated with trading on the platform.

## CONCLUSION

On appraisal, the Rules seem to act as an interwoven bridge between the NSE, the Dealing Members and its clients to ensure a more organised and sustainable online trading platform in Nigeria.

The Rules provide a channel through which the NSE can regulate trading in a reliable, secure, and convenient manner which is beneficial to all the parties involved.





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