

CODE OF DISCIPLINARY PROCEDURE

Code of Disciplinary Procedure

ARTICLE I - APPLICATION AND PURPOSE OF CODE

- 1(a) This Code of Disciplinary Procedure shall apply to proceedings relating to disciplinary actions involving Members and associated persons who are deemed or adjudged to be in violation of the Rules and Regulations of NASD Plc; proceedings relating to trade practice Complaints and to any other proceeding which NASD deems appropriate.
- (b) A Member or associated person who is found to have violated the Rules and Regulations of the NASD the NASD OTC Market or breached any other trade practice shall, in addition to any other sanction prescribed by law, be either suspended or expelled from trading on the Over-the-Counter market. In the event of an expulsion from trading, Membership shall cease forthwith.
- (c) Unless otherwise specified, persons associated with a Member ("associated persons") shall have the same rights as Members and shall be subject to the same duties and obligations under this Code of Procedure.

Definitions

2. Unless otherwise provided, the terms used in the Code of Disciplinary Procedure shall have the same meaning as defined in the Rules and Regulations of the NASD OTC Market:
 - (a) **"Administrative Panel"** means an investigation team comprising the Managing Director of NASD, officers from the Legal and Compliance department, the surveillance department, as well as a representative of the Chartered Institute of Stockbrokers constituted from time to time by the Management of NASD to investigate violations and complaints in respect of a breach of any provisions of the Rules and Regulations of the NASD OTC Market.
 - (b) **"associated person of a Member"** means employee of any Member whether or not any such person is registered with NASD
 - (c) **"Board"** means the Board of Directors of NASD Plc
 - (d) **"Business Day"** means a day other than a Saturday or a Sunday or a day which from time to time is a proclaimed public holiday in Nigeria
 - (e) **"Complaint"** means any written statement alleging a grievance received by NASD from an investor, Member and other stakeholders
 - (f) **"Complainant"** means a person or institution who files/makes a formal allegation of a grievance against another
 - (g) **"Member"** means any SEC registered broker/dealer or broker admitted to the membership of NASD

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- (h) **"NASD" or "the Company"** means NASD Plc
- (i) **"Party" or "Parties"** means the Complainant(s) or/and Respondent(s)
- (j) **"Person"** means any natural person, partnership, corporation, association or other legal entity
- (k) **"Respondent"** means a person or institution against whom a formal allegation of a grievance is filed
- (l) **"Rules and Regulations"** means the Rules and Regulations of the NASD OTC Market
- (m) **"SEC"** means the Securities and Exchange Commission

ARTICLE II - DISCIPLINARY PROCEDURE

1. Establishment of Disciplinary Committee

- (a) A Disciplinary Committee is hereby established by NASD which shall have the power to adjudicate on all disputes involving any one or more Member(s), NASD, and any person(s) associated with a Member brought before it by the Administrative Panel.
- (b) The Disciplinary Committee shall be comprised of not less than 5 members and not more than 10 members, inclusive of the Chairman.
- (c) The Chairman and members of the Disciplinary Committee shall be appointed from time to time by the Board of NASD.

2. Issuance, Form and Content of Complaints

- (a) The issuance of any Complaint by an investor, Member, NASD and other stakeholders shall be in accordance with this Article II, Section 2 of this Code.
- (b) All Complaints shall be made in writing, on the Complaint Form as prescribed and shall state the name, physical address, e-mail address, telephone/mobile number of complainant and date of Complaint as well as specify in reasonable detail the nature of the Complaint/charges and the rule, regulation or statutory provision allegedly violated. The party making the Complaint shall be called the Complainant and the party against whom the Complaint is made shall be called the Respondent. If the Complaint consists of several allegations, each such allegation shall be stated separately. All Complaints must be signed by the Complainant and should be addressed to NASD Plc.
- (c) Where a Complaint is referred to NASD, the letter of referral from the Complainant to NASD must be accompanied by a summary of proceedings of events leading to the referral and

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copies of relevant supporting documents not later than two (2) business days from the date of referral of the Complaint.

3. Investigation of Complaints by the Administrative Panel

- (a) Where there is an alleged violation or complaint, the Administrative Panel shall conduct an investigation within five (5) business days of receipt of the Complaint and in the course of such investigation it:
 - i. may require a Member to provide any information, records or documents that may be relevant to the investigation;
 - ii. may require a Member to procure the attendance of any of its directors, officers or representatives at a specified time and place to answer questions or provide information or explanations that may be relevant for the investigation;
 - iii. shall use any information obtained exclusively for the investigation and proceedings.
- (b) Where in the opinion of the Administrative Panel the Member is found to have breached the Rules and Regulations it shall submit a written report to the Disciplinary Committee which shall contain its findings and reference to the Rule breached by the Member. Where no infraction or violation is established, the Administrative Panel shall notify the Parties accordingly.

4. Hearing by the Disciplinary Committee

- (a) The Disciplinary Committee shall forward the written report of the Administrative Panel to the Respondent and give it an opportunity to present its response.
- (b) All response to the Disciplinary Committee shall be in writing and shall be submitted to the Disciplinary Committee within two (2) weeks from the date of receiving the report. The Disciplinary Committee shall attach any Respondent's response it received to the Report.
- (c) Where a hearing involves two or more Respondents, a copy of any Response received by the Disciplinary Committee from any Respondent shall be promptly forwarded to the other Respondent(s).
- (d) Where the Respondent in its reply to the Disciplinary Committee does not dispute the violations alleged in the Administrative Panel's report, the Disciplinary Committee shall decide the Complaint in accordance with the Summary Complaint Procedure set forth in Article II, Section 5 of this Code.
- (e) Where the Respondent in its reply to the Disciplinary Committee disputes one or more of the alleged violations established by the Administrative Panel's report, the Disciplinary Committee shall organise a meeting at which the Parties shall be present to allow the Respondent ask further questions and respond to the report.
- (f) Notice to appear before the Disciplinary Committee shall be effected by NASD if such notice is:

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- i. served personally at the registered address of a Member; failing which;
 - ii. pasted outside the last known address of a Member; failing which;
 - iii. published in two (2) National daily newspapers.
- (g) The Parties and the Disciplinary Committee may circulate documents (excluding notices) and information relating to a Complaint and its resolution via electronic mail.
- (h) In the course of the meeting, the Disciplinary Committee shall have the powers to:
 - i. engage technical and professional assistance in determining the matter;
 - ii. call for a Member's original books of account relating to, and a statement of sums owing to, and in connection with all securities dealing transactions relating to securities traded in the Market and/or transactions relating to any other party relevant to the case being reviewed;
 - iii. call meetings of a Member who are creditors or defaulters;
 - iv. summon a Member to appear before such meetings of the Disciplinary Committee and to give him the right to be heard throughout the investigation;
 - v. make detailed examinations of all relevant accounts;
 - vi. report any entry, transaction or matter which have been or appear to be irregular;
 - vii. Any other thing incidental to the investigation.
- (i) Either party may bring a representative or other person to the meeting of the Disciplinary Committee.
- (j) The Disciplinary Committee may, on its own motion or upon the request of any of the Parties, adjourn its proceedings from time to time to such future date(s) as it may deem appropriate provided that the entire process of hearing and decision making shall not exceed thirty (30) days.
- (k) The Disciplinary Committee shall have power to suspend if it deems fit, any Member whose conduct is under investigation until it has fully enquired into the matter within thirty (30) days. The Disciplinary Committee shall be under no obligation whatsoever to compensate any Member suspended under the Rules and Regulations even if the investigation subsequently vindicates the conduct of such Member.

5. Summary Complaint Procedure

- (a) Where a Respondent in its response to the report of Administrative Panel admits the findings of the Administrative Panel as contained in its written report, the Disciplinary Committee shall make its decision based on the written report of the Administrative Panel and the Respondent's admission of the report.
- (b) The decision of the Committee shall specify in reasonable detail the nature of the charge(s), the rule, regulation, or statutory provision which such act, practice or omission to act is alleged to have violated and the sanction deemed appropriate in the circumstances.

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6. Decision of the Disciplinary Committee

- (a) The Disciplinary Committee shall make its final determination by a consensus or by a majority vote of its members.
- (b) If it is proven that a Rule has been breached, the Disciplinary Committee:
 - i. shall promptly notify the Member of the details of the its decision in writing and duration of the action;
 - ii. shall require the Member fulfill its obligation under the Rules;
 - iii. may require the Member to pay a fine/penalty for the violation;
 - iv. may suspend the Member from trading on the Market for a period not longer than six (6) months;
 - v. may terminate the respondent's Membership;
 - vi. shall publish details of the violation, the disciplinary action taken and duration of the action either in a National newspaper or by circular Notice to all Member's.
- (c) Full details of the disciplinary action taken against a Member shall be recorded in the minutes of the Disciplinary Committee meeting and signed by the Chairman of the committee. The record of proceedings shall be deemed conclusive evidence thereof.
- (d) Either Party shall have the right to request for copies of the record of proceedings at a prescribed fee.

ARTICLE III - REVIEW OF DISCIPLINARY ACTIONS AND HEARINGS

- (a) Upon completion of the investigation, NASD shall notify the Commission of the violation and disciplinary action taken within seven (7) days.
- (b) Where a Party is dissatisfied with the decision of the Disciplinary Committee, it may within five (5) working days appeal to the Commission.

ARTICLE V - MISCELLANEOUS

1. Costs of Proceedings

In any disciplinary action, each Party shall individually bear any cost which they may incur in the course of resolving the Complaint.

2. Grounds of Disqualification to Participate in Proceedings

No member of the Disciplinary Committee or any order Disciplinary Committee or sub Disciplinary Committee governed by this Code shall in any manner, directly or indirectly, participate in the

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determination of any matter substantially affecting his interest or the interests of any person in whom he is directly or indirectly interested. In any such case the particular member shall disqualify himself, or shall be disqualified by the Disciplinary Committee or any such Disciplinary Committee or sub-Disciplinary Committee governed by this Code.

3. Reporting

NASD shall file status reports on all Complaints received to the SEC and upon completion of the investigation NASD shall notify the Commission of the violation and disciplinary action taken within seven (7) days.

4. Amendments to Code of Procedure

This Code of Procedure may be amended by the Board, subject to the approval of SEC, pursuant to the provisions of the Investments and Securities Act 2007.

This Code shall be subscribed to by every Member of NASD and the provisions hereof shall apply to all Members and their employees or representatives.