



# **OPERATIONAL GUIDELINES FOR SUB-BROKERS ON NASD OTC SECURITIES EXCHANGE**

DRAFT



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## 1. DEFINITIONS

S/N	SUBJECT	DEFINITION
1.	Agreement	Brokerage agreement between a Sponsoring Participating Institution and Sub-Broker.
1.	NASD Securities List	Contains information on Securities trading on NASD OTC Securities Exchange.
2.	NASD	NASD PLC
3.	NASD OTC Market	NASD OTC Securities Exchange
4.	Rules	Operational Framework for Sub-Broker Dealings on The NASD OTC Securities Exchange
5.	SEC	Securities and Exchange Commission
6.	SEC Rules	Securities and Exchange Commission, Consolidated Rules and Regulations, 2013
7.	Sponsoring Participating Institutions	Members of the Association of Stockbroking Houses in Nigeria who are registered as Broker-Dealers with NASD
8.	Sub-Broker	A "Sub-Broker" is registered by the Securities and Exchange Commission ("Commission") as a Sub-Broker; and is authorized to act on behalf of a Sponsoring Participating Institution as its agent for assisting investors in buying, selling or dealing in securities.

## 1. INTRODUCTION

This document prescribes guidelines for sponsored Sub-Broker dealings transacted on the NASD OTC Securities Exchange.

Sub-Brokers shall in addition to the following guidelines and requirements, comply with the relevant provisions of the Investment and Securities Act 2007, SEC Rules and Regulations, Companies and Allied Matters Act, 2004 and other applicable legislations in Nigeria.

## 2. GENERAL REQUIREMENTS

- 2.1. An individual or entity who wishes to transact on NASD OTC as a Sub-Broker must be registered with the SEC under category Sub-Broker.
- 2.2. An application for the registration of a Sub Broker on NASD OTC shall be made by a Sponsoring Participating Institution.



- 2.3. A Sub-Broker shall be held as an agent of the Sponsoring Participating Institution authorized to buy, sell or deal in securities through such Participating Institution and the Sponsoring Participating Institution may be held liable for the actions, inactions, omission or errors, arising out of the activities of the Sub-Broker on NASD OTC Securities Exchange.
- 2.4. A Sponsoring Participating Institution shall enter into an Agreement with a Sub-Broker specifying the rights and responsibilities of each Party in accordance with the Rules and Regulations of the SEC.
- 2.5. NASD OTC Securities Exchange reserves the right to decline an application for registration as a Sub-Broker.

### **3. APPLICATION FOR REGISTRATION AS A SUB BROKER**

- 3.1. An application for the registration of a Sub-Broker on NASD OTC shall be made by a Sponsoring Participating Institution by completing and executing NASD Form 1 C.
- 3.2. The application shall be accompanied by the following documents:
  - a. A Certified True Copy (CTC) of the Registration Letter of the Sub-Broker issued by the SEC.
  - b. A copy of the executed Agreement between the Sponsoring Participating Institution and the Sub-Broker.
  - c. An Indemnity and General Undertaking (Appendix I) to abide by the Rules and Regulations of the NASD OTC Securities Exchange duly executed by the Sponsoring Participating Institution and Sub-Broker.
  - d. Evidence of qualification documents of the Sub-Broker.
  - e. Evidence of payment of the application fee for sponsoring a Sub-Broker.
  - f. Any other document as may be required by NASD from time to time.

### **4. GENERAL OBLIGATIONS**

- 4.1. The Sponsoring Participating Institution shall:



- 4.1.1. Ensure that the Sub-Broker complies with the Rules and Regulations of NASD OTC and all Rules and Regulations of the Capital Market, including Know Your Customer ('KYC') requirements.
- 4.1.2. Ensure that supervisory controls are put in place to monitor the activities of the Sub-Broker in compliance with the Rules and Regulations of the NASD OTC Securities Exchange.
- 4.1.3. Submit quarterly reports which shall include the activities of the sponsored Sub-Broker as part of their Internal Audit Review and Transaction Reports in the prescribed template of the NASD OTC Securities Exchange
- 4.1.4. Promptly notify NASD of any misconduct by the sponsored Sub-Broker on the NASD OTC Securities Exchange.
- 4.1.5. Promptly notify NASD in sufficient detail of any investigation, sanction, enforcement proceeding or injunction against the Sub-Broker, including termination of the agreement between the Sponsoring Participating Institution and a Sub-Broker, at least within forty-eight (48) of the occurrence of same.

## **5. SANCTIONS**

- 5.1. NASD shall direct a Sponsoring Participating Institution to suspend all dealings with a Sub-Broker pending the outcome of any enforcement action against the Sub Broker.
- 5.2. No Participating Institution shall transact any business with a Sub-Broker whose registration has been suspended or terminated by the SEC or NASD.
- 5.3. NASD OTC Securities Exchange may impose any or a combination of the sanctions and penalties contained in the 'Penalties for Breaches of the Rules and Regulations of the NASD OTC Market' on a Sponsoring Participating Institution that violates these Guidelines.



## **APPENDIXES**

<b>APPENDIX I –</b>	<b>FORM OF GENERAL UNDERTAKING AND INDEMNITY LETTER</b>
<b>APPENDIX II –</b>	<b>DOCUMENTATION CHECKLIST</b>
<b>APPENDIX III -</b>	<b>APPLICABLE FEES</b>

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**APPENDIX I FORM OF GENERAL UNDERTAKING AND INDEMNITY**

**[TO BE PRINTED ON LETTERHEAD OF SPONSORING PARTICIPATING INSTITUTION]**

**GENERAL UNDERTAKING AND INDEMNITY TO ABIDE BY THE NASD OTC SECURITIES EXCHANGE RULES AND REGULATIONS**

(DATE)

**The Managing Director**

NASD PLC  
UBA House  
57, Marina Road  
Lagos Island,  
Lagos.

Dear Sir,

**UNDERTAKING TO ABIDE BY THE RULES AND REGULATIONS OF THE NASD OTC SECURITIES EXCHANGE**

(THE SPONSORING PARTICIPATING INSTITUTION) acknowledges that the privilege to sponsor a Sub-Broker with the NASD OTC Securities Exchange is subject to the approval of the Board of NASD PLC and hereby undertakes to abide by and ensure compliance of (insert SUB BROKER NAME) with the Operational Guidelines for Sub-Brokers, Rules of the NASD OTC Securities Exchange, the Code of Conduct for Capital Market Operators as outlined by the Securities and Exchange Commission and any other applicable rules governing the business of the OTC Securities Exchange.

(THE SPONSORING PARTICIPATING INSTITUTION) further warrants to NASD PLC ("NASD"):

1. That it shall indemnify and keep indemnified NASD generally against all liability and more particularly against any actions, claims, proceedings by any person or any damages or costs incurred by NASD in contesting any proceeding arising from, as a result of or in connection with the actions, inactions, dealings, representation, and transactions of the Sub-Broker on the NASD OTC Market.

We agree to act in an ethical manner while trading on the NASD OTC Securities Exchange, to keep proper records and render timely returns.

Thank you.

Yours Faithfully,  
For: (the Company)

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**Company Secretary/Director**

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**Director**



**APPENDIX II**

**DOCUMENTATION CHECKLIST**

**DOCUMENT CHECKLIST FOR SPONSORING A SUB-BROKER**

SUB-BROKER			
S/N	DOCUMENTATION	YES/NO	COMMENTS
1.	An application letter by the Sponsoring Participating Institution		
2.	Duly Completed NASD Form 1C by the Sponsoring Participating Institution		
3.	CTC of SEC registration as a Sub-Broker - Individual and/or Entity		
4.	An Indemnity and General Undertaking to abide by the Rules and Regulations of the NASD OTC Securities Exchange duly executed by authorized representative of the Company and notarized		
5.	Evidence of payment of applicable fees		





### APPENDIX III

### APPLICABLE FEES

REGISTRATION FEES		ANNUAL FEES	
Firm	₦ 200,000	Firm	₦ 50,000
Authorised Trader	₦ 70,000	Authorised Trader	₦ 20,000
Platform Maintenance Fee	₦ 75,000		