
Code of Conduct for Approved Persons of Trading License Holders¹

¹ Rule Making History

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 17 February 2015 and the RAC revised the draft Rules;
2. The revised draft Rules were presented to the RAC at the RAC Retreat of 21 to 22 May 2015 and approved for exposure to stakeholders for comments;
3. The draft Rules were exposed for stakeholders' comments from 23 June to 7 July 2015;
4. The RAC considered the draft Rules, and stakeholders' comments thereon at its Meeting of 4 July 2016, and approved the draft Rules for submission to the National Council of The Exchange (Council);
5. The Council approved the draft Rules at its Retreat of 24 to 26 July 2016 for submission to the Securities and Exchange Commission (SEC);
6. The Council approved Rules were submitted to the SEC for approval on 31 August 2016;
7. The Exchange requested for a comprehensive review of the Code and thereafter submitted a revised version of the Code to the Commission on 11 November 2020; and
8. The Commission approved the Code on 16 August 2023.



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1. INTRODUCTION

- 1.1. The objective of the Code of Conduct for Approved Persons of Trading License Holders (The Code) is to prescribe acceptable standards of behaviour and improve ethical conduct by Approved Persons of Trading License Holder Firms (Trading License Holder).
- 1.2. This Code demands that Approved Persons shall at all times observe high standards of professionalism, integrity, and fairness in dealing with clients, prospective clients, employers, employees, professional colleagues, and others so as to enhance the public's confidence in the Nigerian Capital Market.
- 1.3. Approved Persons must carry out all their professional activities with reasonable skill, care, prudence, and diligence and in accordance with the current best industry practice. They should also adhere to high ethical, professional, and technical standards as would be expected of them as Approved Persons.

2. DEFINITIONS:

The following defined terms used throughout this Code shall have the meanings specified below:

- 2.1. **"Approved Person"** shall mean an individual who has been authorized to perform one or more Controlled Functions on behalf of the Trading License Holder Firm pursuant to regulations issued by a Regulatory Authority. Approved Persons are Directors who are sponsored individuals, Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer, Chief Risk Officer, and Authorized Dealing Clerks.
- 2.2. **"Controlled Function"** shall mean a role with a significant influence on the conduct of the affairs of a Trading License Holder Firm.
- 2.3. **"Law"** shall mean any statute, order, rule or other binding restriction of or by any Governmental Authority.
- 2.4. **"Regulatory Authority"** shall mean The Securities and Exchange Commission (SEC or The Commission) and The Nigerian Exchange Limited (The Exchange).



3. **OVERALL BUSINESS CONDUCT**

In its conduct as a business trading in securities or other investment products, each Approved Person shall at all times act according to the principles of best practice, and in particular, shall:

- 3.1. Comply with all relevant laws and regulations governing the capital market;
- 3.2. Comply with the SEC's Code of Conduct for Capital Market Operators and their Employees, and any other applicable code and regulations governing standards of conduct;
- 3.3. Be honest and avoid any conduct that will bring its profession into disrepute;
- 3.4. Exercise utmost integrity, competence, diligence, and confidentiality in their dealings with the Regulatory Authorities and their officers, their clients and prospective clients, their employers, and colleagues;
- 3.5. Be unbiased in the services they provide to all clients;
- 3.6. Comply with the requirements, regulations and standards of their profession notwithstanding pressure from clients, employers, peers, employees or others to compromise those requirements, regulations and standards;
- 3.7. Cooperate with all relevant authorities to identify and address wrongdoing and incompetence in their respective professions;
- 3.8. Ensure that the Trading License Holder executes orders promptly and in line with stipulated best execution standards, deal with their clients and their own account orders fairly, with total integrity, and never "front run" ahead of client orders;
- 3.9. Ensure that the Trading License Holder protects properly, by way of segregation and identification, those client assets for which the Trading License Holder is responsible;
- 3.10. Implement policies to ensure fair and equitable trade allocation among clients' accounts;
- 3.11. Take all reasonable steps to ensure that employees are competent for their roles, and conduct themselves in a manner consistent with this Code;
- 3.12. Ensure that the Trading License Holder provides staff with information, training, and supervision to enable them do their work competently, and comply with applicable laws and regulations in the performance of their duties;
- 3.13. Ensure that the Trading License Holder knows its clients, and enters into an agreement with each client, by the execution of account opening forms before accepting or operating a securities trading account;
- 3.14. Develop and maintain policies and procedures to ensure that business activities comply with the provisions of this Code and all applicable legal and regulatory requirements;
- 3.15. Ensure that the Trading License Holder appoints a Compliance Officer responsible for ensuring that its business is conducted in a manner that is compliant with applicable laws and regulations;
- 3.16. Ensure that portfolio information provided to clients by the Trading License Holder is accurate and complete, and cooperate with relevant requests for independent third-party confirmation or review of such information;
- 3.17. Develop, test, and have ready for inspection, a business-continuity plan to address disaster recovery or periodic disruptions of the Trading License Holder's business operations;
- 3.18. Avoid and reject any business relationship, inducement or gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients; or lead to a compromise of requirements, regulations, and professional standards.



4. **CODE OF ETHICS**

Approved Persons shall apply the following fundamental principles at all times:

- 4.1. **Integrity and Objectivity:** Approved Persons should remain transparent and honest in all professional and business relationships and should not allow bias, conflict of interest or any undue influence to override their professional judgment.
- 4.2. **Professional Competence:** Approved Persons must act with due skill, care and diligence in carrying out their functions. They have an ongoing duty to maintain their professional knowledge and skill at a level that ensures that their clients receive competent and quality professional service. Such service must be rendered in line with applicable up-to-date technical and professional standards, and regulatory requirements.
- 4.3. **Confidentiality:** Approved Persons must respect the confidential nature of information acquired in the context of professional and business relationships. Confidential information shall not be used by Approved Persons for personal gain and should not be disclosed to third parties without due authority unless there exists a legal obligation of disclosure.

5. **STANDARDS OF PROFESSIONAL CONDUCT**

Approved Persons are required to comply with the following standards of professional conduct:

5.1. **PROFESSIONALISM**

- 5.1.1. **Market Conduct:** Approved Persons must observe proper standards of market conduct in carrying out their functions. They must be knowledgeable of, and comply with all applicable laws, rules, regulations and codes of the Regulatory Authorities and their professional associations; as well as standards governing their professional activities.
- 5.1.2. **Independence and Objectivity:** Approved Persons must exercise reasonable care and judgment in order to achieve and maintain independence and objectivity in their professional dealings. They must not offer, solicit, or accept any gift, benefit, compensation, inducement or consideration that may reasonably be seen to compromise their independence or objectivity.
- 5.1.3. **Honest Representation:** Approved Persons must not knowingly make any wrong assertions, misrepresentations, or omissions of fact in relation to the provisions of the Rules of The Exchange and any applicable laws or regulations. Approved Persons must, without delay, inform The Exchange in the event that they become aware of any such misrepresentations or omissions of fact by, or on behalf of, their clients (whether existing, former, or prospective).
- 5.1.4. **Refraining from Misconduct:** Approved Persons must not engage in any conduct involving dishonesty, fraud, deceit, or any act that may reflect adversely on The Exchange, the Nigerian Capital Market or on the professional reputation, integrity, or competence of the Approved Person.



5.2. **DUTIES TO CLIENTS**

- 5.2.1. **Prudence and Care:** Approved Persons shall act with reasonable care when dealing with all clients.
- 5.2.2. **Fair Dealing:** Approved Persons must deal fairly and objectively with all clients when furnishing advice or engaging with them in any other professional capacity.
- 5.2.3. **Preservation of Confidentiality:** Approved Persons must keep confidential all and any information pertaining to existing, former and prospective clients, unless:
 - (a) The information relates to illegal activity on the part of the existing, former or prospective client;
 - (b) Disclosure of the information is required by law or regulation; or
 - (c) The existing, former or prospective client consents to the disclosure of the information.

5.3. **DUTIES TO REGULATORS**

Approved Persons shall:

- 5.3.1. Ensure that the Trading License Holder discloses at least annually, all legal or disciplinary actions taken against the Trading License Holder Firm or its personnel, in line with relevant disclosure requirements of the Regulatory Authorities.
- 5.3.2. Deal with the regulators in an appropriate, open, and co-operative way, and disclose any information which the regulators would require and expect.
- 5.3.3. Provide regulators with appropriate documents or information when requested or required and within the specified time frame where applicable.
- 5.3.4. Disclose significant personnel or organizational changes that have occurred at the Trading License Holder Firm such as the changes in the directorship, shareholding structure, principal officers of the Trading License Holder Firm within the appropriate timelines etc.

5.4. **DISCLOSURE TO THE FIRM**

Approved Persons shall ensure that they:

- 5.4.1. Disclose any personal dealing in securities to the Trading License Holder, so as to prevent possible conflict of interest, insider trading, and improper conduct.
- 5.4.2. Declare all outside business interests to the Trading License Holder, particularly where a real or perceived conflict of interest could exist.

5.5. **INTEGRITY OF THE CAPITAL MARKET**

- 5.5.1. **Material Non-public Information:** Approved Persons in possession of material, price-sensitive, non-public information shall not trade on or disclose such information to third parties unless a legal obligation of disclosure exists. Approved Persons shall ensure that the concerned Trading License Holder maintains a record of all persons that receive material, price sensitive, non-public information from it, or come into contact with such information in the course of their relationship with the Trading License Holder.



5.5.2. **Market Manipulation:** Approved Persons shall refrain from engaging in prohibited market practices that manipulate the market; and take steps to inform their clients of their responsibility in this regard.

5.6. **CONFLICTS OF INTEREST**

5.6.1. **Disclosure of Conflict:** Approved Persons must make full and fair disclosure to their clients and to The Exchange on all matters that might reasonably be expected to impair their independence and objectivity or to conflict with their obligations to their clients or prospective clients.

5.6.2. **Clarity of Disclosure:** Where disclosure of any conflict of interest is included in investor or shareholder documentation, Approved Persons must ensure that such disclosure is presented prominently, and worded in plain language such that effectively communicates the relevant information.

5.6.3. **Adequacy of Disclosure:** When making a disclosure, Approved Persons shall ensure that their clients are adequately informed about conflicts of interest.

5.6.4. **Obligations During Disclosure:** No disclosure shall remove or eliminate the obligation of the Approved Person to comply with all relevant rules to ensure that the client's legitimate interest takes precedence in all circumstances.

6. **RECORD KEEPING**

The Approved Persons shall ensure that:

- (a) The Trading License Holders maintain records in accessible format for an appropriate period of time, or as specified in applicable laws and regulations;
- (b) Records shall not be manipulated in any way by the Trading License Holder. Audit trails shall be incorporated to identify all corrections or other amendments to records;
- (c) Access to confidential records shall be restricted and appropriate permission requirements should be set.

7. **USE OF NAME**

A Trading License Holder shall not permit others to use its name to conduct securities or any other business.

8. **COMPLIANCE WITH THE CODE OF CONDUCT**

All Trading License Holders and Approved Persons shall comply with this Code of Conduct for Approved Persons of Trading License Holders of The Exchange.