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## **FMDQ OTC General Market Rules**

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**Approved by the Securities and Exchange Commission, Nigeria on  
December 5, 2014**

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**Introduction**

These FMDQ OTC General Market Rules are additional rules that apply to the operations of the Dealing Members across all products. These Rules are to be read in conjunction with the Codified Rules (for FGN Bonds, Treasury Bills, Foreign Exchange and Money Market), E-Bond Trading Rules, E-Bond Trading Infractions and Penalties Guide, Membership Agreements, Market Bulletins and such other rules and guidelines (including amendments) as Securities & Exchange Commission (SEC), FMDQ OTC and other relevant regulatory authorities may introduce to the market from time to time.

The FMDQ OTC Codified Rules adopted the existing regulations, guidelines, circulars and rules from the Debt Management Office (DMO), Central Bank of Nigeria (CBN) and the Financial Markets Dealers Association (FMDA). The E-Bond Trading Rules were also recently developed by FMDQ OTC and the Dealing Members to govern the trading activities on the FMDQ Bloomberg E-Bond trading system for the trading of bonds and treasury bills.

Control of the activities of all Sponsored Individuals (dealers, treasury sales officers, market risk officers, treasury operations officers, compliance officers, internal control officers, treasury audit officers and any other relevant management and operational support staff) is the responsibility of the management of the Dealing Members. Management should clearly set out in writing, the authorities and responsibilities within which its Sponsored Individuals should operate.

Rule Sub-Section	Rule Code	Rule
<b>Governance</b>	<b>1.1</b>	These rules govern the activities and actions of the Dealing Members on the FMDQ OTC PLC (“FMDQ”) platform. The Investment and Securities Act 2007 (Act), the Securities and Exchange Commission (SEC) Consolidated Rules June 2013 (SEC Rules), Circulars and Guidelines of the Central Bank of Nigeria (CBN) (CBN Circulars) and the Debt Management Office (DMO) General Rules and Guidelines of the Primary Dealer Market Makers – PDMMs (DMO Guidelines), FMDQ Codified Rules and all other applicable rules shall apply (when not in conflict with the ISA or SEC Rules).
<b>Rules Binding</b>	<b>1.2</b>	<p>The rules, including any notice, decision or determination made under the General Market Rules, are applicable to and binding upon all Membership classifications of FMDQ.</p> <p>FMDQ shall, by notice, inform its Members of any decision or determination of the OTC securities exchange with which the Members must comply.</p> <p>Every trade concluded by a Member with another Member or on behalf of a client, is expected to have been concluded on the specific condition that each trade is entered into subject to the provisions of the Act, SEC Rules, CBN Circulars and DMO Guidelines and all other relevant market rules provided that every trade confirmation whether in physical or electronic form shall state that the trade to which such confirmation relates has been concluded subject to this Rule.</p>
<b>Interpretation of FMDQ Rules</b>	<b>1.3</b>	Where there is any dispute as to the interpretation of the Rules, notices, any decision or determination of FMDQ, such dispute shall be resolved by the Board of Directors of FMDQ (hereinafter “the Board”). Where the Member remains dissatisfied with the resolution of the Board, the issue shall be referred to SEC.

<b>Market Participation / Trading Hours</b>	<b>1.4</b>	<p>All Dealing Members are required to be present to trade every product on which Members have agreed to make market every day. Each Dealing Member is required to be in the market for a minimum of 80% of the trading hours in a week. Where a Dealing Member is not in the market for the minimum number of hours, such action will be noted as an infraction.</p> <p>Where a Member will be absent from trading activities on a particular market day, notification supported with justification must reach FMDQ Market Services Group (MSG) 24 hours prior to such absence. FMDQ MSG will advise the market on the absence of the Dealing Member and the duration of its absence where the reasons are acceptable to FMDQ. However, the exception to the rule shall be in the event of technical issue, where notice shall be given at least one hour prior to the start of trading. Where the technical issue shall occur during trading hours, the Dealing Member affected shall notify the FMDQ MSG as soon as practicable.</p> <p>Technical issues shall not keep a Member out of the market beyond 2 business days. Where the technical issue persists, other Dealing Members shall contact the affected Member via telephone, email or any other electronic means.</p> <p>Unless in extreme conditions of a natural disaster, political unrest or other events that may constitute a force majeure, a Dealing Member may only be absent from the market for a maximum period of 2 consecutive business days.</p> <p>A Member may be absent from the market for only a maximum of three (3) times per quarter due to non-technical issues.</p> <p>Only FMDQ is authorised to advise Members to widen bid-offer spreads, reduce standard amounts or both. FMDQ shall operate the risk management process duly agreed with the Dealing Members. Dealing Members are expected to honour their market making obligations.</p>
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Rule Sub-Section	Rule Code	Rule
<b>Reporting Requirements</b>	<b>1.5</b>	<p>Every Member, in respect of all trades entered into, shall comply with the reporting requirements as determined by FMDQ or as advised by the SEC.</p> <p>Every Member shall report all voice trades. Voice trades are defined as trades executed via telephone and on other FMDQ authorised systems apart from the designated system for the respective products.</p> <p>Dealing Members may also be required to submit complete trade data as captured in FMDQ-advised reporting templates at frequencies to be advised or as advised by the SEC.</p>
<b>Membership of Other Securities Exchanges</b>	<b>1.6</b>	<p>Dealing Members shall advise FMDQ of their Memberships of other securities exchanges (trading platforms).</p> <p>Dealing Members shall not transact business on any other trading system other than FMDQ authorised systems currently Bloomberg, Thomson Reuters, ICAP and Parthian Partners.</p>

Rule Sub-Section	Rule Code	Rule
Trading Activities	1.7	<p>FMDQ shall advise the market of the facilities for concluding and reporting trades on FMDQ platform. Every Member shall therefore be required to employ only FMDQ authorised systems for pre-trade, trade and post-trade activities on the FMDQ platform.</p> <p>Dealing Members are obliged to ensure that all telephone conversations between them in respect of trade execution shall be recorded. However, where internal guidelines that allow specific individuals under specific circumstances to deal on non-recorded lines exist, a Dealing Member must advise FMDQ of such and may seek an exception. Such exception shall be disclosed by FMDQ to the market for transparency.</p> <p>All Dealing Members are required to provide two-way quotes on the Anonymous Firm Orders (2WQ) screen on the FMDQ-Bloomberg E-bond trading system currently advised for the trading of FGN Bonds and Treasury bills.</p> <p>All Dealing Members shall exercise due care and diligence in providing quotes on the Anonymous Firm Order (2WQ) as off-quotes submitted by a Dealing Member shall be deemed to be final and binding and open to consummation by another Dealing Member. A Dealing Member shall not rely upon the excuse of giving an off-quote as the basis for not honoring its trade obligation; unless in the instance, the counterparty-Dealing Member agrees to waive its right to insist on trade consummation.</p> <p>All Dealing Members shall be careful in updating their quotes on the Anonymous Firm Order (2WQ), particularly in the instance where the quote seems to be off-market.</p>

Rule Sub-Section	Rule Code	Rule
Trade Settlement	1.8	<p>Every Member shall comply with the configuration of the settlement systems as determined by FMDQ, SEC and CBN in respect of all trades executed.</p> <p>Dealing Members shall comply with the settlement standards guiding trades executed with other Dealing Members, Associate Members and clients.</p>
Trade Records	1.9	<p>A Member shall keep a record or cause a record to be kept of all trades. The record shall be kept for a period in line with the longest of the provision from the SEC Rules, CBN Circular and DMO Guidelines and must be kept in a form that will enable the records to be conveniently and properly examined.</p>
Notices	1.10	<p>Notices from FMDQ shall be conveyed via letters, emails, electronic broadcasts and/ or via the Market Bulletin segment of the FMDQ website.</p> <p>Every Member shall notify FMDQ of a current and valid business address, telephone numbers and an electronic mail address where notices issued by FMDQ may be delivered.</p> <p>FMDQ may from time to time convene a meeting of its Members or the relevant workgroup or association of the Membership class.</p> <p>Any notice convening a meeting shall be issued not less than two (2) business days prior to the date set for such meeting and shall include the agenda for the meeting. However, FMDQ reserves the right to call an emergency meeting at very short notice where it deems necessary.</p> <p>The non-receipt of a notice by a Member shall not invalidate any resolution so passed at a meeting.</p>



Rule Sub-Section	Rule Code	Rule
<b>Membership</b>	<b>1.11</b>	<p>The granting of Membership status to an applicant confers formal authorised user status of FMDQ's applicable systems on the successful applicant, subject to any agreements between FMDQ and the Member.</p> <p>A Member may not transfer or otherwise assign the rights of its Membership to any other person or entity without the prior written approval of FMDQ.</p> <p>Every Member must satisfy at all times the requirements of its Membership class as determined by FMDQ.</p> <p>Every Dealing Member shall provide FMDQ with a comprehensive list of its sponsored individuals in the following functions: trading, treasury sales, compliance, market risk, treasury operations, internal control, and technology (system support). Dealing Members must inform FMDQ within five (5) business days of any change made to this list.</p> <p>Where a sponsored individual transfers his service from one Dealing Member to another, the respective Dealing Members shall inform FMDQ of such resignation and appointment within five (5) business days.</p>
<b>Complaints</b>	<b>1.12</b>	<p>All complaints about a Member shall be made in writing to the Regulation Group (Regulation &amp; Examination Division) of FMDQ.</p>
<b>Examinations and Investigations</b>	<b>1.13</b>	<p>Every Member shall allow FMDQ, on reasonable notice, to conduct an on-site review or investigation into its trading activities, which are subject to the Act, SEC Rules and all relevant regulation that guide financial market activities of FMDQ Members.</p>

Rule Sub-Section	Rule Code	Rule
Disciplinary Process	1.14	<p>An alleged contravention of the Rules of FMDQ or those of the relevant regulatory authorities shall be subject to a preliminary investigation by FMDQ. A report on such contravention shall then be submitted to the FMDQ Disciplinary Committee. The Disciplinary Committee, which shall be made up of senior management of FMDQ, shall assess the magnitude and nature of the infraction to determine the necessary disciplinary action to be imposed on Members.</p> <p>The Disciplinary Committee shall refer all cases to the Board Regulation and Supervision Committee (BRSC), whilst the BRSC shall communicate its decisions through the management of FMDQ.</p> <p>Where the Member is dissatisfied with the decision of the BRSC, and wishes to appeal such decision, it shall file a notice of appeal to the BRSC detailing the grounds and details of appeal. The BRSC shall refer the case to the full Board of FMDQ whose decision shall be final and binding on the Members.</p> <p>SEC requires FMDQ to report all disciplinary actions to the Commission. The Commission will carry out an independent investigation into the infraction. Where the Dealing Member is found culpable, the Commission may suspend or expel the Member from the capital market.</p> <p>Where the investigation of the alleged contravention of the Rules of FMDQ or those of the relevant regulatory authorities reveals the infractions were solely due to the actions of the sponsored individual (i.e. lacking institutional support or awareness), the matter shall be referred to the Financial Markets Dealers Association (FMDA) for disciplinary actions against the individual. The individual may however appeal to SEC if dissatisfied with the decision.</p>

Rule Sub-Section	Rule Code	Rule
Dispute Resolution	1.15	<p>Where a dispute between two Dealing Members has been registered by either or both parties with FMDQ, this shall be handled subject to the FMDQ Dispute Resolution Process (i.e. Mediation and Arbitration).</p> <p>Where all the appropriate dispute resolution avenues recommended by FMDQ have been exhausted and either Member remains dissatisfied, the dispute may then be referred to SEC.</p>

Rule Sub-Section	Rule Code	Rule
Sanctions	1.16	<p>The following sanctions may be imposed on Members</p> <ul style="list-style-type: none"> <li>▪ Reprimand</li> <li>▪ Public censure</li> <li>▪ Fines</li> <li>▪ Disqualification from the FMDQ Rebate Program</li> <li>▪ Non-consideration for FMDQ OTC GOLD Award</li> <li>▪ Suspension</li> <li>▪ Expulsion</li> </ul> <p>A fine imposed on a Member who has been found culpable of any infraction shall be advised. FMDQ shall stipulate the amount, time and manner of payment of the fine when imposed (as approved by the SEC).</p> <p>Where the BRSC has suspended a Member, such Member is not permitted to trade during the period of suspension unless with the approval of, and on the conditions imposed by the BRSC.</p> <p>A Member may be expelled subject to such conditions as the BRSC deems fit and the BRSC may direct the Dealing Member regarding any actions it deems necessary.</p> <p><b>Members shall disclose, in their published annual accounts, details of all penalties paid to FMDQ as a result of contravention of all FMDQ Rules, Guidelines, Agreement and all regulatory frameworks.</b></p>

Rule Sub-Section	Rule Code	Rule
<b>Restriction or Suspension of Trading</b>	<b>1.17</b>	<p>Where any restriction or suspension of trading is declared, FMDQ shall by notice convey the reason for the restriction or suspension, the period for the restriction or suspension.</p> <p>Where a restriction or suspension of trading has been declared, this shall not negate the settlement of open trades.</p>

Rule Sub-Section	Rule Code	Rule
Segregation of Securities and Other Assets	1.18	<p>A Dealing Member should not safe-keep the assets of another Member or a client where it has not been licenced by the SEC to act as a custodian.</p> <p>Dealing Member must at all times identify and keep separate with a custodian the securities and other assets of another Member or a client from its own assets; these assets shall not appear on the balance sheet of the Dealing Member.</p> <p>Officers of the Dealing Member shall not be involved with custodial activities where a Dealing Member belongs to a holding company.</p> <p>However, where a Dealing Member has a clearing bank arrangement with a non-bank Dealing Member, the assets of such can be kept in the custody of the clearing bank as collateral for the exposures generated through such clearing arrangement.</p> <p>Unless previously agreed, a Member shall not use the securities or other assets belonging to another Member or client to finance its own trades or the trades of any other person; nor use the securities or other assets of another Member or client to operate its own business.</p> <p>Where such activities are reported, the matter shall be investigated immediately. Where the preliminary investigations reveal the involvement of an individual, FMDQ may request the immediate suspension of the said individual pending the conclusion of the investigation.</p>

Rule Sub-Section	Rule Code	Rule
<b>Pre-Settlement Risk Management</b>	<b>1.19</b>	<p>Where there is a need to effect changes to counterparty limits, a Member shall advise FMDQ (Market Services Group) 24 hours prior to the change on the system. Where an emergency Credit Committee meeting was held by Dealing Members to change such counterparty limits, the changes should be communicated to FMDQ within 24 hours of the conclusion of the emergency meeting.</p> <p>A designated risk officer (independent of the Treasury or Financial Markets Department) of a Dealing Member shall be responsible for the changes in the counterparty limits registered in the trading system. The details of such officer shall be advised to FMDQ.</p>
<b>Market Integrity</b>	<b>1.20</b>	<p>It is of utmost importance that every Dealing Member abides by the provisions of the executed Dealing Membership Agreement. FMDQ shall collaborate with the Compliance Officers of the Dealing Members to ensure market integrity.</p> <p>FMDQ shall maintain the integrity of the market through combination of surveillance, inspection, investigations and enforcement of relevant laws and rules.</p> <p>FMDQ shall take pre-emptive measures to detect and deter potential market abuse and avoid disruptions to the market from anomalous trading activity including market and price manipulation, insider trading, market rigging and front running.</p>