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## **COMMERCIAL PAPER REGISTRATION AND QUOTATION INFRACTIONS & PENALTIES GUIDE**

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**APRIL 2021**

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## 1. Introduction

This document provides a non-exhaustive list of infractions and attendant penalties related to the registration and quotation of commercial papers (“CPs”) on FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”). In its capacity as a self-regulatory organisation, the Exchange is authorised to prescribe regulation to govern the activities on its platform and outline penalties for non-compliance with the regulation. Such penalties may include the following, *inter alia*:

- (i) Warning letters
- (ii) Public censure
- (iii) Fines
- (iv) Suspension from the CP market
- (v) Expulsion from the CP Market
- (vi) Non-consideration for the FMDQ GOLD Awards
- (vii) Report to the regulatory and enforcement authorities

There are a number of factors which the Exchange takes into account when considering what disciplinary action to take in relation to an infraction, these include but are not limited to:

- The seriousness, size and nature of the infraction
- How the infraction came to light
- The actual or potential market impact of the infraction and any other repercussions
- The extent to which the infraction was deliberate, negligent or reckless
- The general compliance history of the relevant party, and specific history regarding the infraction in question
- The responsiveness and conduct of the relevant party in relation to the matter under investigation

FMDQ Exchange may, at its discretion, vary the penalties structure outlined below to adapt to the circumstances of any particular case, taking the severity of the infraction or other factors outlined above into consideration.

This Infractions and Penalties Guide shall be read in conjunction with the FMDQ Commercial Paper Registration and Quotation Rules (the “**Rules**”), Market Bulletins and such other regulation as may be prescribed by the Exchange from time to time. In line with market dynamics and best practices, this Infractions & Penalties Guide may be reviewed from time to time.

## 2. Infractions & Penalties

S/N	Infraction	Section	Penalties Grid
<b>Pre-Issuance Obligations</b>			
1.	Participation <sup>1</sup> by banks in CPs under an unregistered Programme/Discreet Issue.	<u><b>CBN Circular</b></u> <sup>2</sup>	i. <b>First time:</b> ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.

<sup>1</sup> Transacting in any capacity whatsoever, including but not limited to as Issuer; Guarantor; Issuing, Placing, Paying and Collecting Agent (IPPCA), Collecting and Paying Agent (CPA)

<sup>2</sup> Central Bank of Nigeria (“**CBN**”) Circular BSD/DIR/GEN/LAB/09/035 - MANDATORY REGISTRATION AND LISTING OF COMMERCIAL PAPERS

S/N	Infraction	Section	Penalties Grid
			<p>ii. <b>Second time:</b> ₦1,000,000.00 (one million Naira) and ₦100,000.00 (one hundred thousand Naira) for each business day the infraction subsists.</p> <p><i>Notwithstanding any of the above outlined penalties, FMDQ Exchange shall file a report to the CBN on the infraction.</i></p>
2.	Failure to ensure the maximum aggregate nominal amount and value of all CPs outstanding under a registered CP Programme, at any given time does not exceed the Programme size approved by FMDQ Exchange.	<b>3.1(viii)</b>	
3.	Failure to adhere to the minimum CP Issue size requirement of ₦100,000,000.00 (one hundred million naira) and in multiples of ₦50,000,000.00 (fifty million naira) thereafter or its equivalent for foreign currency CP Issues rounded to the nearest thousand.	<b>3.1 (ix)</b>	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira).</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira).</p>
4.	Failure to adhere to the minimum level of subscription as stated in the Offer Documents or where a minimum level of subscription for an Issue is not stated in the Offer Documents, 50% of the amount approved by the Issuer/Promoter's Board of Directors (where applicable).	<b>3.3 (ii)</b>	<p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p>
5.	Failure to provide signed attestation that all investors have been made aware of the fact that the CP did not meet the minimum level of subscription.	<b>3.3 (iii)</b>	
6.	Failure of the Sponsor to notify the Exchange of the Discreet Issue/CP series sought to be issued under the Programme no later than one (1) Business Day prior to the opening of the offer with the relevant details outlined in Section 7.2 of the Rules.	<b>7.2</b>	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p>

S/N	Infraction	Section	Penalties Grid
Quotation Obligations			
7.	Failure of the Sponsor to provide all CP quotation documentation and disclosure requirements within seven (7) Business Days from the CP Issue Date.	7.3	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for <i>each</i> business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction penalties prescribed shall be as determined by the Exchange.</i></p>
8.	Filing of a waiver/deferral request letter later than one (1) Business Day before expiration of the timeframe specified by the Exchange.	7.5	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor.</p> <p>ii. <b>Second time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with the MD/CEO in copy.</p> <p>iii. <b>Third time:</b> Fine of ₦100,000.00 (one hundred thousand Naira), and ₦10,000.00 (ten thousand Naira) for each business day that the infraction subsists.</p> <p>iv. <b>Fourth time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p>
9.	Failure of the Sponsor to regularise deferred requirements within the timeframe stipulated by the Exchange.		
10.	Failure of the Sponsor to provide evidence of lodgement of a CP Issue within ten (10) Business Days of Quotation of a CP.	7.8	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and</p>

S/N	Infraction	Section	Penalties Grid
			<p>₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p>
<b>Post-Quotation Obligations</b>			
<b>Issuers' Obligations</b>			
11.	Failure to replace an expiring Issuer/CP Programme rating with a renewed/extended Issuer/CP Programme rating of the same type no later than ten (10) Business Days prior to the expiration date of the applicable rating.	<b>3.1(ix)</b>	<p>i. <b>First time:</b> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦200,000.00 (two hundred thousand Naira) and ₦20,000.00 (twenty thousand Naira) for each business day the infraction subsists.</p> <p>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</p> <p>Notwithstanding the above, where an Issuer is culpable of this infraction, the Exchange shall publicise the Issuer's infraction on the FMDQ Exchange website or such other advised media and a report shall be made to the relevant regulatory authority (where applicable).</p>
12.	Failure to ensure that there is a valid and subsisting CP Programme/Issuer rating during the tenor of all outstanding CP Issues (e.g. due to the expiration of the rating designated at commencement of the CP).		<p>i. <b>First time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>ii. <b>Second time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p>

S/N	Infraction	Section	Penalties Grid
			<p>iii. <b>Third time:</b> Fine of ₦1,000,000.00 (one million Naira) and ₦100,000.00 (one hundred thousand Naira) for each business day the infraction subsists.</p> <p>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</p> <p>Notwithstanding the above, where an Issuer is culpable of this infraction, the Exchange shall publicise the Issuer's infraction on the FMDQ Exchange website or such other advised media and a report shall be made to the relevant regulatory authority (where applicable).</p>
13.	Failure of an Issuer/Promoter to replace its guarantor with another eligible guarantor or provide an assessment on the impact of the downgrade on the Issuer's payment obligations within ten (10) Business Days where the guarantor's credit rating was downgraded below investment grade.	3.5(v)	<p>i. <b>First time:</b> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable).</i></p>
14.	Failure to use the amount raised through the Issue for the purpose stated in the Offer Documents.	10.4	<p>i. <b>First time:</b> Fine of ₦500,000.00 (five hundred thousand Naira).</p> <p>ii. <b>Second time:</b> Fine of ₦1,000,000.00 (one million Naira).</p>

S/N	Infraction	Section	Penalties Grid
			<p><i>Where there are subsequent occurrences of the infraction penalties, prescribed shall be as determined by the Exchange,</i></p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable).</i></p>
15.	Failure of the Issuer to provide all documentation and disclosure requirements as outlined in the General Undertaking (Appendix I of the FMDQ Commercial Paper Registration and Quotation Rules).	<b>General Undertaking</b>	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Issuer with the Compliance Officer of the Sponsor in copy.</p> <p>ii. <b>Second time:</b> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p>iii. <b>Third time:</b> Fine of ₦100,000.00 (one hundred thousand Naira), and ₦10,000.00 (ten thousand Naira) for each business day that the infraction subsists.</p> <p>iv. <b>Fourth time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable).</i></p>
<b>Sponsors' Obligations</b>			
16.	Failure of the Sponsor to file an accurate quarterly Compliance Report within ten (10) business days after each quarter.	<b>8.2</b>	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor.</p> <p>ii. <b>Second time:</b> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p>iii. <b>Third time:</b> Fine of ₦100,000.00 (one hundred thousand Naira), and ₦10,000.00 (ten thousand Naira) for each business day that the infraction subsists.</p>

S/N	Infraction	Section	Penalties Grid
			<p>iv. <b>Fourth time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable).</i></p>
17.	Failure of the Sponsor to provide all documentation and disclosure requirements for a CP Rollover within seven (7) Business Days from maturity date of the initial Issue.	11.12	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with the MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p>
18.	Failure to notify FMDQ Exchange by 3:00 PM, one (1) Business Day prior to maturity of the CP that all investors have been duly informed of the Issuer's intention to Rollover.	11.10	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with the MD/CEO in copy.</p> <p>ii. <b>Second time:</b> Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each business day the infraction subsists.</p> <p>iii. <b>Third time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p>
19.	Failure of the IPCA/IPA to notify the Exchange in writing by 4:00 PM on the maturity date, that the CP has been liquidated and funds have been transferred to all CP holders.	9.8	



S/N	Infraction	Section	Penalties Grid
			<i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i>
<b>Payments Obligations</b>			
20.	Part-payment of the CP value to investors by the Issuer.	9.2	<p>i. <b>First time:</b> Notice of Default to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable) and the Issuer shall be publicly censured.</i></p> <p><i>Issuers in default of their payment obligations shall pay investors the full value of the amount owed and interest at the Default Rate (i.e. the higher in value of daily overnight NIBOR + 5% per annum or Issue rate + 5% per annum) for everyday such obligations remain outstanding, until its debt is fulfilled.</i></p>
21.	Failure of the Issuer/Promoter to ensure that there are sufficient funds in its funding account with the IPCA/CPA to pay all investors (i.e. including investors that have indicated interest to participate in another CP issuance within the Programme/Discreet Issue) by 12:00 Noon on the maturity date of the CP.	9.6	<p>i. <b>First time:</b> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where an Issuer is culpable of this infraction, a report shall be made to the relevant regulatory authority (where applicable) and the Issuer shall be publicly censured.</i></p>
22.	Failure of the IPCA/CPA to ensure that received funds are distributed amongst all investors on a pro-rata basis in the case of part-payment by an Issuer/Promoter.	9.3	<p>i. <b>First time:</b> Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each business day the infraction subsists.</p> <p>ii. <b>Second time:</b> Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each business day the infraction subsists.</p>
23.	Failure of the Sponsor, having received funds from the Issuer, to ensure that funds have been transferred to all CP holders by 3:00 PM on maturity date of the CP.	9.7	
24.	Failure of the Sponsor, having received funds from the Issuer, to effect payment of the value	9.9	

S/N	Infraction	Section	Penalties Grid
	of an investor's CP holding on maturity date in the event that an investor objects to a rollover.		<p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where a Sponsor is culpable of this infraction FMDQ Exchange shall publicise same in the compliance report on its website.</i></p> <p><i>Sponsors/IPCAs/CPAs culpable of this infraction shall pay investors the full value of the amount owed and interest at the Default Rate (i.e. the higher in value of daily overnight NIBOR + 5% per annum or Issue rate + 5% per annum) for everyday such obligations remain outstanding, until its debt is fulfilled.</i></p>
<b>Know-Your-Customer Obligations</b>			
25.	Failure to ensure that any Eligible Investor seeking to purchase CPs executes the declaration in the form set out in Template I of the Template Guide before investing in the CP.	3.9	<p>i. Fine of ₦50,000.00 (fifty thousand Naira) for each investor declaration form the Sponsor fails to obtain.</p> <p><i>Where there are subsequent occurrences of the infraction, penalties prescribed shall be as determined by the Exchange.</i></p> <p><i>Notwithstanding the above, where a Sponsor is culpable of this infraction, the Exchange shall publicise same in the compliance report on its website.</i></p>

## APPENDIX I: GENERAL GUIDELINES

S/N	Standard
1.	A Lead Sponsor to an Issue shall be liable for all disclosure and reporting obligations when acting as lead during the securities admission application process.
2.	Co-sponsors to an Issue shall be held jointly and severally responsible for ongoing notification and disclosure obligations on admitted securities and shall be individually liable to pay the full value of any fines levied for violation of the Rules.
3.	Where two (2) or more infractions meet the specified thresholds for a fine, the responsible Issuer/Sponsor shall be fined for each infraction.
4.	FMDQ Exchange shall publicise infractions in the compliance report on its website.
5.	FMDQ Exchange shall publicise any default by an Issuer on its website or such other FMDQ Exchange-advised media.
6.	Notwithstanding any of the penalties outlined in this Guide or as may be prescribed by the Exchange, Issuers in default of their payment obligations shall pay investors the full value of the amount owed and interest at the <b>Default Rate (i.e. the higher in value of daily overnight NIBOR + 5% per annum or Issue rate + 5% per annum) for everyday such obligations remain outstanding, until its debt is fulfilled.</b>
7.	Fines shall be invoiced monthly and shall <b>not</b> be combined with any other Fees.
8.	Where a Member fails to pay penalties in accordance with this Guide other than in the case of a legitimate appeal, the Exchange may suspend its membership without prejudice to other actions which the Exchange may take.
9.	Persistent violation of CP market regulation may attract suspension or prohibition from accessing the CP market via the Exchange platform.
10.	The Exchange may, at its discretion, waive the enforcement of these penalties.