



**DERIVATIVES MARKET
RULES**

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PART A: DEFINITIONS AND GENERAL PROVISIONS

DEFINITIONS

The following terms and expressions shall, unless the context otherwise requires, have the following meanings in these Derivatives Market Rules:

"Act"	means the Investments and Securities Act 2007 (as amended);
"Additional Margin"	means the Collateral posted to a Trading Member by a Client in excess of the Initial Margin that is required by the Clearing House;
"Agent"	means a Trading Member who trades for a Client on an agency basis and does not have title to the Derivative Contract(s) traded in terms of these Rules;
"Aggregate Position"	means collectively all the Proprietary Positions in Related Exchange-Traded Contracts registered in the name of a Trading Member or, collectively, all the Positions in Related Exchange-Traded Contracts registered in the name of a Client who has traded through a particular Trading Member to open such Positions;
"Applicable Laws"	means any law, statute, code, ordinance, decree, rule, or regulation of Regulatory Authorities as may be revised, updated, and/or amended from time to time;
"Authorised User"	means personnel provided with access to the System as advised by a Trading Member;
"Authorised Representatives"	means employees authorised by Trading Members to perform activities on their behalf on the Exchange. They include but are not limited to treasurers, dealers, compliance officers, treasury operations staff, treasury sales staff, risk officers and control & audit staff;
"Business Day"	means any day in the relevant market on which banks are open and/or which is not a public holiday;
"Buyer"	means the Participant who is made a party to a Contract as the buyer as a result of a trade (in the context of an Options Contract, the "Buyer" means the Participant entitled to exercise the Option as a result of a trade);
"Call Option Contract"	is a right but not an obligation to buy an underlying at a pre-agreed price, time, quality and quantity;
"CBN"	means the Central Bank of Nigeria;
"Clearing House"	means FMDQ Clear Limited; or any corporate entity designated and appointed by the Exchange for the purposes of clearing Derivatives traded and/or reported to the Exchange, in accordance with these Derivative Market Rules;
"Client"	means any person, entity or agent thereof to which a Trading Member provides trading services;
"Client Agreement"	means an agreement between a Trading Member and a Client, in which the Trading Member becomes entitled to trade with and/or for the Client, in the basic terms and formal requirements of which have been prescribed by FMDQ Exchange;
"Commission" or "SEC"	means the Securities and Exchange Commission, Nigeria;
"Collateral"	means cash or securities pledged by market participants required to secure the performance of open positions in Derivatives;

"Contract"	means a Derivative which is traded and/or reported (i.e for Offline Trades) on FMDQ Exchange;
"Contract Specification"	means the standard terms and formal requirements of a Futures or Option Contract as may be determined by FMDQ Exchange from time to time;
"Dealer"	means an employee of a Trading Member who is registered in terms of these Rules to trade either for the Trading Member's own account, its Clients', or both;
"Default"	means a default by a Participant as contemplated in sections 17 & 18 of these Rules;
"Derivative"	means any financial instrument or Contract that creates a right and/or obligation and whose value depends on or is derived from the price/value of one or more underlying product, rate, index or measure of economic value or event;
"Derivatives Clearing Member" or "Clearing Member"	means a member of FMDQ Clear who is authorised to clear and settle trades through FMDQ Clear in the FMDQ Exchange Derivatives Market;
"Derivatives Market" or the "Market"	means a subset of the FMDQ Exchange markets established for the purpose of trading Derivative securities;
"Derivatives Trading Member" or Trading Member"	means a member of FMDQ Exchange who is authorised to execute trades in Derivative securities for its own account or on behalf of its Clients in the FMDQ Exchange Derivatives Market;
"Directives"	means the Agreements, Market Bulletins, Market Notices made pursuant to the Rules and such other regulation as may be prescribed by FMDQ Exchange from time to time;
Discretionary Basis"	in relation to the management of investments, means to trade, without obtaining further authority or consent from the Client, in line with the Discretionary Client Agreement;
"Discretionary Client Agreement"	means the Client Agreement as prescribed by FMDQ Exchange that entitles the Trading Member to trade for a Client on a Discretionary Basis;
"Exchange-Traded Contract"	means a standardised Derivative which is traded on FMDQ Exchange;
"Expiry Date"	means in relation to a Futures or Option Contract, the day on which the Positions in such Exchange-Traded Contracts expire as contained in the Contract Specification of the Futures or Option Contract;
"FMDQ Clear"	means FMDQ Clear Limited;
"FMDQ Exchange" or the "Exchange"	means FMDQ Securities Exchange Limited;
"FMDQ Exchange Complaints Management Framework"	means the framework developed by FMDQ Exchange to address complaints arising out of issues that are covered under the FMDQ Exchange Rules, and other issues that arise in respect of activities conducted within the FMDQ Exchange markets made pursuant to the Act and the SEC Rules;
"Force Majeure"	means the occurrence of an event or circumstance that prevents or impedes a party from performing its contractual obligations, if and to the extent that that party proves: (a) that such impediment is beyond its reasonable control; and (b) that it could not reasonably have been foreseen at the time of the conclusion of the contract; and (c) that the effects of the impediment could not reasonably have been avoided or overcome by the affected party.

	In the absence of proof to the contrary, the following events affecting a party shall be presumed to fulfil conditions (a) and (b) under paragraph 1 of this definition: (i) war, extensive military mobilisation; (ii) civil war, riot, rebellion and revolution, military or usurped power, insurrection, act of terrorism; (iii) currency and trade restriction; (iv) act of authority whether lawful or unlawful, compliance with any law or governmental order; (v) plague, epidemic, natural disaster or extreme natural event; (vi) explosion, fire, destruction of equipment, prolonged break-down of telecommunication or information system;
"Futures Contract"	means an Exchange-Traded Derivative Contract under which one party agrees to buy (or sell) an asset from (or to) the other party at a specified future date at a certain price, the purchase price being determined at the time the derivative contract is entered into;
"Gross Negligence"	means heedless and palpable violation of legal duty;
"Inactive"	means where a Trading Member is absent from trading activities for a period of six (6) months or such other period as may be determined by the Exchange from time to time;
"Initial Margin"	means Collateral collected upon execution of an order to buy or sell a Derivative Contract to cover potential changes in the value of each Participant's position over the appropriate Close-Out period in the event the Participant Defaults;
"In the Money"	means a Call Option Contract where the Strike Price is lower than the market price of the underlying asset or a Put Option Contract where the Strike Price is higher than the market price of the underlying asset;
"IPF"	means the FMDQ Exchange Investor Protection Fund established in accordance with FMDQ Exchange Investor Protection Fund Rules;
"Long Position"	means a number/value of Exchange-Traded Contracts registered by the Clearing House in the name of a Trading Member or Client in which: <ul style="list-style-type: none"> (a) in relation to Futures Contracts, the Trading Member or the Client is obliged to take delivery of the underlying instrument from the Seller at the agreed price on the future date; or to pay an amount of money to the Seller if, on the future date, the price or value of the Underlying is less than the agreed price; or (b) in relation to Option Contracts, the Trading Member or Client has the right to buy or sell the Underlying of the Option Contract at the agreed price on or before the future date;
"Margin"	means either Initial Margin, Variation Margin, Additional Margin or Retained Margin as the context requires;
"Mark-to-Market"	means the revaluation of a Position in an Exchange-Traded Contract at its current market price/value;
"Offline Trades"	means Exchange-Traded Derivative transactions executed amongst Trading Members or with Clients via an FMDQ Exchange-advised media, other than the System, provided that the parties have agreed for such trade to be concluded under the Rules and such trade is reported to, and accepted by the Exchange in accordance with these

	Rules;
"Option Contract"	means a Call Option Contract or a Put Option Contract, as the context requires;
"Order"	means an offer to buy or sell Derivative Contracts which may be accepted on the System or as an Offline Trade;
"Out of the Money"	means a Call Option Contract where the Strike Price is higher than the market price of the underlying asset or a Put Option Contract where the Strike Price is lower than the market price of the underlying asset;
"Participant"	means Derivatives Trading Members and Clients;
"Position"	means a number/value of Exchange-Traded Contracts registered by the Clearing House in the name of a Trading Member or Client;
"Principal"	means a Trading Member who has executed a transaction with a Client or with another Trading Member for its own account;
"Put Option Contract"	is a right but not an obligation to sell an underlying asset at a pre-agreed price, time, and quantity.
"Related Exchange-Traded Contracts"	means those Exchange-Traded Contracts which FMDQ Exchange decides have such characteristics in common that the risk of loss in one of the Exchange-Traded Contracts may be reduced by an off-setting Position in any of the other or a combination of the other Exchange-Traded Contracts in the group of Related Exchange-Traded Contracts;
"Retained Margin"	means the Margin posted by a Client to a Trading Member for an intended trade or Margin due to a Client which the Member has retained in anticipation of a trade;
"Rules"	means Rules of the FMDQ Exchange Derivatives Market as set out in this document in relation to all activities conducted in the Derivatives Market, and as amended from time to time;
"SEC Rules"	means the SEC Consolidated Rules and Regulations 2013 (as amended);
"Seller"	means the Participant who is made a party to a Contract as the seller as a result of a trade (in the context of an Options Contract, the "Seller" means the Participant against whom the option is exercised);
"Short Position"	means a number/value of Exchange-Traded Contracts registered by the Clearing House in the name of a Trading Member or Client in terms of which: <ul style="list-style-type: none"> (i) in relation to Futures Contracts, the Participant is obliged to make delivery of the underlying instrument at the agreed price on the future date or to pay an amount of money if, on the future date, the price or value of the underlying instrument is greater than the agreed price; or (ii) in relation to Option Contracts, the Participant has granted the right to another Participant to buy or sell the underlying instrument of the Option Contract at the agreed price on or before the future date;
"Strike Price"	means the price or rate at which the Participant in whose name a Long Position in an Option Contract is registered, has the right to buy or sell the Underlying of the Option Contract;

"System"	means the FMDQ Exchange designated trading system for the purpose of executing and/or reporting all trades in Derivative securities;
"Trading Hours"	means the time during which Exchange-Traded Derivative Contracts are available for trading as advised by FMDQ Exchange;
"Trustees"	means the Trustees of the Investor Protection Fund, as applicable;
"Underlying"	means the financial instrument, commodities, index, exchange rate, interest rate and other products or components on which a Derivative Contract is based;
"Variation Margin"	means additional Collateral that must be deposited to cover the Participants' Mark-to-Market exposure under the transaction, as well as any changes to the value of posted Collateral;

GENERAL RULES

- 1.1 These Rules shall regulate the activities of all Derivatives Trading Members in the Derivatives Market.
- 1.2 The interpretation and enforcement of these Rules and Directives shall vest in FMDQ Exchange.
- 1.3 These Rules shall be read in conjunction with the Applicable Laws, the relevant FMDQ Exchange Rules, and Directives made pursuant to the Rules and such other regulation as may be prescribed from time to time.
- 1.4 In the event of conflict between these Rules and the Commission's Rules on Derivatives Trading, the Commission's Rules shall supersede these Rules to the extent of the inconsistency.
- 1.5 FMDQ Exchange shall notify Trading Members of any decision or determinations made on these Rules and Directives.
- 1.6 FMDQ Exchange shall prescribe and specify the basic terms and formal requirements of the agreements for dealing in Derivatives, including but not limited to the Clearing House Agreement and the Clearing Agreement.
- 1.7 FMDQ Exchange shall acquire the services of FMDQ Clear for the purpose of clearing Derivative Contracts in accordance with the SEC Rules and to provide any additional services or facilities as may be required by FMDQ Exchange from time to time.
- 1.8 Trading Members shall adopt the highest level of professionalism in the execution and administration of Derivative transactions. Any attempts by a Trading Member to hinder a Derivative transaction or unnecessarily delay required Derivative transactions updates to the FMDQ Exchange-advised System shall be considered an infraction and attract such penalties as provided in the relevant Infractions and Penalties Guide.
- 1.9 Every Participant engaging in Derivative transactions shall adhere strictly to the provisions of these Rules and report any breach by a Participant in the Derivative Market.
- 1.10 All Contracts shall be traded and/or reported on the relevant System as advised by FMDQ Exchange from time to time, and all relevant information shall be updated to the FMDQ Exchange-advised System within the stipulated timelines as advised by FMDQ Exchange.
- 1.11 FMDQ Exchange may establish one or more committees at its discretion, to deal with specific areas of specialisation within the Derivatives Market.
- 1.12 These Rules may be subject to reviews and amendments from time to time in line with market dynamics or other circumstances as may be determined by FMDQ Exchange.

2. FEES AND RIGHTS OF SET-OFF

- 2.1 Trading Members shall be liable to pay such fees and charges as shall be specified in the FMDQ Exchange Fees and Dues Framework or as prescribed by the Exchange.
- 2.2 FMDQ Exchange may amend its fees and charges at any time and shall give notice of any amendment.
- 2.3 FMDQ Exchange shall notify the Commission of all relevant fees and charges payable by Trading Members and any amendments thereof.
- 2.4 FMDQ Exchange may set off any unfulfilled obligation due to it from a Trading Member against any obligation owed by the Exchange to the Trading Member, regardless of the place of payment or account of either obligation.
- 2.5 All fees payable to the Exchange must be paid in Nigerian Naira or its equivalent in any currency

acceptable by the Exchange converted at the prevailing exchange rate based on relevant and publicly observable benchmark communicated by the Exchange.

- 2.6 Nothing in this section of these Rules shall be construed to create a charge or other security interest. The rights of FMDQ Exchange under Rules 2.4 and 2.5 of these Rules are without prejudice and in addition to any other rights of set-off, lien, netting, liquidation, the combination of accounts or appropriation under these Rules or otherwise.

3. LIMITATIONS OF LIABILITY AND INDEMNITY

- 3.1 Subject to the provision of the Act, FMDQ Exchange shall not be liable to any Participant for loss or damage resulting from:

- (i) Any act or omission on the part of FMDQ Exchange or on the part of any employee or agent of FMDQ Exchange except for the case of willful misconduct or Gross Negligence.
- (ii) Any act or omission on the part of any independent third party contracted by the Exchange.
- (iii) The termination of any license or other agreement to which FMDQ Exchange is party, except for cases due to willful misconduct or Gross Negligence.

However, FMDQ Exchange shall only be liable to the extent of any direct loss caused by any fraud, Gross Negligence or willful misconduct on its part and excludes any liability for indirect or consequential losses.

- 3.2 Such employee or agent of FMDQ Exchange or Trustee shall not be regarded as having been grossly negligent or having acted in willful breach of duty or trust if the act or omission result from incorrect information supplied to such employee, agent or Trustee by a source from which information is normally accepted as correct and which can be expected to provide the correct information.

- 3.3 Each Trading Member shall indemnify FMDQ Exchange, any employee or agent of FMDQ Exchange and Trustees of the IPF against any losses, liabilities, damages, claims, costs or expenses suffered or incurred by the aforementioned parties arising out of or in connection with another Trading Member's conduct or its breach of these Rules and its accompanying Directives.

4. FORCE MAJEURE

- 4.1 If the hinderance or delay to the transaction is by reason of Force Majeure in accordance with the provisions of these Rules, the Trading Member shall immediately notify the Exchange. On receipt of such notification, the Exchange shall immediately take such steps or actions as may be necessary in accordance with these Rules.

- 4.2 In the absence of a Force Majeure event, or where a Trading Member fails to immediately notify the Exchange of a Force Majeure event, any delay or hinderance to the execution or administration of a Derivative transaction would attract penalties as provided in the relevant Infractions and Penalties Guide.

5. CONTINUOUS COMPLIANCE REQUIREMENTS

- 5.1 Trading Members seeking to maintain their participation privileges in the Market shall always comply with the continuous compliance requirements as may be prescribed by the Exchange from time to time. These include the following, inter alia:

- (i) Notifying the Exchange in writing within ten (10) Business Days of becoming aware of any change in the information provided to the Exchange at the point of application. Such information includes the following, inter alia:
 - (a) Change in the management and/or board of directors of the Trading Member.
 - (b) Change in the place of business of the Trading Member.
 - (c) Change in the registered name of the Trading Member; the relevant certificate of name change shall be filed with the Exchange within two (2) Business Days of receipt of the Trading Member;
 - (d) Change of key contact personnel/Authorised Representatives of the Trading Members including dealers, treasurers, compliance officers, risk managers, technology officers, etc.
 - (e) Any change that will disqualify the Trading Members under section 5.
 - (f) Such other information as may be prescribed by the Exchange from time to time.
- (ii) Notifications to the Exchange shall be via electronic mail to the Member Regulation Group (meg@fmdqgroup.com) and the Examination Group (exg@fmdqgroup.com) of the Exchange or such other medium as may be advised by FMDQ Exchange from time to time.
- (iii) Maintaining a minimum capital requirement equal to or higher than the Commission's minimum capital requirement for the relevant SEC registration/license held or as may be prescribed by the Exchange from time to time.
 - (a) Where the capital adequacy of the Trading Member falls below the applicable minimum requirement, the Trading Member shall be required to comply with the minimum capital requirement within such period as may be prescribed by the Exchange from time to time.
 - (b) Failure by a Trading Member to satisfy the capital requirement within the stipulated timeframe shall attract such penalties as may be prescribed by the Exchange from time to time.
- (iv) Complying with the code of conduct and other standards as may be prescribed by the Exchange from time to time.
- (v) Establishing and maintaining separate Client accounts for the Derivatives Market.
- (vi) Demonstrating clear segregation of Client funds at Client level.
- (vii) Maintaining the capacity standards of FMDQ Exchange (personnel, technological, inter alia) to adequately discharge its functions in the Market by filing requisite personnel resumes, technology/ infrastructure frameworks, etc.
- (viii) Ensuring its offices are available for inspection at such time and at such frequencies as may be prescribed by the Exchange from time to time.
- (ix) Complying with the provisions of the Client Agreement executed with a Client.
- (x) Complying with the provisions of the Clearing Agreement executed with a Clearing Member (as applicable).
- (xi) Ensuring the Authorised Representatives duly appointed by the prospective Trading Member maintain compliance with these Rules and such other regulation as may be prescribed by FMDQ Exchange, the SEC and the CBN.
- (xii) Ensuring its Authorised Representatives meet the competency standards as may be prescribed by the Exchange from time to time.

- (xiii) Paying all fees and dues as may be prescribed by the Exchange from time to time.
- (xiv) Such other continuous compliance requirements as may be required by the Exchange from time to time.

5.2 The licence granted to a Trading Member to participate in the Market may be terminated by the Exchange under any of the following circumstances:

- (i) Where a Trading Member is inactive from the Market without providing valid justification, for such a period as the Exchange may prescribe from time to time.
- (ii) Where the Trading Member is in violation of these Rules, the Agreements or such other regulation as may be prescribed by the Exchange and/or applicable regulations from time to time.
- (iii) Where the Trading Member fails to satisfy the capacity requirements, minimum capital requirements and such other market standards as may be prescribed by the Exchange from time to time having been given time to remedy such deficiencies.
- (iv) Actions which have been reasonably assessed to have been carried out with malicious intent to unduly influence/disrupt the market as may be determined by the Exchange from time to time.
- (v) Such other action or circumstances which have been reasonably assessed by the Exchange to be a ground for termination.

5.3 Where the licence of a Trading Member is terminated by the Exchange should such institution wish to regain membership privileges, it would be required to satisfy all outstanding issues which led to the termination.

5.4 Trading Members who cease to be members of the Exchange remain liable to disciplinary action for any breach of these Rules committed during the period of their membership of the Exchange.

6. TERMINATION OF MEMBERSHIP

6.1 Voluntary Termination

- (i) A Trading Member may apply to voluntarily terminate its membership by giving FMDQ Exchange twenty (20) Business Days written notice.
- (ii) FMDQ Exchange shall accept the voluntary termination of the Trading Member's membership subject to the Exchange's determination that the Trading Member has no outstanding obligation.

6.2 Involuntary Termination of Membership

- (i) A membership shall terminate if:
 - (a) the Trading Member ceases to exist by operation of law;
 - (b) in the event that a Trading Member's business or infrastructure relating to trading in Derivative Contracts is transferred to another legal entity in any manner, including but not limited to a merger, take-over, transfer of business or corporate restructuring. The Trading Member shall inform FMDQ Exchange of the change at least twenty (20) Business Days before it takes effect;
 - (c) a Trading Member, who is a corporate entity, is liquidated or placed under administration or statutory management, temporarily or finally;
 - (d) the Trading Member enters into an arrangement with its creditors;
 - (e) the Trading Member fails to satisfy or to initiate steps to set aside the judgement, award or determination against it within the time period provided for in the rules of the relevant body;
 - (f) the Exchange has decided in accordance with its procedures that the membership should be terminated;
 - (g) the Trading Member Defaults as contemplated in section 18 of these Rules;
 - (h) a Trading Member has no extant Clearing Agreement or fails to enter into a Clearing Agreement with a Clearing Member within thirty (30) days or such other period which FMDQ Exchange may determine, after the termination for whatever reason of its Clearing Agreement with a Clearing Member.

6.3 Should a Trading Member wish to change its membership status or wish to obtain authorisation to operate in another category of membership, the provisions of sections 4, 5, and 7 shall apply *mutatis mutandis*.

6.4 FMDQ Exchange shall notify Participants and the Commission of the termination of or change in membership, and the termination shall become effective on the date and time of the Exchange's notice unless otherwise stated in the notice.

PART B: DERIVATIVES TRADING RULES

7. REQUIREMENTS FOR PARTICIPATION IN THE DERIVATIVES MARKET AS A TRADING MEMBER

- 7.1 Any institution seeking to participate in the Derivatives Market as a Trading Member shall satisfy the requirements for membership set out in the Derivatives Trading Membership Requirements of the Exchange and the following eligibility criteria:
- (i) Be a company duly incorporated under the laws of the Federal Republic of Nigeria and shall be in conformity with its shareholders' agreement or its constitutional documents (such as its Memorandum and Articles of Association) with regards to its capacity to perform the relevant functions in the FMDQ Exchange markets e.g. securities dealership, brokerage, inter alia.
 - (ii) Be registered with the Commission as a Broker, Dealer, Broker-Dealer, FMDQ OTC Dealer or any other dealing category recognised by the Commission.
 - (iii) Must have complied with its obligations to the Commission in relation to its registration, continuous reporting, and such other obligations and regulation as may be prescribed from time to time.
 - (iv) Must have contributed to the IPF as required by the Derivatives Trading Membership Requirements and in accordance with FMDQ Exchange Investor Protection Fund Rules.
 - (v) Must have executed a Clearing Agreement with at least one (1) Clearing Member for the clearing and settlement of all trades to be executed on the System, except in a case where the Trading Member is also registered as a Clearing Member with the Clearing House.
 - (vi) Must have paid all applicable fees and dues associated with its participation in the Exchange markets.
 - (vii) Must meet the capacity standards of FMDQ Exchange (personnel, technological, inter alia) to adequately discharge its functions in the Market by filing requisite personnel Resumes, technology/infrastructure frameworks, etc.
 - (viii) Have a minimum of three (3) Authorised Representatives including a Senior Executive (any of MD/CEO, an Executive Director or Treasurer), Chief Dealer and Chief Compliance Officer. The Derivatives Trading Member shall also have a Dealer with at least three (3) years experience in Derivatives trading or relevant certification(s) evidencing understanding of Derivatives trading.
- 7.2 An application for a Trading Member licence shall be supported by the documentation requirements outlined in the Derivatives Trading Membership Requirements.
- 7.3 A Trading Member shall not be admitted to the Market unless it has received a formal letter from FMDQ Exchange communicating that it has been granted a "Full Licence" for the Trading Member membership category.
- 7.4 FMDQ Exchange shall keep a register of Trading Members which shall indicate the category in which the Trading Member has been authorised to operate.
- 7.5 FMDQ Exchange retains absolute discretion to accept or reject any application for registration as a Trading Member in the Derivatives Market.

8. LISTING OF DERIVATIVE SECURITIES

- 8.1 All Derivatives Contracts sought to be traded on the System shall be recorded on the FMDQ Exchange Derivatives Contracts List (“DCL”).
- 8.2 The Contract Specification of Derivative Contracts contained in the DCL shall be determined by FMDQ Exchange from time to time.
- 8.3 FMDQ Exchange may, at its discretion, conduct surveys and research, call for the views of Trading Members and/or any committee, and take such other steps as it may deem appropriate in determining the Contract Specification of Derivatives.
- 8.4 FMDQ Exchange shall have the power to:
 - (i) add, remove or suspend Derivative Contract from the DCL kept in terms of these Rules;
 - (ii) impose new conditions on or amend the existing conditions of such Derivative Contracts.
- 8.5 FMDQ Exchange shall notify all Members and shall stipulate a date for:
 - (i) the coming into operation of addition, removal or suspension of Derivative Contracts or;
 - (ii) new or amended conditions relating to existing Derivative Contracts.
- 8.6 FMDQ Exchange may, at its discretion, decide the Expiry Date for the Futures and Options Contracts contained in the DCL and shall publish in a notice, such Exchange-Traded Contracts to the Trading Members.

9. ACCESS TO THE SYSTEM

- 9.1 All Trading Members shall advise FMDQ Exchange of the personnel to be provided with access to the System and it shall be the responsibility of each Trading Member to ensure the list of Authorised Users of the System is updated at all times.
- 9.2 Where there is a change in the personnel, the Trading Member shall, within two (2) Business Days of such change, notify FMDQ Exchange of the change duly approved by the Chief Dealer, Treasurer or Chief Compliance Officer of the Trading Member.
- 9.3 Trading Members shall not allow any person other than duly appointed and advised Authorised Users gain access to the System.

10. TRADING CAPACITY

- 10.1 When trading as a Principal, a Trading Member shall initiate, execute, and maintain positions in derivatives contracts for its own (house) account. As a Principal, the Trading Member may trade with its Client (filling Client Orders) by selling from its own (house) account into the Client’s position/account, at the market price.
- 10.2 When trading as an Agent, a Trading Member shall initiate and execute a trade on behalf of its Client by entering the Client’s Order directly on the Client’s account.
- 10.3 Where a Trading Member trades (as a Principal) with a Client, any claims by the Client in respect of a trade shall be against the Trading Member involved in the execution of such trade.
- 10.4 Where a Trading Member trades for a Client (as an Agent) with another Client or Trading Member, any

claims made by the counterparty Client or Trading Member in respect of the trade shall be against the Trading Member acting as an Agent in the execution of such trade.

10.5 A Trading Member shall not trade for its own account or for the account of an employee of the Trading Member or any account in which the employee of the Trading Member has a beneficial interest prior to satisfying an outstanding Order from a Client if the trade could satisfy the relevant outstanding Client Order.

10.6 Where a Trading Member trades with a Client (in its capacity as a Principal) or for a Client (in its capacity as an Agent) or with another Trading Member:

- (i) the Trading Member shall be liable to the Client or other Trading Member for the due fulfillment of all obligations arising out of the trade;
- (ii) any claims by the Client or a Trading Member in respect of a trade shall be against the Trading Member involved in the execution of such trade.
- (iii) the Trading Member shall ensure that it has sufficient funds to meet the established Margin requirements prior to executing a trade.

10.7 Employees and Members Trading as Clients:

- (i) Trading Members shall establish an Employee Trading Policy which shall outline the manner in which employees are permitted to trade for themselves taking into consideration that all Client trades are priority. Subject to such Employee Trading Policy, an employee of a Trading Member may be a Client of the Trading Member provided that such Client fulfills all its obligations in terms of these Rules.
- (ii) An employee of a Trading Member may not be a Client of another Trading Member, except with the written approval of the Trading Member and subject to such conditions it may impose.
- (iii) A Trading Member may not be a Client of another Trading Member, except with the written approval of the Exchange and subject to such conditions it may impose.

10.8 Trading for and on Behalf of Clients

- (i) A Trading Member shall not trade for or on behalf of a Client unless the Client has entered into a Client Agreement with the Trading Member.
- (ii) A Trading Member shall not trade for or on behalf of a Client until onboarding of the Client with the Exchange has been effected.
- (iii) To register a Client, a Trading Member shall submit the following details *inter alia*:
 - (a) the full name and description of legal capacity;
 - (b) the identity number, or registration number of a company or trust;
 - (c) the residential or business address;
 - (d) the telephone and electronic mail address;
 - (e) all information and data provided by the duly authorised contact personnel;
- (iv) FMDQ Exchange shall maintain a record of the Clients who are registered as Clients of Trading Members and it shall keep an up-to-date record of the particulars associated with each Client.
- (v) All information and data provided to facilitate the registration and trading in Derivatives for a Client shall be retained by the Exchange after the Client has ceased trading in line with the

Exchange's Data Collection and Management Policy and the Nigeria Data Protection Regulation (NDPR) 2019 or such other substantive regulation or legislation in effect at the time.

10.9 Client Account Structure

- (i) Trading Members shall offer their Clients the choice between individual segregated accounts and omnibus segregated accounts for the management of their positions and margins.
- (ii) Trading Members shall to their best endeavours, inform Clients of the attendant features and risks of an omnibus and segregated accounts.
- (iii) Trading Members shall require their Clients to explicitly opt in for the use of an omnibus segregated account by making a written declaration that they are aware and understand the risks of such account.

10.10 Notification of Trades

- (i) A Trading Member must ensure that Clients are notified of all trades executed on or reported on the System, for or on behalf of such Clients, in the manner and within the time period as prescribed by FMDQ Exchange.
- (ii) Further to the above, the trade notification must set out:
 - (a) the terms of the trade;
 - (b) the time of execution of the trade;
 - (c) the capacity in which the Trading Member acted; and
 - (d) if the trade is executed by the Trading Member in an agency capacity, the details of any commission charged by the Trading Member.

11. MARKET OPERATIONS

11.1 General Guidelines

- (i) The Market shall be open for trading every Business Day during Trading Hours. However, based on its assessment of market conditions and in line with best practice, FMDQ Exchange may extend or reduce the Trading Hours as required and the same will be advised to all participants in the Market.
- (ii) Notwithstanding the provision above, FMDQ Exchange may declare a trading halt on a specific Derivative Contract or the Market (where applicable) under one (1) or more of the following circumstances:
 - (a) Where a Contract becomes illiquid due to external factors;
 - (b) Where the spot market for an underlying security becomes illiquid;
 - (c) Where trading in the Market has been influenced by fraud or manipulation;
 - (d) Where trading is affected by a technical failure of the System and Trading Members are not able to access the System;
 - (e) Where an event of *Force Majeure* occurs; and
 - (f) Such other circumstances as may be prescribed by the FMDQ Exchange from time to time.
- (iii) Absence from the Market shall not preclude the Trading Member from fulfilling its outstanding obligations to other Trading Members, Clients, its Clearing Member, the Clearing House, and

FMDQ Exchange.

11.2 Trading Guidelines

- (i) All trading activity in the Market shall be executed on the FMDQ Exchange-advised System. However, where a transaction on an Exchange-Traded Derivative Contract is executed outside of the System, the Trading Member shall report the same as an Offline Trade on the System or such other FMDQ Exchange-advised media within thirty (30) minutes of the execution of such transaction.
- (ii) Trading Members shall execute transactions in accordance with the Contract Specifications prescribed by FMDQ Exchange from time to time.
- (iii) The System will only accept trades within the Contract Specifications as determined by FMDQ Exchange from time to time.
- (iv) Bid and offer prices entered into the System by Trading Members shall be within the maximum spreads and Order sizes for all Contracts as outlined in the relevant Directive advised by FMDQ Exchange from time to time.
- (v) Trading Members shall honour their executed transactions in a timely manner and take steps to ensure that necessary arrangements are made with respect to the cash and securities by the agreed settlement dates.

11.3 Exercise of Option Contracts

- (i) A Client in whose name a Long Position in an Option Contract is registered may either Close-Out the Option at any time until the expiration of the Contract or exercise the Option as permissible in the Contract Specification by written notice to the Trading Member with whom it dealt in order to open the Long Position.
- (ii) A Trading Member in whose name a Long Position in an Option Contract is registered may either Close-Out the Option at any time until the expiration of the Contract or exercise the Option as permissible in the Contract Specification, and shall exercise the Option on a Client's behalf on the instruction of the Client in the manner prescribed by FMDQ Exchange.
- (iii) Further to the above, upon the exercise of the Option, the person in whose name the Long Position in the Contract was registered shall be deemed to have bought or sold the underlying instrument of the Option Contract in question at the Strike Price from or to the Clearing House.

11.4 Trade Adjustments and Cancellations

- (i) Trade Adjustments for the purpose of these Rules relate to the modification of the price, quantity and any other parameter of a trade which has been matched by the Exchange and novated by the Clearing House (i.e. completed trades).
- (ii) Trade Cancellation for the purpose of these Rules relate to the invalidation of a trade which has been matched by the Exchange and novated by the Clearing House (i.e. completed trades).
- (iii) All Trade Adjustments and Cancellations shall be conducted in accordance with the Trade Adjustment and Cancellation Policy (see [Appendix I](#)).

11.5 Margin Payments

- (i) Initial Margin shall be paid by a Client to a Trading Member and/or a Trading Member to a Clearing Member whenever a Position is opened or altered and subsequently returned to the Client/Trading Member when a Position is closed.
- (ii) In the same manner, additional Initial Margin shall be paid by or to a Trading Member or Client whenever the risk of loss, as determined by FMDQ Exchange, changes with respect to the Aggregate Position of such Trading Member or Client.
- (iii) Variation Margin shall be paid by or to a Trading Member or Client in whose name a Position in a Contract is registered as a result of Mark-to-Market of a Position.
- (iv) A Trading Member, may in line, with the Client's Agreement:
 - (a) Require a Client to deposit with it, with respect to the Client's Position, an Additional Margin;
 - (b) require the Client to deposit an amount of money with it to be used to meet Initial and Additional Margin obligations before the Trading Member shall trade with/for the Client; and/or
 - (c) retain Initial and Variation Margin payable to the Client or interest accruing, in anticipation of future trades provided that the money so deposited and/or retained shall be repaid to the Client if the Client has not traded with the Member within thirty (30) days.
- (v) A Trading Member may agree, where a Client has an amount of money deposited with the Trading Member, that the Client shall pay an amount of money to restore the Additional Margin to the amount prescribed in the Client Agreement where the Additional Margin has been used to meet payments of Variation Margin.

11.6 Risk Management

- (i) Trading Members shall respond to any Margin call made by the Clearing Member within such timeframe as may be communicated by the Clearing Member.
- (ii) Where a Trading Member is unable to respond to a Margin call within the timeframe communicated, the Clearing Member shall activate the procedures for the Trading Member's Position to be closed-out and FMDQ Exchange may suspend the Trading Member from accessing the System under such conditions as may be communicated from time.
- (iii) Where a Trading Member's Position has been closed-out by the Clearing Member, the Trading Member shall be penalised in accordance with the Infractions & Penalties Guide and shall be liable for any outstanding obligation arising from the forced liquidation of its Position.
- (iv) Trading Members shall comply with the Close-Out procedures as documented in the Clearing Agreement, Derivatives Market Close-Out Framework or as may be prescribed by the Clearing House from time to time.
- (v) Events of Default within the context of the Market shall be strictly construed in such a manner as prescribed in these Rules, and the Directives as may be prescribed by FMDQ Exchange and FMDQ Clear from time to time.
- (vi) The procedures in the Derivatives Market Close-Out Framework shall also apply where the valuation of the Trading Members portfolio applied against the Margin falls below the limit

prescribed by the Clearing Member and not rectified within the specified timeframe.

11.7 Reporting

- (i) A Trading Member shall at all times maintain records of -
 - (a) its trades with Trading Members and Clients;
 - (b) Margins and other payments to and from other Trading Members and their Clients.
- (ii) The Trading Member may outsource these functions to its designated Clearing Member.
- (iii) A Trading Member shall update its Client accounts and inform Clients of effected trades, whether electronically or otherwise, on a daily basis and shall, in addition, confirm to a Client at least once a month:
 - (a) the trades done with the Client during the period;
 - (b) the Positions of the Client at the time of reporting;
 - (c) the balances of Additional and Retained Margin held for the Client at the time of reporting and;
 - (d) all payments to and from the Client made or accrued during the period, including payments of Margin, fees, and interest.
- (iv) Telephone recordings
 - (a) FMDQ Exchange and Participants shall have the right to record all telephone calls in respect of transactions on Derivative Contracts.
 - (b) A Trading Member shall record all telephone Orders received from or offers made to Clients.
 - (c) With respect to such telephone calls, the recording shall be admissible as evidence in any disciplinary or dispute resolution proceedings contemplated in these Rules provided that the Participant who intends to rely on such recordings in evidence shall have the onus of proving the authenticity thereof.
 - (d) All parties to the Agreements shall in such agreement acknowledge and confirm that they are aware that telephone calls may be recorded, and they shall be deemed to have irrevocably consented thereto.
 - (e) No Trading Member shall tamper with any recording of any telephone call.
- (v) These records and recordings shall be kept securely for a period of at least seven (7) years.

12. CLOSING OUT A POSITION

12.1 In closing out a Futures Contract:

- (i) the Participant in whose name a Long Position in the Futures Contract is registered, by the Clearing House, shall be deemed to have sold the number of the Futures Contracts equal to the number comprising the Position, to the Clearing House; and
- (ii) the Participant in whose name a Short Position in the Futures Contract is registered, by the Clearing House, shall be deemed to have bought a number of the Futures Contracts equal to the number comprising the Position, from the Clearing House.

12.2 On the expiration of an Option Contract which is Out of the Money -

- (i) the Participant in whose name a Long Position in the Option Contract is registered, by the Clearing

House, shall be deemed to have sold the number of the Options Contracts equal to the number comprising the Position, to the Clearing House; and

- (ii) the Participant in whose name a Short Position in the Option Contract is registered, by the Clearing House, shall be deemed to have bought a number of the Options Contracts equal to the number comprising the Position, from the Clearing House.

- 12.3 The price of the Futures Contract which shall apply to the purchase and sale referred to in section 12.1 shall be the expiry price determined in the manner prescribed in the Contract Specification applicable to such Futures Contract.
- 12.4 The price of an Option Contract which shall apply to such purchase or sale as referred to in section 12.2 shall be zero.
- 12.5 Where the Strike Price of an Option Contract is, on expiration, In the Money by a certain amount determined by using FMDQ Exchange prices, the Participant in whose name a Position in the Exchange-Traded Contract is registered shall be deemed to have exercised the Option Contract.
- 12.6 Further to section 12.1, on the expiration of a physically-settled Futures Contract, the holder of a Long Position in the Exchange-Traded Contract shall buy the underlying instrument and the holder of a Short Position shall sell the underlying instrument at the price equal to that referred to in section 13.3 and the purchase, sale, delivery, and receipt of the underlying instrument shall take place pursuant to the Contract Specification applicable to such Futures Contract.

13. CLIENT TRADE AND ALLOCATION

- 13.1 When bulking or aggregating Client Orders, or Orders received from other Trading Members, Trading Members are required to use a dedicated Client aggregation account, as specified by FMDQ Exchange, for the Order entry, trading, consolidation, division or allocation of such Orders and trades;
- 13.2 Trading Members shall develop a Derivatives Transaction Order Filling Methodology or such other written policy that articulates the process for filling Clients Orders/Requests;
- 13.3 Trading Members are precluded from trading on the dedicated Client aggregation account for their own accounts or for any accounts in which employees have a direct or indirect beneficial interest; and
- 13.4 All trades on the Client aggregation account shall be allocated to the relevant Clients or Trading Members on the day of the trade and no Positions must remain on such Client aggregation account overnight.
- 13.5 A Trading Member may:
 - (i) aggregate a number of trades that were done on the System by means of offers made by the Trading Member for its Client's aggregation account(s) and, allocate such aggregated trade to a Client or other Trading Member in terms of an Order from the Client or other Trading Member at a price, calculated by the System equal to the average price of the original trades or;
 - (ii) divide a trade that was done on the System by means of an offer made by the Trading Member for its Client's aggregation account(s) and, in terms of section and allocate such subdivided trades to two (2) or more Clients and/or other Trading Members in terms of Orders from such Clients or other Trading Members.
- 13.6 A Trading Member shall allocate a trade that has been done on the System on the particular Business Day

for its client aggregation account(s) to a Client or another Trading Member:

- (i) pursuant to a tripartite agreement that was executed by means of an offer made on the System by the Member for its Client aggregation account;
- (ii) when the Trading Member has aggregated, or divided trades done in terms of an Order from a Client or another Trading Member as contemplated in section 13.5; or
- (iii) as a result of an Order from the other Trading Member which has been executed on its behalf by means of the offer on the System provided that:
 - (a) the allocation of a single trade or a subdivided trade shall take place within a period of time determined by FMDQ Exchange; and
 - (b) FMDQ Exchange may determine that the original price or average of the original prices prevailing at the time of the allocation shall be made known to the Client or the Trading Member via the Exchange-advised channel(s)/medium(s).

14. MANAGEMENT OF ACCOUNTS AND FUNDS

- 14.1 In respect of Additional and/or Retained Margin, a Trading Member shall keep either a separate trust account with a bank or a dedicated clearing account with its Clearing Member into which he shall deposit all Client monies either held or received by it.
- 14.2 The Trading Member shall at all times keep records of the Additional and/or Retained Margin held for each Client. The Trading Member may outsource its recordkeeping to its designated Clearing Member.
- 14.3 The Trading Member shall at all times ensure that the correct amount of Additional Margin as required in terms of the relevant Client Agreement is held.
- 14.4 Other than in respect of the payment for fees and services rendered, a Trading Member shall at all times ensure that there is no deposit or receipt of Client funds into its own proprietary account.
- 14.5 A Trading Member shall:
 - (i) at all times separate its Client's funds, including money, securities and other corporeal and incorporeal assets of the Client, from its own assets;
 - (ii) not commingle the funds of any Client with its own;
 - (iii) not allow the use of funds, securities or corporeal or incorporeal things belonging to any Client to finance its own trades and as such shall maintain accounts for each Client;
 - (iv) not allow the use of funds, securities or corporeal or incorporeal assets of any Client to operate its own business;
 - (v) in respect of the trades or Positions of a Client, not retain any money, securities or other assets as given by such Client other than Additional Margin or Retained Margin as contemplated in these Rules.

15. TRADING MEMBER FEES

- 15.1 A Trading Member may levy such fees and charges for different categories of trades as it deems fit on Clients with whom it trades provided that such fees and charges shall be in accordance with the schedule of fees and charges which shall form part of the Client Agreement.

15.2 A Trading Member shall not levy a fee or any commission or other charges on a Client in respect of a trade in terms of which it has traded as a Principal with the Client without the prior agreement of the Client stated in the Client Agreement.

16. DEFAULT BY A CLIENT

16.1 A Client shall be in Default if any one (1) or a combination of the following events occurs, as applicable:

- (i) it fails to fulfill any of its obligations in terms of a trade or Position, particularly, with respect to meeting its obligation to make payment of Margins required by the Clearing House as and at when due or such other obligations as may be required in the Client Agreement executed with the Trading Member; or
- (ii) it voluntarily or involuntarily becomes subject to actions or proceedings initiated under any bankruptcy or insolvency law; or
- (iii) it is subject to a winding up order or put under administration or receivership; or
- (iv) it is unable to pay its debts as they fall due or it disaffirms, disclaims or repudiates any of its obligations in the Rules and Client Agreement;
- (v) it is in default with respect to one particular Trading Member and FMDQ Exchange in its discretion decides that it is also in default with respect to any other Trading Member; or
- (vi) it is suspended or loses its licence to continue conducting business by its regulator;
- (vii) FMDQ Exchange in its discretion, considers it necessary to declare the Client to be in default for the protection of the Client, Trading Member and other market participants as a result of a failure to comply with the provisions of the Rules, Membership Agreements, Clearing Agreements and such other applicable regulation or agreement for the purpose of participating in the Derivatives Market.

16.2 Consequences of a Client's Default

Without limiting any other remedies and rights which a Trading Member may have against a Client, in the event of Default by a Client:

- (i) the Client may, except as provided in these Rules, be suspended from trading by the Trading Member that trades on its behalf;
- (ii) the Trading Member shall Close-Out the Positions of the Client by trading to transfer those Positions to itself and for its own account at a price approved by FMDQ Exchange within two (2) Business Days or such other period as may be determined by FMDQ Exchange from the date of Default;
- (iii) any amount payable by the Trading Member to the Client as a result of such Close-Out or arising from any suretyship, cession, pledge or other security or from any other cause shall be set off against any amount payable by the Client;
- (iv) any shortfall remaining after the application of these Rules shall be recovered from, or any balance paid, to the Client.

17. DEFAULT BY A TRADING MEMBER

- 17.1 A Trading Member shall be in Default if:
- (i) it fails to fulfill any of its obligations in terms of a trade or a Position; or
 - (ii) FMDQ Exchange in its discretion considers it has defaulted; or
 - (iii) its membership has terminated.

17.2 Consequences of Default by a Trading Member

Without limiting any other remedies and rights which a Clearing Member or Client or the Clearing House may have against a Trading Member, in the event of Default by a Trading Member:

- (i) the Trading Member shall, except as provided in these Rules, be suspended from trading;
- (ii) the Clearing Member shall Close-Out the proprietary Position of the Trading Member by trading to transfer those Positions to itself and for its own account at a price approved by FMDQ Clear within two (2) Business Days or such other period as may be determined by FMDQ Clear from the date of Default;
- (iii) any amount payable to the Trading Member as a result of such Close-Out or arising from any suretyship, cession, pledge or other security or from any other cause shall be set off against any amount payable by the Trading Member;
- (iv) any shortfall remaining after the application of these Rules shall be recovered from, or any balance paid, to the Trading Member;
- (v) the Clients of the Trading Member shall automatically become the Clients of the Clearing Member, and the Clearing Member shall assume the obligations of the defaulting Trading Member until a new Client Agreement is executed by the trading division/affiliate of the Clearing Member or another Trading Member no later than twenty (20) Business Days after the default of the Trading Member.
- (vi) the Clearing Member shall contact the Clients of such defaulting Trading Member immediately, to inform them of the Default and to make arrangements for the transfer of existing Client Positions to the trading division of the Clearing Member or to another Trading Member.
- (vii) all Clients who did not previously have Client Agreements with the Clearing Member or the new Trading Member shall conclude Client Agreements with the Clearing Member or the new Trading Member to cover the Positions and obligations assumed by the Clearing Member or the new Trading Member.

18. EXAMINATIONS AND INSPECTIONS

- 18.1 Trading Members shall make available for examination or review howsoever required, any document or record relating to their Derivatives transactions by means of paper copy, disk, flash, or electronic copy in its possession or subject to its possession, as and when required by FMDQ Exchange or the Clearing House.
- 18.2 FMDQ Exchange shall carry out periodic on-site examinations and investigations, in any place of business of every Member and every Member shall be required to provide any information or document which FMDQ Exchange considers appropriate for purposes of such examinations and investigations.
- 18.3 Prior to the examination or inspection, the FMDQ Examination Group (EXG) shall give a minimum of ten

(10) working days' written notice to the Trading Member of its intention to conduct an inspection of the Member.

18.4 The information gathered during the inspection of records of Trading Members shall be used as prescribed by the Exchange.

18.5 The Chief Compliance Officer and either the Treasurer or Chief Dealer (or both) of the Trading Member institution shall be present at the entrance meeting and the close-out meeting of the inspection. Where any of the aforementioned officers of a Trading Member cannot be present at the entrance and/or the close-out meeting of the inspection, the Trading Member shall inform FMDQ Exchange via a written notice of absence not less than three (3) Business Days prior to the inspection commencement date detailing the reasons for such absence and providing a suitable representative acceptance of which shall be subject to the Exchange. Further, at least one (1) senior person from the compliance function shall be present for the duration of the inspection.

19. COMPLAINTS MANAGEMENT & DISPUTE RESOLUTION

19.1 In accordance with the FMDQ Exchange Complaints Management Framework, Participants shall report all complaints emanating from activities conducted within, or connected to, the Derivatives Market to FMDQ Exchange.

19.2 The Dispute Resolution Rules, set out below, are intended to facilitate the equitable and expeditious settlement of disputes that:

- (i) a Client has with a Trading Member, in respect of an unresolved complaint (i.e., the complainant is not satisfied with the resolution of the complaint proposed by the Member)
- (ii) a Trading Member has with another Trading Member, in respect of transactions in Derivative Contracts; or
- (iii) a Trading Member has with a Client, in respect of transactions in Derivative Contracts.

19.3 Reporting of a dispute

- (i) Unresolved complaints by a Client may be reported as a dispute where the Client elects to pursue the dispute resolution process of the Exchange.
- (ii) A dispute between two (2) Trading Members in respect of transactions in Derivative Contracts must be reported in writing, by either Trading Member, to FMDQ Exchange, within five (5) Business Days following the circumstances giving rise to the dispute, failing which, such disputes may no longer be eligible to be heard by the Exchange.
- (iii) A dispute that a Trading Member has with a Client in respect of transactions in Derivative Contracts must be reported in writing, by the Trading Member, to FMDQ Exchange for resolution, no later than six (6) months following the circumstances giving rise to the dispute.
- (iv) FMDQ Exchange may, at any time, request any of the parties to a dispute to furnish it with such further information relating to the dispute as may be required.

19.4 Declaration of a dispute

- (i) If, after considering the report and reply and any other information at its disposal, FMDQ Exchange

is of the opinion that there is a dispute, it shall declare a dispute by notifying both parties in writing and refer the matter to the expert selected.

19.5 FMDQ Exchange to retain a list of experts for dispute resolution

- (i) FMDQ Exchange will maintain a list of experts from which any disputants will select at least one (1) for purposes of determination of their dispute.
- (ii) The disputants will select expert(s) from the list retained by FMDQ Exchange within five (5) Business Days, failing which FMDQ Exchange shall make the selection of the expert(s) on their behalf.

19.6 Dispute resolution proceedings

- (i) The expert shall make its award within thirty (30) days of the conclusion of the dispute resolution proceedings.
- (ii) The expert shall not be bound to follow the general principles of law but may decide in accordance with the principles of equity and therefore the strict rules of law and evidence need not be observed or taken into account by the expert in arriving at a decision.
- (iii) The expert shall give due weight to the customs and practices at FMDQ Exchange and shall have the right to request the FMDQ Exchange legal department or the division responsible for market oversight to carry out investigations on its behalf.
- (iv) The expert may ask FMDQ Exchange or the Clearing House for any information relevant to the dispute.
- (v) The expert shall not be bound to give reasons for its decision or award.
- (vi) The dispute resolution proceedings shall be conducted without legal representation by any of the parties, unless the expert, in its sole discretion, decides otherwise.
- (vii) The expert may at its discretion decide that a number of disputes involving a particular party based on similar occurrences or similar facts shall be consolidated and treated as a single dispute.
- (viii) Unless FMDQ Exchange, the expert and the parties to the dispute agree otherwise, the identities of the parties, the nature of the evidence and the details of the expert's deliberations and findings, and all other information pertaining to the dispute resolution proceedings shall be kept confidential by all parties.
- (ix) If at any time the expert is of the opinion that a contravention of these Rules may have occurred, it shall refer the matter to FMDQ Exchange for its consideration.
- (x) The expert will report its decision to FMDQ Exchange and the disputants. The expert's determination will be final subject to the right of an aggrieved party to appeal to the Commission within ten (10) Business Days of the expert's determination.

19.7 Costs of the proceedings

- (i) The parties to any dispute resolution proceeding may be required to pay to FMDQ Exchange before the proceedings commence, such amount as FMDQ Exchange may determine as a deposit to cover a portion of the costs of the proceedings.
- (ii) The expert may, as part of its award and as it deems appropriate in the circumstances, make an Order on costs which may include an Order against the unsuccessful party for payment of all the costs of the proceedings.

PART C: GENERAL ETHICS AND CONDUCT

20. BUSINESS PRACTICE

- 20.1 Trading Members shall observe the highest standards of professional conduct with respect to their activities on the Platform and shall at all times act with due care and skill with respect to their conduct on the Platform.
- 20.2 Trading Members shall comply with the corporate governance, risk management, compliance, anti-money laundering, counter-terrorism financing, know-your-customer (KYC), reporting, training, and certification, and, such other standards as may be required by the SEC, CBN and FMDQ Exchange or any Applicable Laws.
- 20.3 Trading Members shall put in place necessary risk management policies and ensure that all trades initiated, executed and reported to the Exchange are subjected to appropriate pre-trade risk management controls.
- 20.4 Trading Members shall establish measures which ensure that they do not, directly, or indirectly, through a third party commit any fraudulent activity, make any untrue or misleading statement, or engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any Participant, in connection with the purchase or sale of any Product on the Platform.
- 20.5 Trading Members shall develop policies and establish processes to ensure their institutions are not used as vehicles for fraudulent activities in the Exchange markets. Such policies and procedures shall be subject to reviews and inspection by FMDQ Exchange from time to time.
- 20.6 Trading Members shall establish robust business continuity plans which outline structures put in place to enable the Members conduct their activities on the Platform from an alternate location in the event of a disaster. Furthermore, the disaster recovery capabilities of the Trading Members shall be reflected in their business continuity plans and routinely tested to ensure continuous participation in market operations (including transaction execution, clearing, and settlement) in the event of a wide-scale disruption in the Trading Members' primary places of business.
- 20.7 Trading Members shall maintain robust compliance programmes, including procedures to identify and mitigate legal, regulatory, financial, and reputational risks. Such programmes should include compliance officers dedicated to the business lines relevant to the Trading Members' Derivatives Markets operations.

21. OBLIGATIONS RELATING TO AUTHORISED REPRESENTATIVES

- 21.1 Trading Members shall be responsible for the activities conducted by their Authorised Representatives on the Platform.
- 21.2 Trading Members shall monitor the activities of their Authorised Representatives and take reasonable steps to ensure that their Authorised Representatives do not participate in any form of Insider Trading, fraudulent activity or assist any legal entity to participate in any such Insider Trading or fraud.
- 21.3 Trading Members shall diligently supervise their Authorised Representatives in the conduct of their activities on the Platform.
- 21.4 Trading Members shall ensure that their Authorised Representatives have sufficient knowledge of these Rules, other FMDQ Exchange Rules and Applicable Laws relevant to their activities in the Derivatives Market.
- 21.5 Trading Members shall ensure their Authorised Representatives comply with the competency standards

prescribed by FMDQ Exchange or FMDQ Clear from time to time.

22. MEMBERS' RESPONSIBILITIES TO CLIENTS

- 22.1 Trading Members shall act honestly, fairly, professionally and at all times in the best interests of their Clients.
- 22.2 Trading Members shall transact business in a just and equitable manner and every transaction, whether for their own account or for Clients accounts must be fulfilled according to Applicable Laws.
- 22.3 Trading Members shall conduct adequate due diligence and product suitability assessments on their Clients prior to effecting transactions on their behalf.
- 22.4 Trading Members shall not, in any communication relating to their dealings with Clients wishing to make trade in Derivatives, seek to:
- (i) Exclude or restrict any duty or liability it may have to a Client.
 - (ii) Rely on any exclusion or restrictions of any duty or liability it may have to a Client.
- 22.5 Trading Members shall maintain the confidentiality of Client data, transactions, and Orders, and not utilise them to achieve benefits or gains for the Trading Member firm, or any of its employees, or other third parties.
- 22.6 In line with Applicable Laws, a Trading Member shall not disclose to a third party any information relating to their Client without their explicit/written permission.
- 22.7 Trading Members shall maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interests which may adversely affect the interests of their Clients.
- 22.8 Trading Members shall seek to manage any conflict of interests in a manner that ensures that all its Clients receive fair treatment and that they are not exposed to any adverse procedures, behavior, or treatment due to such conflict of interests.
- 22.9 Trading Members shall disclose potential conflicts of interests that may arise in respect of their transactions in Derivative Contracts.
- 22.10 Where a Trading Member or its Authorised Representative has a material interest in a transaction with or for a Client or a relationship which gives rise to an actual or potential conflict of interest in relation to the transaction, it should neither advise, nor deal in relation to the transaction unless it has disclosed that material interest or conflict to the Client and has taken all reasonable steps to ensure fair treatment of the Client.
- 22.11 Trading Members may not, directly or indirectly, make or publish in respect of Derivatives:
- (i) any statement, promise or forecast which is, at the time and in the light of the circumstances in which it is made, false or misleading or deceptive in respect of any material fact and which the Member or employee of a Member knows, or ought reasonably to know, is false, misleading or deceptive or;
 - (ii) any statement, promise or forecast which is, by reason of the omission of a material fact, rendered false, misleading or deceptive and which the Member or employee of a Member knows, or ought reasonably to know, is rendered false, misleading or deceptive by reason of the omission of that fact.
- 22.12 Trading Members shall make available, information on the products available to their Clients and the attendant risks of investments in such products.

Appendix I: Derivatives Trade Adjustment and Cancellation Policy

1. GENERAL PRINCIPLES OF THE TRADE ADJUSTMENT AND CANCELLATION POLICY

- 1.1. A key component of market integrity is the assurance that once executed; a trade will stand and will not be subject to cancellation arbitrarily. As provided in Section 20.3, Trading Members are required to carry out necessary due diligence and implement relevant pre-trade risk management policies and controls in the execution of orders in the Derivatives Market.
- 1.2. FMDQ Exchange recognises that there may be instances where executed trades may need to be adjusted or cancelled due to errors or other circumstances beyond the control of Trading Members.
- 1.3. FMDQ Exchange shall publish price thresholds or ranges called “*No-Cancellation Ranges (NCR)*” for all listed contracts in the Derivatives Markets. Trades executed within the published NCR of any listed contract in the Derivatives Market will not be adjusted or cancelled under normal circumstances.

2. TRADE ADJUSTMENT AND CANCELLATION BY FMDQ EXCHANGE

- 2.1. FMDQ Exchange reserves the right to cancel or adjust the price of any trade in an Exchange-traded Derivatives Contract which was erroneously executed or were executed at prices unrepresentative of the prevailing market price or fair value of the Contracts, including in instances where there has been no request from a Derivatives Trading Member in order to sustain confidence in the Derivatives Market.
- 2.2. In determining whether a trade is executed at an unrepresentative price, FMDQ Exchange will consider the following factors:
 - the price or Contract value of the trade or trades executed outside the market price at the time that the trade was executed by more than a threshold to be communicated by the Exchange
 - price movement in other delivery months of the same contract
 - current market conditions, including levels of activity and volatility
 - the market price/level of the relevant underlying product/security/rates in the spot market prior to the trade, if applicable
 - failure in price and order management controls (where applicable) to prevent the execution of trades at unrepresentative prices due to exceptional circumstances
 - such other factor which the Exchange, may reasonably determine to be a ground for cancellation or adjustment of a trade
- 2.3. When a trade is adjusted or cancelled, the relevant Derivatives Trading Members who are parties to the trade will be notified by the Exchange before the close of trading (for adjustments/cancellations which occur before trading ceases for the day) or before the start of trading on the following Business Day (for adjustments/cancellations which occur after trading ceases for the day).

3. TRADE ADJUSTMENT AND CANCELLATION AT A TRADING MEMBER’S REQUEST

- 3.1. In the event of an error in the execution of a trade in a listed contract in the Derivatives Market, a Derivatives Trading Member may request for FMDQ Exchange to have such erroneous trades adjusted or cancelled.
- 3.2. FMDQ Exchange shall consider trade adjustment and cancellation requests by Derivatives Trading Members under the following circumstances:
 - the order submitted to the Exchange’s trading system is different to that which the Derivatives

Trading Member intended or its Client requested prior to or at the time the order was submitted;
and

- the order giving rise to the erroneous trade was matched on the Exchange within sixty (60) minutes of being entered into the order book
- the trade adjustment or cancellation request is received by FMDQ Exchange within sixty (60) minutes from the time the trade was executed
- the price of the executed trade requested to be adjusted or cancelled is significantly different from the market price of the contract at the time of the error
- the Derivatives Trading Member was unable to adjust or cancel the order due to technological issues or other glitches with the trading systems before it was matched
- such other factor which the Exchange, may reasonably determine to be a ground for cancellation or adjustment of a trade

3.3. FMDQ Exchange will notify the Derivatives Trading Member(s) of its decision with respect to a request for the adjustment and cancellation of an executed trade upon consideration of the following:

- the price or contract value of the trade or trades executed outside the market price at the time that the trade was executed by more than a threshold to be communicated by the Exchange
- price and price movement in other delivery months of the same contract
- current market conditions, including levels of activity and volatility
- the market price/level of the relevant underlying product/security/rates in the spot market immediately prior to the trade, if applicable
- such other factor which the Exchange, may reasonably determine to be a ground for cancellation or adjustment of a trade

3.4. Trades in Contracts listed in the Derivatives Market executed off-exchange and reported for novation and clearing by the Clearing House will not require the approval of FMDQ Exchange for adjustment or cancellation as contained in this section. Rather, Derivatives Trading Members involved in such off-exchange and reported trades may adjust or cancel such trades upon mutual agreement.

3.5. Trades in Contracts in the Derivatives Market executed on-exchange shall require the mutual agreement of the Derivatives Trading Members involved in such on-exchange trade and the approval of FMDQ Exchange for adjustment or cancellation on the request of the Derivatives Trading Member.

3.6. The Exchange reserves the right to approve or reject such request for adjustment or cancellation even in instances where the mutual agreement of the affected parties has been obtained, where the Exchange has reasonably assessed it is necessary in order to maintain the integrity of the Market.

3.7. Upon approval of a trade adjustment or cancellation request by FMDQ Exchange, the affected Trading Member(s) shall immediately proceed to book relevant trades advised by the Exchange to effect such trade adjustments and/or cancellations.

3.8. The Exchange will impose a cancellation fee on the Derivatives Trading Member responsible for the Trade. The fee will be levied individually on each order that results in a trade being cancelled under this Policy.

3.9. The Fee Schedule for cancellation of trades shall be communicated by the Exchange.