



**MEMBERS' COMPLIANCE INFRACTIONS
& PENALTIES GUIDE**

OCTOBER 2023

1. Introduction

This document provides a non-exhaustive list of infractions as well as their attendant penalties with respect to Members’ obligations as Members of FMDQ Securities Exchange Limited (“**FMDQ Exchange**” or the “**Exchange**”) as outlined in the relevant Rules, Market Bulletins, Agreements and such other regulation as may be prescribed by FMDQ Exchange from time to time.

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 are set out below:

- The severity, 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 Member and specific history regarding the infraction in question
- The responsiveness and conduct of the Member 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 all FMDQ Exchange Rules, Agreements, 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	Infractions	Penalties
Part A: General Infractions		
1.	Failure to notify FMDQ Exchange immediately in writing of any material changes to the information submitted during the course of its membership application, including but not limited to changes in Members’ Authorised Representatives, change in Board of Directors, and change in Management within one (1) month of such change	i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists
2.	Failure to ensure that documents, records, or any other material related to activities on the FMDQ Exchange Platform, including but not limited to trading, brokerage, registration, listings and quotations are properly maintained and kept strictly confidential except as may be required by any law, rule, regulation, order or judgment of a competent court in Nigeria for a period to be advised by FMDQ Exchange and where not	iv. Fourth time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists v. Subsequent offences may lead to the suspension of the Member for a period of three (3) months or such other period as may be prescribed by the Exchange from time to time

S/N	Infractions	Penalties
	expressly advised, in accordance with FMDQ Exchange's Rules	
3.	Failure to notify FMDQ Exchange of any facts or circumstances which may affect the legal form or organisation of the Member or its trading activities on the FMDQ Exchange Platform, including but not limited to any consolidation, reorganisation, merger, change of name, change of control or similar event to which the Member is or will become a Party and provide such additional information as FMDQ Exchange may reasonably require within two (2) business days of resolution by the Member's Board of Directors	
4.	Misrepresentation of its membership or services that it is able to provide in relation to its membership of the Exchange	
5.	Refusal of FMDQ Exchange or its duly appointed agents to carry out on-site examinations and investigations or non-cooperation with FMDQ Exchange or its duly appointed agents during on-site examinations and investigations	<p>i. First time: Notice of Infraction to the Compliance Officer of the Member with the MD/CEO in copy</p> <p>ii. Second time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists</p> <p><i>Notwithstanding the above-outlined penalties, Members culpable of this Infraction shall be suspended from the market until compliance</i></p>
6.	<p>All infractions which may be subject to investigation including, but not limited to:</p> <p>i. Failure to document, implement and maintain adequate internal procedures and controls in relation to its business on the FMDQ Exchange Platform</p> <p>ii. Failure to comply with such market standards, capacity requirements, capital or settlement line requirements as may be determined by FMDQ Exchange from time to time (where applicable)</p> <p>iii. Such other infractions that may be prescribed by FMDQ Exchange from time to time</p>	<p>FMDQ Exchange shall impose appropriate penalties for such infractions as may prescribed by the Exchange from time to time, including but not limited to:</p> <p>(i) Warning letters</p> <p>(ii) Public censure</p> <p>(iii) Fines</p> <p>(iv) Suspension from the FMDQ Exchange markets</p> <p>(v) Loss of Membership Rights and Privileges</p> <p>(vi) Termination of Membership</p> <p>(vii) Non-consideration for the FMDQ GOLD Awards</p> <p>(viii) Report to the relevant regulatory and enforcement authorities</p>

Part B: Registration Member ("RM") Infraction

S/N	Infractions	Penalties
1.	Occurrence of Credit Defaults under two (2) registered Programmes/Discrete Issues sponsored by the same RM within the last twelve (12) months from the date of the most recent Credit Default.	<p>FMDQ Exchange shall:</p> <ul style="list-style-type: none"> (i) initiate and conduct an ad hoc investigation on the sponsorship activities of the RM to revalidate the level of due diligence and due process applied in all Programmes sponsored by the RM. (ii) derecognise the RM's activity with respect to sponsorship of CPs/ NICPs in which the Issuer defaulted from the FMDQ Fixed Income Primary Markets Sponsors' League Table and FMDQ GOLD Awards for the financial year in which the credit defaults occurred. <p>In addition to the penalties outlined above, FMDQ Exchange may impose additional admission requirements (including but not limited to third-party credit enhancements and additional reporting obligations) on subsequent applications sponsored by the RM.</p>
2.	Occurrence of Credit Defaults under three (3) registered Programmes/Discrete Issues sponsored by the same RM within the last twelve (12) months from the date of the most recent Credit Default.	In addition to penalties applicable for credit defaults under two (2) registered Programmes /Discrete Issues above, the Exchange shall impose further sanction(s) on the RM as it deems fit.
Part C: Dealing Member Infractions		
1.	Transacting or concluding trades with a Broker or Inter-Dealer Broker (either domestic or offshore) either directly or indirectly in relation to the products traded on the FMDQ Exchange Platform that is not licenced by FMDQ Exchange	<ul style="list-style-type: none"> i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists
2.	Operation of any account that serves as brokerage settlement accounts, for the products traded on the FMDQ Exchange Platform by/for any individual or body corporate that is not licenced by FMDQ Exchange and/or registered with the Securities and Exchange Commission to carry out a trading or brokerage function but still brokers any of the products	<ul style="list-style-type: none"> iv. Fourth time: Fine of ₦500,000.00 (five hundred thousand Naira) and ₦50,000.00 (fifty thousand Naira) for each day the Infraction subsists v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the Exchange from time to time
Part D: Reporting Requirements		
General		

S/N	Infractions	Penalties
1.	Failure by a Member to promptly provide complete and accurate data and statistics relating to its activities on the FMDQ Exchange Platform	i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each day the Infraction subsists iv. Fourth time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the Exchange from time to time <i>*Penalties accorded to Dealing Member (Banks) shall be as prescribed in the FMDQ Trading and Reporting Infractions & Penalties Guide</i>
Associate Member (Brokers) and (Inter-Dealer Brokers)		
1.	Failure to submit monthly brokerage activity data/reports within five (5) Business Days of the end of each monthly reporting period.	i. First time: Notice of Infraction to the Compliance Officer of the Member ii. Second time: Notice of Infraction to the Compliance Officer with the MD/CEO in copy iii. Third time: Fine of ₦100,000.00 (one hundred thousand Naira) and ₦10,000.00 (ten thousand Naira) for each day the Infraction subsists iv. Fourth time: Fine of ₦250,000.00 (two hundred and fifty thousand Naira) and ₦25,000.00 (twenty-five thousand Naira) for each day the Infraction subsists v. Fifth time: Suspension of the Member for a period of three (3) months or such other period as may be prescribed by the Exchange from time to time

APPENDIX I: GENERAL GUIDELINES

S/N	Standard
1.	Where two (2) or more infractions meet the specified thresholds for a fine, the defaulting Member shall be fined for each infraction.
2.	All responses to the notices of infractions must be received, and fines paid within the timelines stipulated in the written communication to Members.
3.	Infractions may be captured in the FMDQ Members' Compliance Ranking Report published on the FMDQ website or such other FMDQ-advised media.
4.	Penalties imposed in accordance with this Guide do not constitute a waiver of other disciplinary actions which FMDQ Exchange may deem fit to take from time to time. Such disciplinary actions will be conducted in accordance with the FMDQ Disciplinary Process. (Click here to view)
5.	Appeals against penalties shall be conducted in accordance with FMDQ's appeal process as may be prescribed by the Exchange from time to time.
6.	Fines shall be invoiced monthly and shall not be combined with any other Fees.
7.	The Exchange may, at its discretion, waive the enforcement of these penalties.