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

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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 OTC Securities Exchange (“FMDQ” or the “OTC Exchange”). In its capacity as a self-regulatory organisation, the OTC 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 OTC 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 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 OTC 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	<a href="#">CBN Circular</a> <sup>2</sup>	<ul style="list-style-type: none"> <li>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</li> <li>ii. <b>Second time:</b> Membership shall be suspended for a period of three (3)</li> </ul>

<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>months or such other period as may be advised by the OTC Exchange from time to time</p> <p><i>Notwithstanding any of the above-outlined penalties, FMDQ shall file a report to the CBN on the bank involved in the CP</i></p>
2.	Failure of the Sponsor to submit for review, the applicable pricing supplements for each CP sought to be issued, at least two (2) business days prior to the opening of the offer/presentation of the pricing supplement to prospective investors	7.2	<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 with MD/CEO in copy</p> <p>iii. <b>Third time:</b> Membership of the Sponsor shall be suspended for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time</p>
<b>Quotation Obligations</b>			
3.	<p>Failure of the Sponsor to satisfy all CP quotation documentation and disclosure requirements within the applicable timelines as follows:</p> <p>i. for CPs of 15 days and up to 30 days, within five (5) business days from Settlement Date</p> <p>ii. For CPs above 30 days, within ten (10) business days from Settlement Date</p>	7.3	<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> Membership shall be suspended for a period of three (3) months or such other period as may be prescribed by the OTC Exchange from time to time</p>
<b>Post-Quotation Obligations</b>			
<b>Issuers' Obligations</b>			
4.	Failure to use the amount raised through the Issue for the purpose stated in the Offer Documents	9.6	<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Issuer with the MD/CEO in copy and a report to the relevant regulatory authority (where applicable)</p> <p>ii. <b>Second time:</b> Issuer may be prohibited from accessing the CP market via the FMDQ platform for a period of six (6) months or such other period as may be prescribed by the OTC Exchange from time to time</p>
5.	Failure to ensure that there are sufficient funds in the Issuer's account to pay investors at least two (2) business days before maturity date of the CP	9.8	
6.	Part-payment of the CP value to investors by the Issuer	9.9	
7.	Failure to effect payment of the value of an investor's CP holding on maturity date in the event that an investor objects to a rollover	9.11	
8.	Failure to ensure that current back-stop facilities (the sum-total of which is of equal or higher value to the outstanding value of the CPs at all times) are in place for the entire period that the CP or CPs (in the case of single issues or issues under a Programme respectively) remain outstanding. <b>(Applicable only to non-bank corporate CP Issuers)</b>	<b>General Undertaking</b>	
9.	Failure of the Issuer to provide all documentation and disclosure requirements as outlined in the		<p>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Issuer with</p>

S/N	Infraction	Section	Penalties Grid
	General Undertaking ( <b>Appendix I</b> of the FMDQ Commercial Paper Registration and Quotation Rules)		<p>the Compliance Officer of the Sponsor in copy</p> <p><i>ii. Second time:</i> Notice of Infraction to the MD/CEO of the Issuer, with the MD/CEO of the Sponsor in copy and report to relevant regulatory authority (where applicable)</p> <p><i>iii. Third time:</i> Issuer may be prohibited from accessing the CP market via the FMDQ platform for a period of six (6) months or such other period as may be prescribed by the OTC Exchange from time to time</p>
<b>Sponsors' Obligations</b>			
10.	Failure to file an accurate quarterly Compliance Report within ten (10) business days after each quarter	<b>8.2</b>	<p><i>i. First time:</i> Notice of Infraction to the Compliance Officer of the Sponsor</p> <p><i>ii. Second time:</i> Notice of Infraction to the Compliance Officer of the Sponsor with the MD/CEO in copy</p>
11.	Failure to notify FMDQ of an Issuer's intention to rollover: (i) For 30- to 60-day CPs, no later than five (5) business days before the maturity of the CP (ii) For CPs with tenors above 60 days, no later than fifteen (15) business days before the maturity date of the CP	<b>10.14</b>	<p><i>iii. Third time:</i> 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>
12.	Failure to provide relevant updated documents for the re-evaluation of the CP after notifying FMDQ of an Issuer's intention to rollover a CP	<b>10.15</b>	<p><i>iv. Fourth time:</i> 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>
13.	Failure to file all required documentation upon approval of a rollover by FMDQ	<b>10.16</b>	<p><i>v. Fifth time:</i> Membership of the Sponsor shall be suspended for a period of three (3) months or such other period as may be advised by the OTC Exchange from time to time</p>
14.	Failure to inform FMDQ in writing of the liquidation of a CP within one (1) business day of the CP maturity date	<b>10.19</b>	
15.	Rollover of a CP without securing approval of FMDQ	<b>10.14</b>	<p><i>i. First time:</i> 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>
16.	Failure to effect repayment to the designated accounts of all registered holders of the CP on the maturity date of the CP	<b>10.13</b>	
17.	Failure to distribute received funds amongst all investors on a pro-rata basis in the case of part-payment by an Issuer	<b>10.20</b>	<p><i>ii. Second time:</i> 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>iii. Third time:</i> Membership of the Sponsor shall be suspended for a period of three (3) months or such other period as may be advised by the OTC Exchange from time to time</p>

S/N	Infraction	Section	Penalties Grid
18.	Failure to notify investors and FMDQ of a default by the Issuer by latest 3:00 PM, two (2) business days before the maturity date of the CP	10.17	<ul style="list-style-type: none"> <li>i. <b>First 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</li> <li>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 and Public Censure</li> <li>iii. <b>Third time:</b> Membership of the Sponsor shall be suspended for a period of three (3) months or such other period as may be advised by the OTC Exchange from time to time</li> </ul>
<b>Know-Your-Customer Obligations</b>			
19.	Failure to ensure investors of CPs meet the eligibility criteria as prescribed by FMDQ	3.9 & 11.1	<ul style="list-style-type: none"> <li>i. <b>First time:</b> Notice of Infraction to the Compliance Officer of the Sponsor with MD/CEO in copy</li> <li>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</li> <li>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</li> </ul>

### APPENDIX I: GENERAL GUIDELINES

S/N	Standard
1.	Where two (2) or more infractions meet the specified thresholds for a fine, the responsible Issuer/Sponsor shall be fined for each infraction.
2.	FMDQ shall publicise infractions in the compliance report on its website.
3.	FMDQ shall publicise any default by an Issuer on its website or such other FMDQ-advised media.
4.	Notwithstanding any of the penalties outlined in this Guide or as may be prescribed by the OTC Exchange, Issuers in default of their payment obligations shall pay investors the full value of the amount owed and interest at the <b><i>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></b>
5.	Fines shall be invoiced monthly and shall <b>not</b> be combined with any other Fees.
6.	Where a Member fails to pay penalties in accordance with this Guide other than in the case of a legitimate appeal, the OTC Exchange may suspend its membership without prejudice to other actions which the OTC Exchange may take.
7.	Persistent violation of CP market regulation may attract suspension or prohibition from accessing the CP market via the FMDQ platform.
8.	The OTC Exchange may, at its discretion, waive the enforcement of these penalties.