

**AFEX**

**RULEBOOK**  
VOLUME 1

Table of Contents

1 PRELIMINARY ..... 6

1.1 APPLICATION ..... 6

1.2 DEFINITIONS..... 6

2 THE EXCHANGE BOARD ..... 10

2.1 ESTABLISHMENT OF THE BOARD OF DIRECTORS ..... 10

2.2 COMPOSITION OF THE BOARD ..... 11

2.3 ROLE OF THE CHAIRMAN OF THE BOARD ..... 12

2.4 ROLE OF THE CHIEF EXECUTIVE OFFICER ..... 12

2.5 SELECTION & REMOVAL OF MEMBERS OF THE BOARD ..... 13

2.6 MEETINGS & DECISIONS..... 13

2.7 QUORUM..... 13

2.8 ATTENDANCE AT MEETINGS ..... 14

2.9 PROCEDURES AND ADMINISTRATION..... 14

3 MEMBERSHIP ..... 14

3.1 MEMBERSHIP OF THE EXCHANGE ..... 14

3.2 ELIGIBILITY FOR REGISTRATION ..... 14

3.3 ADMISSION OF MEMBERS UNTO THE EXCHANGE ..... 15

3.4 RIGHTS AND PRIVILEGES OF MEMBERS ..... 16

3.5 CLASSES OF MEMBERSHIP ..... 17

3.6 REGISTRATION UNDER MISREPRESENTATION ..... 19

3.7 PROCEDURE SUBSEQUENT TO REGISTRATION ..... 19

3.8 REGISTER OF MEMBERS ..... 20

3.9 SECURITY DEPOSIT..... 20

3.10 BODY CORPORATE AS MEMBERS OF THE EXCHANGE ..... 21

3.11 TERMINATION OF MEMBERSHIP ..... 21

3.12 TRANSFERABILITY OF MEMBERSHIP ..... 22

3.13 NOMINATION, TRANSMISSION, SURRENDER AND DECLARATION OF DEFAULT ..... 22

3.14 DEFAULT..... 24

4 COMPLIANCE WITH RULES..... 26

4.1. COMPLIANCE BY MEMBERS ..... 26

4.2. CONDUCT OF MEMBERS ..... 27

4.3. DISCIPLINARY ACTION BY THE EXCHANGE ..... 28

4.4. MEMBERS OF THE EXCHANGE REQUIRED TO MAKE PERSONAL APPEARANCE ..... 30

4.5. ACTIONS ON MEMBERS IN LIEU OF EXPULSION OR SUSPENSION ..... 31

5. WAREHOUSING AND WAREHOUSE RECEIPTS..... 31

5.1. CONDITIONS FOR WAREHOUSES FOR THE EXCHANGE ..... 31

5.2. DEPOSIT OF COMMODITY AT THE WAREHOUSE..... 32

5.3. PROCESS AND PROCEDURE FOR CERTIFICATION OF WAREHOUSES..... 32

5.4. RESPONSIBILITIES OF A DEPOSITOR ..... 32

5.5. RESPONSIBILITIES OF THE COLLATERAL MANAGER ..... 32

5.6. INSPECTION OF COMMODITIES STORED IN A WAREHOUSE ..... 33

5.7. GRADING OF COMMODITIES ..... 33

5.8. GRADING EQUIPMENT..... 34

5.9. ALLOWABLE TOLERANCE ON LOT WEIGHT ..... 34

5.10. EXPIRATION PERIOD FOR STORAGE..... 34

5.11. WITHDRAWALS OF COMMODITIES FROM WAREHOUSE..... 34

5.12. INVENTORY MANAGEMENT ..... 34

5.13. WAREHOUSE RECEIPT ..... 35

5.14. OBLIGATIONS OF A COLLATERAL MANAGER TO DELIVER ..... 36

6. RECORDS ..... 37

6.1. RECORD KEEPING..... 37

6.2. RECORDS FOR EVIDENCE..... 38

6.3. RECORDS AND REPORTS OF WAREHOUSES ..... 39

7. GENERAL TRADING RULES ..... 39

7.1. TYPES OF TRADING..... 39

7.2. TRADING PLATFORM..... 39

7.3. ACCESS TO TRADING PLATFORM ..... 40

7.4. MANAGEMENT OF THE TRADING PLATFORM..... 41

7.5. TRADING HOURS ..... 42

7.6. SPOT TRADING RULES ..... 42

762. OPENING PRICE ..... 42

763. CLOSING PRICE ..... 42

7.64. DAILY POSITION LIMITS ..... 43

7.65. BID AND OFFER FOR CONTRACT: ..... 43

7.7. PRICES ..... 44

7.8. DIVISIONS ..... 44

7.9. RESTRICTIONS ON TRADING ..... 44

7.10. TRADING SESSIONS ..... 44

7.11. TRADING WITH GOOD DECORUM..... 45

7.12. FRAUD AND OTHER MALPRACTICES ..... 45

7.13. DAILY OFFICIAL LIST ..... 45

7.14. REGISTRATION AND DE-REGISTRATION OF AUTHORISED PERSONS..... 45

7.15. OPERATIONAL PARAMETERS FOR TRADING ..... 46

7.16. CLOSING-OUT EXCHANGE MEMBER'S RESPONSIBILITY ..... 47

7.17. ORDER MANAGEMENT..... 47

7.18. TRADE MANAGEMENT ..... 47

7.19. ORDER VALIDATION ..... 48

7.20. MATCHING RULES ..... 48

7.21. TRANSACTION WHERE THE EXCHANGE ACTS AS A LEGAL COUNTER PARTY ..... 49

7.22. APPROPRIATION OF THE CLIENT'S ORDER..... 49

7.23. SEPARATION OF ACCOUNTS..... 49

7.24. FIDUCIARY RELATIONSHIP ..... 50

7.25. SPECIFICATION OF CODES AND OPERATIONAL PARAMETERS ..... 50

7.26. SURVEILLANCE, MARKET WATCH SYSTEM, INVESTIGATION AND EXCHANGE MEMBERS  
DATABASE ..... 50

8. ELECTRONIC AUCTION AND REVERSE AUCTION ..... 51

8.1. PRE-TRADE PROCEDURES ..... 51

8.2. MARGIN REQUIREMENTS ..... 51

8.3. PARTICIPATION ..... 51

8.4. CONDITIONS OF SALE..... 52

8.5. PROMPT DATE OF PAYMENT ..... 52

8.6. BID EXECUTION ..... 53

8.7. BID VALIDATION..... 53

8.8. BID CANCELLATION..... 53

9. SETTLEMENT, PAYMENT, AND DELIVERY ..... 53

9.1. SETTLEMENT ..... 53

9.2. DELIVERY ..... 54

9.3. PARTIAL DELIVERY ..... 55

9.4. PENALTIES FOR LATE OR NO PICK-UP ..... 55

10. DISPUTE RESOLUTION ..... 55

10.1. CONCILIATION..... 55

10.2. APPOINTMENT OF CONCILIATORS ..... 56

10.3. PANEL OF CONCILIATORS..... 56

10.4. SUBMISSION OF STATEMENTS TO CONCILIATOR ..... 56

10.5. COMMUNICATION BETWEEN CONCILIATOR AND PARTIES..... 57

10.6. CESSATION OF CONCILIATION PROCEEDINGS ..... 57

10.7. CO-OPERATION OF PARTIES WITH CONCILIATOR..... 57

10.8. SUGGESTIONS BY PARTIES FOR SETTLEMENT OF DISPUTES..... 57

10.9. ADMISSIBILITY OF EVIDENCE IN CONCILIATION PROCEEDINGS ..... 57

10.10. ROLE OF CONCILIATOR IN OTHER PROCEEDINGS ..... 58

10.11. DEPOSITS ..... 58

10.12. COMPLETION OF CONCILIATION PROCEEDINGS ..... 58

10.13. SETTLEMENT AGREEMENT..... 58

10.14. STATUS AND EFFECT OF SETTLEMENT AGREEMENT ..... 59

10.15. COSTS ..... 59

10.16. DISPUTE BETWEEN THE EXCHANGE AND A MEMBER..... 59

10.17. TERMINATION OF CONCILIATION PROCEEDINGS ..... 59

10.18. CONFIDENTIALITY ..... 60

10.19. ARBITRATION ..... 60

11. MISCELLANEOUS ..... 60

11.1. LIMITATION OF LIABILITY ..... 60

11.2. PROTECTION FOR ACTS DONE IN GOOD FAITH ..... 60

11.3. SECRECY OR CONFIDENTIALITY ..... 61

11.4. CONFIDENTIAL INFORMATION ..... 61

11.5. INDEMNITY ..... 62

11.6. DISCLAIMER..... 62

11.7. SEVERABILITY ..... 62

11.8. FORCE MAJEURE ..... 62

11.9. GOVERNMENT AUTHORITY ..... 63

11.10. COMMENCEMENT ..... 89

Trading Rules..... 64

Listing Rules ..... 85

## 1 PRELIMINARY

### 1.1 APPLICATION

- 1.1.1. These Rules shall be known as the Commodities Exchange Rules of AFEX Commodities Exchange Limited (the "**Exchange**"), here in after referred to as the "**Rules**".
- 1.1.2. These Rules shall come into force with effect from such date as the Securities & Exchange Commission of Nigeria ("SEC") may resolve and approve the Rules of the Exchange.
- 1.1.3. These Rules shall be in addition to the provisions of the Investments & Securities Act ("ISA"), and the SEC Rules and Regulations ("SEC Rules") made thereunder.
- 1.1.4. In case of inconsistency between any provision of these Rules and the provisions of the ISA and SEC Rules, the provisions of the ISA and the SEC Rules shall prevail. The Exchange may periodically issue clarifications or directives, as may be required from time to time, to remove any difficulty or ambiguity in implementing the provisions of any of these Rules, and the same shall have the same effect as these Rules.
- 1.1.5. These Rules shall apply to all the stakeholders of the Exchange including Clients, Members, and all entities involved in trading, Clearing, and Settlement of Trades, to the extent specified herein.
- 1.1.6. References to any gender include references to either gender and references to the singular include the plural and vice versa.
- 1.1.7. References to a person include references to any individual (including that individual's legal personal representatives), firm, company, corporation or other body corporate, government, state or agency of a state or any unincorporated association, joint venture or partnership (whether or not having a separate legal personality).
- 1.1.8. Contracts entered between the Members of the Exchange shall be governed by the Laws of the Federal Republic of Nigeria ("Nigeria") and these Rules shall be subject to the jurisdiction of the courts in Nigeria.

### 1.2 DEFINITIONS

In these Rules, the following words and expressions shall have the meanings given hereunder:

**Agent** means a representative of a Client or an Exchange Member;

**Approved Office** means the registered office of the Exchange, including such premises or offices from where a Member is allowed by the Exchange to Trade or clear any transaction conducted on the Trading platform or to carry out back-office activities;

**Authorised Person** means a person, who is registered with the Exchange as an authorised or approved user of an Exchange Member and employed whether through a contract of employment or otherwise by the Exchange Member for remuneration (whether by way of salary, commission, allowance, or otherwise) expressed in terms of money or capable of being so expressed for any kind of work or activity, manual or otherwise, and who gets his remuneration directly or indirectly from the Exchange Member for any activity relating, directly or indirectly, to the trades done and executed on the Exchange even if such person is not receiving any consideration or remuneration from the Exchange Member for the services rendered by him;

**Authorised User** means a Member of the Exchange who has been authorised and cleared to take part in the Exchange electronic auction;

**Bank** means a scheduled commercial bank, or a foreign bank licensed to carry on the business of a bank in the Federal Republic of Nigeria under the Banks and Other Financial Institution Act and in any other foreign Jurisdiction;

**Board** means the Board of Directors of the Exchange and may be referred to as the Board of Directors;

**Books of Accounts, Records, and Documents** include books of accounts, records, and documents which are required to be maintained under these Rules and other relevant regulations and include the records maintained in a computer or any electronic or other forms of storage;

**Branch Office** means any establishment described as a branch, any establishment carrying on either the same or substantially the same activity as that carried on by the head office;

**Chairman** means the Chairman of the Board;

**Chief Executive Officer** means the Chief Executive Officer of the Exchange;

**Clearing** means the post-trade risk management process which takes place before Settlement whereby a central counterparty is used to match Orders to guarantee Trades;

**Clearing House** means the division of the Exchange, or an entity designated as such by the Exchange, providing the services of settlement of transactions to the Exchange Members, and guaranteeing settlement by Delivery or otherwise of the obligations to the Clearing Members, on behalf of the Exchange;

**A clearing Member** means a Member of the Exchange who has the right to clear transactions in securities & derivatives that are executed on the Trading Platform of the Exchange by the Members of the Exchange. Corporate Clearing Members shall not have



the right to trade on the Trading Platform of the Exchange for themselves or their Clients;

**Client** means a person who has duly executed an agreement with a Member of the Exchange for dealing through such Member in Commodities traded on the Exchange;

**Collateral Manager** means a company registered by the Commission to act as a third-party holder of commodities, deposited by a depositor who is/was financed by a lending institution or commodities to be traded on a recognized Exchange, in a warehouse owned or effectively controlled by the Collateral Management Company;

The **Commission** or **SEC** means the Securities and Exchange Commission as established by the Investments and Securities Act (2007);

**Commodity** means and includes agricultural produce, livestock and its derivative products, extractive minerals, and all other goods and articles, except all services, rights, and interests in which contracts for future delivery are presently or in the future dealt in;

**Commodity Handover Voucher** means a document issued by the Exchange and signed by the buyer of a Commodity on the Exchange. This document is evidence that the buyer has taken Delivery of the Commodities in good condition;

**Daily Official List** means the publication in whatever mode, including an electronic mode, issued by or under the authority of the Exchange, which contains details of prices and quantities of the Commodity traded on any given day, and any other relevant information;

**Delivery** means the tender and receipt of Warehouse Receipts/or any other document of title to goods by the issue of Delivery Order in settlement of a transaction;

**Delivery Order** means an order issued by a seller in the prescribed form in favor of the Clearing House offering delivery of goods at one or more Warehouses in fulfillment of his obligation;

**Depositor** means anyone who stores Commodities traded on the Exchange at the warehouses;

**Directors** mean the Directors of the Exchange;

**Disputing Parties** means the persons with claims, differences or disputes arising between them concerning transactions concluded on the Exchange who are subject to the dispute resolution process set out in the Rule

**Electronic User Agreement** means the agreement to be entered into between an Authorised Person and the Exchange granting the Authorised Person access to the Trading Platform;

**Electronic Warehouse Receipts** or **e-WR** means acknowledgment in electronic form that is negotiable and transferable issued by a Collateral Management Company in favour of the holder of the receipt and against deposit of specified commodities with the

Warehouse as proof of title to the commodities held at the warehouse;

**Exchange** means AFEX Commodities Exchange Limited and the premises or the system for executing transactions in commodities that are permitted to be traded;

**Exchange Grade Certificate** means a document issued by the Collateral Manager to any Depositor to show the details of the Warehouse where the Commodities are deposited and the grade of the Commodities;

**Financial Institutions** means any microfinance institution, primary mortgage institution, investment bank, finance house, discount house, insurance institution, stockbroking institution, or any entity carrying on the business of pension fund management, money brokerage, fund management, project financing, equipment leasing, debt administration, investment management, financial consultancy, trade financing other than a Bank;

**“Member of the Exchange”** or **“Exchange Member”** means a person, a sole proprietary firm, a partnership firm, a co-operative society, a body corporate, a public sector organization, a statutory corporation, a government department, a non-government entity, or any other entity, or other participants which have met the Exchange's prerequisite criteria and admitted as such by the Exchange for trading, Clearing or Settlement in any Commodity(ies) traded on the Exchange and must be registered by SEC;

**Notice Board** means the notice board of the Exchange, which may be physical and/or electronic, placed at the Exchange's Approved Office or on the website of the Exchange;

**Order** means an offer to buy or sell any Commodity on the Exchange;

**Rules** unless the context means otherwise, means rules of the Exchange drawn from time to time for regulating the activities and responsibilities of the Members of the Exchange and procedure thereof and as prescribed by the Exchange from time to time for the constitution, organization, and functioning of the Exchange and approved by SEC;

**Secretary** means the Company Secretary of the Exchange appointed following the Memorandum and Articles of Association of the Exchange;

**Securities** mean securities as defined under the Investments & Securities Act (2007) or such amendment thereof;

**Settlement** means the mutual exchange of cash or assets in consideration for the Warehouse Receipt and the process is concluded by transfer of the ownership of the Commodities;

**Settlement Bank** means a Bank designated by the Exchange to maintain settlement accounts and assist the Exchange in conducting settlement of transactions executed on the Exchange;

**Settlement Guarantee Fund** means a default fund, setup to ensure the fulfillment of the obligations arising from membership of the Exchange;

**Storage Agreement** means the agreement to be entered into between the Depositor and

the Collateral Manager with respect to the deposit of Commodities at a Warehouse;

**Trade** means a transaction for purchase and sale of a Commodity resulting from the matching of a bid to buy or a part of a bid to buy with an offer to sell or a part of an offer to sell;

**Trading Period** means the duration of trading prescribed by the Exchange during which a Commodity will be available for trading;

**Trading Platform** means such space, systems and networks as the Exchange may from time to time determine and which shall be notified by the Board as reserved for trading in specific Commodities;

**Trading Segment** or **Segments** mean different segments or divisions into which the Commodities and centers of trading are admitted to dealings on the Exchange, as classified by the Exchange for admission of Members to the Exchange and the purpose of trading on the Exchange;

**Trading Session** of a Working Day means the hours of that day during which the sale and purchase of Commodities are permitted by the Exchange;

**Working Day** means any day from Monday through Friday except on public holidays on which the sale and purchase of Commodities is permitted by the Exchange;

**Warehouse** means any premises registered by the Commission to be used for the storage of commodities deposited by a depositor and onboarded as an accredited warehouse by the Exchange;

**Warehouse Receipt** means a document of title by a Warehouse Operator as evidence that a specified commodity of stated quantity and quality has been deposited at a particular warehouse location by a named depositor. It allows the depositor to confer a security interest in the stored commodity to another party without requiring physical delivery.

## 2 THE EXCHANGE BOARD

### 2.1 ESTABLISHMENT OF THE BOARD OF DIRECTORS

- 2.1.1. A Board of Directors shall be appointed to head and act in the overall interest of the Exchange.
- 2.1.2. The principal objective of the Board is to ensure that the company is effectively managed. It is the responsibility of the Board to oversee the effective performance of the management to protect and enhance shareholder value and to meet the company's obligations to its employees and other stakeholders.
- 2.1.3. The primary responsibility for ensuring good corporate governance in the company lies with the Board. Accordingly, the Board should ensure that the company carries on its business in accordance with its articles and memorandum

of association and in conformity with the laws of the country, observing the highest ethical standards and on an environmentally sustainable basis.

- 2.1.4. The Board is empowered to establish committees to assist in carrying out its responsibilities.
- 2.1.5. The Board shall define a framework for the delegation of its authority or duties to management specifying matters that may be delegated and those reserved for the Board. The delegation of any duty or authority to the management does not in any way diminish the overall responsibility of the Board and its directors as being accountable and responsible for the affairs and performance of the company.
- 2.1.6. The Board has authority to conduct or direct the conduct of investigations into any matter relating to the Exchange's affairs and has full and free access to the officers and employees of the Exchange.
- 2.1.7. The Board and its Committees are authorized to obtain advice and assistance from independent professional advisers in discharging its duties.
- 2.1.8. Subject to the provisions of these Rules, the Board shall have powers to make directives, orders, or other business rules from time to time for efficient functioning and operations of the Exchange and to regulate the functioning and activities of the Members of the Exchange, their Authorized Persons, Authorised Users, Settlement Banks, and all other persons operating under or through them or dealing with them both inter-se and in relation to the Exchange and, determine trading and Delivery specifications for Commodities and price indices permitted for trading on the Exchange, including method of trading, Clearing, Settlement and other operations related thereto.
- 2.1.9. The Board may, from time to time, amend, add to, alter, modify, delete or repeal any of the provisions of these Rules as may be deemed necessary or appropriate and must be approved by the Commission.
- 2.1.10. The Board may from time to time prescribe the provisions of the Rules to organize, facilitate, maintain, manage, control, and regulate the operations, functions, and supervision of the Exchange and to regulate the activities of the Exchange Members, Authorized Users and Authorized Persons, as may be necessarily related to the Exchange, and provide for necessary authorization wherever requirements are operational in nature and such requirements need to be enforced with immediate effect.

## **2.2 COMPOSITION OF THE BOARD**

- 2.2.1. The Board shall be constituted in accordance with the approved code of corporate governance and relevant corporate governance guidelines.
- 2.2.2. The Board shall consist of a minimum of five (5) and a maximum of nine (9)

members.

2.2.3. The Board shall consist of:

- a) a Chairman who shall be a Non-Executive Director;
- b) the Chief Executive Officer (CEO) of the Exchange, who shall not be an Exchange Member; and
- c) such other members who are appointed to manage the interest of the Exchange.

## **2.3 ROLE OF THE CHAIRMAN OF THE BOARD**

2.3.1. The Chairman provides leadership and is responsible for the development and effective functioning of the Board.

2.3.2. The Chairman's primary responsibility is to ensure the effective operation of the Board and shall work towards achieving the company's strategic objectives. He should not be involved in the day-to-day operations of the company. This should be the primary responsibility of the Chief Executive Officer and the management team.

2.3.3. The positions of the Chairman of the Board and Chief Executive Officer shall be separate and held by different individuals. This is to avoid over-concentration of powers in one individual which may rob the Board of the required checks and balances in the discharge of its duties.

2.3.4. The Chairman convenes and chairs meetings of the Board.

2.3.5. The Chairman appoints Board committee members and their Chairmen.

2.3.6. The Chairman performs the evaluation of the performance of individual Board members.

2.3.7. The Chairman oversees the annual evaluation and performance of the CEO.

2.3.8. The Chairman ensures that induction programs are conducted for new Directors and a continuing education program for Directors is in place.

## **2.4 ROLE OF THE CHIEF EXECUTIVE OFFICER**

2.4.1. The CEO shall be an executive member of the Board.

2.4.2. The CEO has the overall responsibility for executing decisions of the Board and making decisions within his authority limits.

2.4.3. The CEO shall update the Board on the Exchange's performance and provide the Board with such information about the Exchange as is necessary for the Board to function effectively.

- 2.4.4. The CEO should be knowledgeable in relevant areas of the company's activities. He should demonstrate industry, credibility, and integrity and should have the confidence of the Board and management:
- 2.4.5. The CEO and the senior management should establish a culture of integrity and legal compliance which should be imbibed by personnel at all levels of the company.
- 2.4.6. The functions and responsibilities of the CEO/MD should include the following:
- i. day-to-day administration of the company;
  - ii. guiding the development and growth of the company;
  - iii. acting as the company's leading representative in its dealings with its stakeholders;
- 2.4.7. The authority of the CEO/MD and the relationship between the office and the Board should be clearly and adequately described in a letter of appointment.
- 2.4.8. The Board may delegate such of its powers to the CEO/MD as it may deem appropriate or necessary to ensure the smooth operation of the company.

## **2.5 SELECTION & REMOVAL OF MEMBERS OF THE BOARD**

- 2.5.1. The Board shall approve the appointment and re-appointment of its members subject to ratification by the shareholders in a General Meeting.
- 2.5.2. Nominated Directors should be individuals who have exceedingly high integrity, a good image and reputation, are business savvy, have shareholder orientation, the required industry expertise, and a genuine interest in and commitment to the Exchange.
- 2.5.3. The Board may remove any member of the Board or recommend training based on the result of performance review and evaluation.

## **2.6 MEETINGS & DECISIONS**

- 2.6.1. The Board shall meet with sufficient frequency as may be required to carry out its functions, provided that the Board meets at least once each quarter.
- 2.6.2. It is the responsibility of the Chairman to convene a meeting; however, the Board may approve a calendar of Board meetings annually.
- 2.6.3. Board decisions may be made at a meeting or obtained via a circular resolution in writing signed by all Directors.
- 2.6.4. Decisions at Board meetings are based on a simple majority of votes. In the case of a tied vote, the Chairman has a second or casting vote.

## **2.7 QUORUM**

- 2.7.1. Two-thirds of the members shall form a quorum including the Chairman. Where the Chairman is unable to attend due to unforeseen circumstances, the Vice-Chairman shall chair the meeting. All decisions taken by the acting Chairman shall have the same validity as if the Chairman were present.

## **2.8 ATTENDANCE AT MEETINGS**

- 2.8.1. Attendance is mandatory for all Directors. Every Director is required to attend at least two-thirds of all Board meetings. Attendance shall be a criterion for the re-nomination of a Director.
- 2.8.2. Directors are required to notify the Board in advance, through the Company Secretary where they are unable to attend a Board meeting.
- 2.8.3. The Chairman may invite other persons such as members of the Executive Management Team, Advisers, and any other person so required, to attend any of its Board meetings.

## **2.9 PROCEDURES AND ADMINISTRATION**

- 2.9.1. Notice of each Board meeting along with the Agenda, Board Committee reports, and all such other documents as may be required for the meeting, should be circulated to all Directors at least seven (7) days before the date fixed for the meeting.
- 2.9.2. Except with the prior approval of the Chairman, no item will be presented to the Board for approval if not sent to the Board members at least forty – eight (48) hours before the board meeting.
- 2.9.3. Directors are expected to read in advance all materials for the meetings of the Board.

# **3 MEMBERSHIP**

## **3.1 MEMBERSHIP OF THE EXCHANGE**

- 3.1.1. Every person desirous of becoming a Member of the Exchange shall apply to the Exchange for admission as a Member of the Exchange, in the prescribed form which shall be provided by the Exchange and at such fee as the Exchange may decide from time to time and the Membership shall be subject to compliance with these Rules.

## **3.2 ELIGIBILITY FOR REGISTRATION**

A person shall be eligible to become a Member of the Exchange where:

- 3.2.1.1. He is not less than 18 years of age;

- 3.2.1.2. He is of sound mind;
- 3.2.1.3. Has a minimum net worth as prescribed by the Exchange;
- 3.2.1.4. If a partnership or body corporate, is duly registered or incorporated under the Laws of the Federal Republic of Nigeria;
- 3.2.1.5. He is registered with the Commission;
- 3.2.1.6. Pays such Membership fee, charges, deposits, and other monies, as may be specified by the Exchange;
- 3.2.1.7. Has produced an audited financial statement from an Authorised recognized auditor certifying the minimum requirement for Net Worth according to the class of Membership; and
- 3.2.1. If a private limited company submits a copy of the memorandum and articles of association and such other corporate documents such as evidence of insurance etc. as may be required by the Exchange.
- 3.2.2. No person shall be eligible to be qualified as a Member of the Exchange if such person:
  - 3.2.3.1. is of unsound mind:
  - 3.2.3.2. has been adjudged bankrupt by a competent authority or a receiving order in bankruptcy has been made against him or he has been proved to be insolvent even though he has obtained his final discharge:
  - 3.2.3.3. has, within the last seven years, been convicted by a competent court of an offense involving dishonesty or moral turpitude:
  - 3.2.3.4. has applied to be adjudicated as an insolvent and the application is pending:
  - 3.2.3.5. does not meet such other conditions as may be specified by the Exchange or SEC from time to time.
- 3.2.3. Upon application for membership, the applicant may apply for any category of membership, subject to the fulfillment of the relevant criteria.

### **3.3 ADMISSION OF MEMBERS UNTO THE EXCHANGE**

- 3.3.1. An applicant who wishes to become a member of the Exchange shall submit an application to the Exchange, in such form and providing such undertakings, information, and documents as the Exchange shall from time to time require, together with any application fee as determined by the Exchange. The admission fee paid by the Member of the Exchange shall be non-refundable.
- 3.3.2. The application shall include an undertaking, signed by the applicant or (in the



case of a firm or corporation) a duly authorized officer of the applicant, in a form specified by the Exchange, that it agrees to be bound by these Rules and any other Rules and by-laws issued by the Exchange.

- 3.3.3. The Exchange shall consider the application and may call for such further information, as it considers necessary.
- 3.3.4. Where the application is rejected, the Exchange shall furnish the reason for its decision to reject the application. The Exchange shall communicate its decision within a maximum of 20 working days of receiving such application. The applicant may appeal the decision to the Board. The Board shall decide, by majority vote, whether the applicant is qualified for membership. The decision of the Board shall be final.
- 3.3.5. In determining whether to approve an application, the Exchange shall be entitled to consider the business integrity, financial soundness, and standard of training and experience of the applicant and, in the case of a company, its managers or directors, partners, officers, and employees, and such other matters as the Exchange regards as relevant from time to time.
- 3.3.6. The Exchange shall be entitled to investigate through on-site visits, interviews, document authentication, and other measures as necessary, to verify the information provided in the application.
- 3.3.7. An applicant shall, during the admission process appear personally before the Board or any Committee thereof, for an interview or test administered by the Exchange as may be prescribed.

#### **3.4 RIGHTS AND PRIVILEGES OF MEMBERS**

- 3.4.1. The membership of the Exchange shall entitle a Member to exercise such rights and privileges attached to such membership as he specifically applies for dealing on the Exchange, subject to these Rules and the Regulations as applicable from time to time.
- 3.4.2. The provisions of these Rules applying to individuals shall apply mutatis mutandis to firms, Banks, other Financial Institutions, and bodies corporate who are registered as Members of the Exchange.
- 3.4.3. A Member of the Exchange shall not assign, mortgage, pledge, hypothecate, or charge his right of membership or any rights or privileges attached thereto, or novate his obligations as a Member, and any such attempt shall not be effective as against the Exchange. The Exchange shall expel any Member of the Exchange who acts or attempts to act in violation of this sub-rule.
- 3.4.4. A Member of the Exchange shall comply with capital adequacy norms as may be prescribed by the Exchange in addition to all registration requirements provided

by the Rules which may include the payment of a deposit sum to the Exchange upon registration with the Exchange.

### 3.5 CLASSES OF MEMBERSHIP

3.5.1. The Exchange may upon approval by the Securities & Exchange Commission classify the membership of the Exchange in different categories for different Commodities, securities or instruments or derivatives thereon permitted to be traded on the Exchange and provide for different rights and privileges for trading, Clearing, and Settlement of trades in any Commodity or group of Commodities, Securities or instruments or derivatives thereon to the Members of different categories, and may reclassify its membership from time to time as may be required for the efficient functioning of the Exchange.

3.5.2. **Broker** refers to members of the Exchange that can only trade on behalf of clients and also provide professional advice on the trades to execute. In alignment with the SEC rules, this class of Exchange Members are commodity brokers and/or floor brokers as recognised by the Commission.

3.5.3. The Broker Membership is categorized into two (2) with both categorizations having different requirements, obligations, and rights.

3.5.3.1 **Corporate Broker (Broker)** membership is available to certified professionals or institutions licensed by the Securities and Exchange Commission. They carry out trades as well as proffer professional advisory services to others. They can do no proprietary trades but can trade on behalf of others.

3.5.3.2 **Individual sub-Broker (Promoter)** membership is available to individuals certified by the Exchange. They advise others (directly or indirectly, through publications or writings, or by whatever means or media) on the making of commodity contracts, including the advisability of trading in any commodity contract made or to be made on, or subject to the business rules of, the Exchange. They cannot trade on behalf of others or carry out proprietary trades.

3.5.3. **Dealer** membership is available to an individual or institution that desires to trade only on their own behalf. These members are qualified to execute proprietary transactions. This class of Exchange Members performs the same functions as commodity dealers and/or floor traders as recognised by the Commission.

3.5.4. **Broker-Dealer** membership is available to an individual or institution that offers brokerage services to their clients and also trade on their account with the Exchange. This class of exchange members performs the same functions as the Commodity Broker-Dealers as recognised by the Commission.

3.5.5. **Affiliate Member** is available to an individual or institution with an association with or service providers for financial markets as well as development partners with

interest in building the commodities exchange ecosystem. Affiliate members do not trade on the AFEX market but can provide services (commercially or otherwise) for the exchange or its members. This includes development partners, data partners, etc.

3.5.6. **Clearing Member** Membership is available to an institution that is licensed by the Securities and Exchange Commission as a Clearing house and is permitted to clear and settle deals resulting from trading on the derivatives market. It entitles a member to clear and settle the trades executed on his own account as well as on accounts of clients.

As a participant in the clearing procedure, the Clearing Member holds a clearing license that covers all products cleared by the Exchange for the time being and, in the future, as long as the product-specific pre-conditions are fulfilled. A Clearing Member serves as a guarantor and payment agent for all trades concluded at the Exchange and steps between the transactions of the Exchange and Non-Clearing Members to be the contractual counter party for both on the Derivatives Market.

The Exchange offers two types of clearing membership:

- i. **Direct Clearing Member (DCM)** authorized to clear transactions on its own account as well as transactions by affiliated Non-Clearing Members
- ii. **General Clearing Member (GCM)** authorized to clear transactions on its own account, customer transactions, or transactions by Non-Clearing Members.

All trades of a non-clearing member on the derivatives market must be registered with, and eventually settled through, a Clearing Member.

A Clearing Member must fulfill the following basic conditions:

- Licensed/approved by the Securities and Exchange Commission. The license needs to comprise the permission to offer banking transactions or financial services which are required for participation in clearing.
- Liable equity fund of up to 20% of total volume under the guarantee of total clearing limit
- Pledge-securities Account at custodian for the deposit of collaterals
- Additionally, for multi-currency settlement a settlement account through which traded currency funds can be processed at a Correspondent Bank
- proof of the operation of adequate technical access (back-office access) and proof of qualified personnel
- contribution to the clearing/default fund

3.5.7. **Non-Clearing Member** is available to an individual or institution that is part of an exchange, without a clearing license and hence does not possess the ability to settle or clear transactions on the derivatives market. They take part in clearing as clients of a Clearing Member (CM) on the markets for which it provides clearing

services.

The following requirements are necessary for admission by the Exchange:

- Completion of a Know-Your-Customer (KYC) Questionnaire
- Completion of a corresponding Agreement with the co-operating Clearing Member and the Exchange
- The clearing license of the Clearing Member co-operating with said Non-Clearing Member must cover the product concerned.
- The conclusion of an agreement with a third-party logistics company, in case of physical delivery.

3.5.8. **Collateral Manager Member** is available to organizations registered by the Commission to provide the service of managing commodities as collateral, including but not limited to the following-

- i. Providing enabling arrangements for collateral management under a commodity financing transaction;
- ii. Issuance of credible Warehouse receipts and other necessary arrangements for agricultural commodity financing;
- iii. Provision of quality warehousing services involving storage and preservation of commodities; and;
- iv. Stock audit, evaluation, and verification services.

### 3.6 REGISTRATION UNDER MISREPRESENTATION

3.6.1. The Exchange may expel a Member if such Member has in or at the time of his application for registration for Membership of the Exchange or during the course of the inquiry made by the Exchange preceding his registration:

- 3.6.1.1. made any wilful misrepresentation;
- 3.6.1.2. suppressed or concealed any material information required of it as to its financial position, including financial liabilities, character, and antecedents; or
- 3.6.1.3. has directly or indirectly given false particulars or information or made a false declaration.

3.6.2. Any Member expelled by the Exchange shall lose all rights accorded to It upon registration as a Member of the Exchange.

### 3.7 PROCEDURE SUBSEQUENT TO REGISTRATION

- 37.1. When the application for registration as a Member of the Exchange is approved, the Exchange shall notify such Member and include an application form matching his specific form of membership. The Exchange shall communicate the registration status of the concerned entity within a maximum period of 10 working days.
- 37.2. Upon due payment of requisite fees, subscription, deposits including an initial security deposit, if any, and such other amounts and requirements as may be prescribed in these Rules and on compliance with all the requirements necessary before the commencement of trading or Clearing and Settlement activity, a certificate of membership, under the common seal of the Exchange and signed in such manner as the Exchange may decide from time to time, shall be issued to the newly registered Member.
- 37.3. If any such certificate is lost, destroyed, defaced, or worn out, the Exchange may reissue a new certificate provided, however, that such certificate shall not be granted except upon the return of the worn-out or defaced certificate to the Exchange or upon proof of destruction or loss of the original certificate and on such indemnity and at such fee as the Exchange may require before the issue of any such duplicate certificate.
- 37.4. When a Member of the Exchange is registered and a certificate of membership as provided above is issued to the Member of the Exchange, a notice of such admission shall be published on the Notice Board of the Exchange or by way of any other notification system of the Exchange.

### **3.8 REGISTER OF MEMBERS**

The Exchange shall maintain a Register and index of Members of the Exchange called the Register of Members. In the Register of Members of the Exchange, the style, constitution, and such other information as may be considered appropriate by the Exchange may be collected and recorded for the use of the Exchange. In case of any change in these records, the Members shall be liable to notify the Exchange of such changes to ensure appropriate reflection on the Register. All other details of the Members of the Exchange may be stored on the system in electronic form apart from the hard copies of the details as provided by the Members of the Exchange along with the application form, which shall be stored appropriately.

### **3.9 SECURITY DEPOSIT**

- 39.1. Subject to the approval of the Commission, the Exchange may prescribe the payment of an initial security deposit from a Member payable at the time of his registration. A new Member of the Exchange shall, not later than such number of days as may be specified by the Exchange, from the date the Exchange notifies

such Member of its decision on registration, provide a security deposit of a sum and in such mode as may be decided by the Exchange from time to time and shall maintain such base minimum capital with the Exchange at all times.

392. All deposit monies collected from Members for registration and other activities as may be prescribed by the Exchange shall be committed to the Settlement Guarantee Fund.
393. The Exchange may also decide to divide such security deposits into refundable and non-refundable security deposits and may allow trading and exposure limit only on such part of the security deposit, as it may deem fit.
394. A Member of the Exchange shall be entitled to provide additional deposits in order to secure increased trading and settlement limits.

### **3.10 BODY CORPORATE AS MEMBERS OF THE EXCHANGE**

- 3.10.1. Nobody corporate shall be eligible for admission as a Member of the Exchange unless: -
- 3.10.1.1. It is duly incorporated under the Laws of the Federal Republic of Nigeria;
  - 3.10.1.2. The objects for which the body corporate is established shall allow the company to carry on business in commodities or to clear and settle transactions or contracts in commodities.
  - 3.10.1.3. The company has signed the Exchange certified membership undertaking in the form to be provided by the Exchange.
- 3.10.2. The provisions in this Rule shall not apply to other forms of organisations that are not companies or bodies corporate. In respect of other forms of organization, the Exchange will decide the eligibility requirement, terms, and conditions of the membership of the Exchange, subject to the approval of the Commission.

### **3.11 TERMINATION OF MEMBERSHIP**

- 3.11.1. Any Member of the Exchange shall cease to be a Member of the Exchange by:
- 3.11.1.1. transfer or nomination:
  - 3.11.1.2. death, in the case of an individual member:
  - 3.11.1.3. dissolution or winding up, in the case of a corporate entity:
  - 3.11.1.4. expulsion in accordance with these Rules:
  - 3.11.1.5. resignation in writing:
  - 3.11.1.6. being declared as a defaulter in accordance with these Rules; or

3.11.1.7. becoming ineligible for Membership under these Rules

3.11.2. Notwithstanding any other provision of these Rules, the expulsion of a Member of the Exchange, whether bodies corporate, partnerships, individuals, or such other persons as are admitted as Member of the Exchange, shall be final and conclusive.

Such members shall be eligible to appeal to the Commission for a fair hearing and SEC shall make a recommendation to the Exchange within 90 days of the appeal date. Until a decision is reached by SEC and submitted to the Exchange as a recommendation, the member shall remain expelled and have no right or recourse as a member of the Exchange. In the event that SEC recommends that the Exchange reinstates an expelled member, the Exchange, and the Member will have 30 business days to remedy and implement all recommendations by SEC.

### **3.12 TRANSFERABILITY OF MEMBERSHIP**

3.12.1. Members of the Exchange shall not be eligible to transfer membership of the Exchange except after the lapse of a lock-in period of three years after confirmation of membership. Membership of the Exchange may be transferred to any eligible person as prescribed in the Rules including a body corporate, partnership, Bank, or other Financial Institution, or such other person as may be approved by the Exchange and after meeting the Exchange's Membership eligibility criteria.

3.12.2. A merger of two or more Members of the Exchange shall not be acceptable during the lock-in period as provided above.

3.12.3. Where a Member of the Exchange wishes to revoke his/her membership, the membership may be surrendered either by resignation from membership of the Exchange or transfer of the membership by nomination. Such notice of revocation shall be addressed to the Board of Directors of the Exchange.

3.12.4. Upon revocation of membership by a Member of the Exchange, the Exchange and the Clearing House shall recover all outstanding dues from the Member, and subsequently, refund the remainder of any deposits paid to the Exchange.

### **3.13 NOMINATION, TRANSMISSION, SURRENDER, AND DECLARATION OF DEFAULT**

#### **3.13.1. NOMINATION**

3.13.1.1. Every Member of the Exchange shall be entitled to nominate another person as

his successor to the membership of the Exchange subject to the conditions and restrictions set forth hereinafter or as may be set by the Exchange from time to time.

3.13.1.2. Where the legal heir of a deceased Member of the Exchange nominates a person eligible for registration as a Member of the Exchange under these Rules to succeed the established business of the deceased Member, who is a successor in title or such other person who in the opinion of the Exchange, is a close relative, such nominee shall be registered as a Member of the Exchange provided he is qualified and eligible for Membership of the Exchange under these Rules.

A notice of the proposed nomination shall be posted on the Notice Board of the Exchange or through any other notification system the Exchange may devise. Within fifteen (15) calendar days of the posting or notification, any person or any Member of the Exchange may file claims against the Member of the Exchange or person in respect of whom the nomination has been made and any claim not so filed, within the said period, shall be rendered liable for summary rejection and may not be considered by the Exchange.

3.13.1.3. The Exchange shall not approve a nomination unless the nominating Member of the Exchange, and in the case of a deceased Member, his legal heir or legal user or the person in whose favour the nomination has been made, shall have paid and satisfied in full:

- (i) Such subscriptions, debts, fines, fees, charges, and other monies due to the Exchange or the Clearing House payable by the nominating Member of the Exchange or by the legal heir legal users on behalf of the deceased Member of the Exchange;
- (ii) Such debts, liabilities, obligations, and claims arising out of any contract made by the nominating or deceased Member of the Exchange, subject to these Rules as shall have been admitted by the Exchange and all amounts due or payable by the nominating or deceased Member of the Exchange to the Settlement Guarantee Fund or any other fund of the Exchange.

3.13.1.4. If a nominee is not eligible under these Rules or the Regulations or if a nominee has been rejected by the Exchange, a fresh nomination or nominations may be submitted to the Exchange, until a nominee is admitted as a Member of the Exchange; which resubmissions shall, in no event exceed a total of five (5) times.

### 3.13.2. TRANSMISSION OF MEMBERSHIP



- 3.13.2.1. In the event where an individual, who is a Member of the Exchange in his own name or is the sole proprietor of the Member of the Exchange dies, his Authorized Persons, if any, shall not continue to carry on any business on behalf of such deceased Member or in the name of membership of the deceased except for the purposes of winding up of the outstanding business of the deceased.
- 3.13.2.2. In the event of the death of an individual who is the Member of the Exchange in his own name or is the sole proprietor of the Exchange Member, his heirs may request the Exchange to transmit the membership of the deceased to his heir who is otherwise eligible for the membership of the Exchange and the Exchange may in their absolute discretion transmit the Membership in the name of such heir. The Exchange shall accept membership of the heir upon the provision of the legal instrument according to him the right to inherit from the deceased Member's estate.
- 3.13.2.3 No fresh admission fee shall be payable by the person in whose name the membership is transmitted under this Rule.

### 3.13.3 **SURRENDER OF MEMBERSHIP**

- 3.13.3.1. A Member shall be entitled to apply to the Exchange to surrender his membership by resignation. Upon approval of such surrender, the membership so surrendered shall lapse after 20 working days, subject to the conclusion of all reconciliations and settlements that have been made against the account and also the compliance with the procedure as may be laid down by the Exchange.
- 3.13.3.2. The application for surrender of membership, once filed, is irrevocable and irreversible.
- 3.13.3.3. After approval by the Exchange, the erstwhile Member shall be entitled to his refundable security deposit, subject to settlement of all pending dues and claims, if any, and also subject to minimum lock-in period specified by the Exchange.

### 3.14 **DEFAULT**

- 3.14.1. A Member of the Exchange shall be declared a defaulter by direction of the Exchange on the occurrence of any one or more of the following:
  - 3.14.1.1. If he is unable to fulfill his engagements or obligations;
  - 3.14.1.2. If the monies, Commodities, Securities and Bank guarantee deposited with the Exchange are not adequate to discharge the Member's obligations and liabilities.
  - 3.14.1.3. If there is inadequate balance in his designated Bank account and as a consequence, an instruction is issued by the Exchange for

- debiting his account towards recovery of any other dues fails;
- 3.14.1.4. If he admits or discloses his inability to fulfill or discharge his engagements, obligations, or liabilities;
  - 3.14.1.5. If he fails or is unable to pay within the specified time the damages and the money difference due on closing out effected against him under these Rules;
  - 3.14.1.6. If he fails to pay any sum due to the Clearing House or to deliver to the Clearing House any Commodity or instrument on the due date;
  - 3.14.1.7. If he fails to pay or reimburse to the Settlement Guarantee Fund of the Exchange in respect of the amount used from it for the purpose of fulfilling settlement obligations on his behalf.
  - 3.14.1.8. If he fails to pay or deliver such money, Commodities or instruments arising out of an award given by an Arbitrator under the Arbitration proceedings provided in these Rules;
  - 3.14.1.9. If he fails to pay or deliver such money, Commodities or instruments arising out of a transaction executed on the Exchange, provided such obligation is not disputed by the Member;
  - 3.14.1.10. If he fails to pay or deliver to the Exchange or the Commission all monies, Delivery commitments, and other assets due to a Member of the Exchange who has been declared a defaulter within such time as directed by the Exchange; or
  - 3.14.1.11. If he fails or neglects to pay subscription, security deposit, or any other levies as required by the Exchange for a continuous period of six (6) weeks.
  - 3.14.1.12. In case of death of a Member, if the legal heir or legal user of a deceased Member of the Exchange or any other person on his behalf does not or is unable to pay and satisfy his dues, debts, liabilities, obligations, and claims as provided in these Rules after a period of 90 days following death notification, such deceased Member's estate shall be declared a deemed defaulter by direction of the Exchange.
  - 3.14.1.13. If a Member does not clear his liability on the Exchange and such liability is more than his available security deposits and other assets available with the Exchange.

### **3.14.2. CONDITIONS SUBSEQUENT TO DECLARING A MEMBER A DEFAULTER**

- 3.14.2.1. At any time that the Exchange declares a Member of the Exchange a defaulter, a notice to that effect shall be posted forthwith on the Notice Board of the Exchange.
- 3.14.2.2. The defaulter shall submit to the Exchange such statement of accounts, information, and particulars of his affairs as the Exchange

may from time to time require and if the Exchange so desires, he shall appear before the Exchange at a convening organised in connection with the Member's default.

- 3.14.2.3. The Exchange shall file with the Commission, within seven (7) days of the declaration of the default, a written statement containing the defaulter's name and particulars, and the details of the default.
- 3.14.2.4. On declaration of a defaulter or deemed defaulter as provided above, all monies, Commodities, Securities and Bank guarantees lying with the Exchange in respect of a defaulter shall vest with the Exchange for the benefit and on account of the creditors who may have a tenable claim and the Exchange shall deal with such monies, Securities or Bank guarantees and claims, as provided in these Rules.
- 3.14.2.5. A Member of the Exchange who is declared a defaulter or deemed defaulter, after disciplinary action has been taken by the Exchange in accordance with the provisions of these Rules, shall subject to the judgment of the Exchange be fined or suspended for a period of time determined by the Exchange.

- 3.14.3. In extreme cases, a member may cease to be a Member of the Exchange and as such ceases to enjoy any of the rights and privileges of membership of the Exchange. The cessation of membership shall take effect after two (2) weeks of the Member being declared a defaulter by the Exchange. The rights of his creditors, arising out of or incidental to the transactions, against him shall remain unimpaired as provided herein.

## **4 COMPLIANCE WITH RULES**

### **4.1. COMPLIANCE BY MEMBERS**

A Member shall:

- 4.1.1. at all times comply with, and ensure that its Authorized Persons comply with, the Rules of the Exchange, the Exchange's code of conduct, the Commission's rules, the Investment and Securities Act, the Code of Conduct for Capital Market Operators, and other applicable laws and regulations;
- 4.1.2. notify the Exchange immediately upon becoming aware that it or its Authorized Persons have breached any provision of these Rules or any other rules or law relating to the Exchange.
- 4.1.3. notify the Exchange immediately upon becoming aware that a regulatory body is investigating or instituting proceedings against it.
- 4.1.4. cooperate with the Exchange or persons appointed by the Exchange to inspect records on its behalf, in carrying out such inspection concerning the

Member's trading and financial position whether on his own account or on behalf of Clients.

- 4.1.5. shall give access to the Commission or the Exchange to enter its offices or official places of business at any time requested by the Commission or the Exchange for the purposes of supervision and monitoring compliance with these Rules or any other Rules issued by the Exchange and the directives of the Commission.
- 4.1.6. The Exchange may request the Settlement Bank to provide any information in its possession concerning a Member and may request the Settlement Bank to conduct an inspection of the Member or to appoint a person to conduct an inspection. A Member shall grant the Settlement Bank access to conduct the inspection.
- 4.1.7. The Exchange shall provide all information requested by the Commission relating to the operations of the Exchange or a Member and outstanding obligations held by that Member.
- 4.1.8. Except as provided by these Rules other relevant rules or as required by the law, the Exchange shall keep confidential information concerning Members or outstanding obligations held by them and shall only disclose such information to any other party as provided by these Rules and any other rules, as required by law or for the purposes of discharging any of its functions or obligations under the Rules including, without limiting the generality of the foregoing, the provision of information to any insurers, if any, to the Settlement Bank or to a Warehouse.

## **4.2. CONDUCT OF MEMBERS**

- 4.2.1. Every Member of the Exchange shall be bound to promote, to the best of his ability, the objects and interests of the Exchange and to protect and safeguard the interests of his clients.
- 4.2.2. A Member shall be liable to expulsion, suspension, or payment of a fine for any violation of good business practices as determined by relevant rules and regulations.
- 4.2.3. Members of the Exchange shall furnish a risk disclosure statement or any such statement, as may be prescribed by the Exchange, to all the Clients willing to Trade through them. This statement shall contain all the risks relating to trading with that Member. Members of the Exchange shall insist that all such Clients must read this statement before participating in trading with them. Members of the Exchange shall not accept any Order from any Client unless the risk disclosure statement is read by such Client.
- 4.2.4. Every Member shall access Rules, and notices, circulars, orders, and instructions issued by the Exchange from time to time and shall also provide all relevant

information to Clients, before executing any Order on behalf of such Client.

- 4.2.5. Members of the Exchange shall not encourage, abet nor allow their Clients to evade any financial and non-financial compliance requirement in respect of trading on the Exchange.
- 4.2.6. A Member shall furnish to his Clients all information pertinent to Trade as notified by the Exchange.
- 4.2.7. Members shall explain the role of the Clearing House of the Exchange and the scope and benefits of the same to their Clients.
- 4.2.8. Every Member of the Exchange shall abide by the decisions or resolutions of the Exchange and shall abide by these Rules and regulations of the Exchange as well as notices, circulars, orders, and instructions issued by the Exchange from time to time.

### 4.3. DISCIPLINARY ACTION BY THE EXCHANGE

- 4.3.1. Whenever the Exchange shall consider, either by reason of complaint made to it in writing by one or more Member(s), of the Exchange or a Client or by reason of any knowledge or information that there is sufficient reason for inquiring as to whether there has been any act or omission on the part of a Member of the Exchange rendering him liable to expulsion, suspension or payment of a fine, the Exchange may give notice in writing to such Member or to any other Member requiring him to appear before the Exchange within the period stipulated in the notice.
- 4.3.2. A Member shall be liable to expulsion, suspension, or payment of a fine for any of the following acts or omissions:
  - 4.3.2.1. **Refusal to abide by awards:** For neglecting or refusing to submit to, abide by, and carry out any award or decision or order of any arbitrator, the Exchange, or the Commission, made in conformity with these Rules.
  - 4.3.2.2. **Unbecoming conduct:** For acting in any manner detrimental to the interest of the Exchange or unbecoming of a Member.
  - 4.3.2.3. **Misconduct:** For any misconduct in dealing with or in relation to the Exchange or any Member or Members thereof or for any disreputable or fraudulent transactions with any person whether a Member or not of which complaint is made to the Exchange or the Commission, management or the Board by one or more Members or Clients and is found to be valid by the Exchange and/or the Commission.
  - 4.3.2.4. **Disobedience:** For violating, disobeying, or disregarding any regulations, order, or notification issued by the Commission in respect

of trading in any Commodities or any other applicable law which will bring the Exchange or the Member into disrepute.

- 4.3.2.5. **Misinformation:** For publishing or permitting to be published in any newspapers, circulars, or otherwise, any misrepresentation relating to the trade in any Commodities, calculated to mislead Members of the Exchange or the general public.
- 4.3.2.6. **Indifference and wilful negligence:** For non-compliance with any notice or request made by or on behalf of the Exchange or the Commission requiring the Member to attend any meeting of the Board or of management or to produce any books, documents, correspondence, or other papers in his possession, power or control, or for refusing or neglecting to answer any question put to the Member by the Exchange or the Commission, as the case may be, relevant to any business at any such meeting.
- 4.3.2.7. **Failure to pay any dues:** For failure to pay any amount due under these Rules or arbitration award or any other fees when due or for non-payment of any fine imposed on him pursuant to these Rules or for failure to pay any other amount due by him under these Rules or under any order of the Exchange or the Commission within ten (10) days after the same is communicated shall become payable.
- 4.3.2.8. **Action detrimental to the Exchange:** For any misconduct, in the sense of sub-rules referred to above inclusive as below, in his dealing with or relations to the Exchange.
- 4.3.2.9. Wilful or intentional non –fulfillment of contractual or fraudulent or flagrant breach of contract.
- 4.3.2.10. Frivolous repudiation of contract with a Client.
- 4.3.2.11. Refusal to refer any question in dispute to arbitration after prior inability to settle such dispute.
- 4.3.2.12. Communicating secretly or indirectly with any arbitrator to which a dispute has been referred to under these Rules.
- 4.3.2.13. For any conduct, act or omission knowingly carried out to subvert the objects and purposes of the Exchange, or which is subversive of these Rules or which defy the agreements entered into by the Exchange with other organisations, agencies, or entities for promoting the interests and activities of the Exchange.
- 4.3.2.14. For any conduct, act, omission, or negligence which renders the Member liable to be declared a defaulter by the Exchange the Commission or the Clearing House under any of the provisions of these

Rules, regulations or orders, circulars, notices, and instructions issued by the Exchange.

4.3.2.15. Disclosure of one Client's open position to other Clients or Members.

4.3.2.16. Any action which in the opinion of the Board of the Exchange brings the Exchange into disrepute.

4.3.3. The disciplinary measures shall be administered in the following manner:

4.3.3.1 Whenever the Exchange is of the opinion that a Member has become liable to expulsion, the Exchange may expel such Member permanently from all rights of membership, except the right to go for arbitration in respect of matters prior to such expulsion. Such decision shall be final and binding; and

4.3.3.2. Whenever the Exchange shall be of the opinion that a Member has become liable to suspension or payment of a fine, the Exchange may suspend him for any term not exceeding six (6) calendar months from all rights of membership except the right to go to arbitration for matters in dispute prior to such suspension. Any such decision of the Exchange shall be final and binding.

4.3.4. In addition to suspension or in lieu thereof or otherwise as recommended by the Commission, the Exchange may at its discretion fine such Member up to a maximum of 50% of Membership fees. Failure to pay such fine within a period specified by the Exchange shall render a Member liable to suspension if he has not been suspended already, or expulsion, if he has been suspended already. The Exchange may also impose such other actions, other than expulsion, suspension, or fine or a combination of such actions as it may deem fit and necessary.

4.3.5. In case a Member of the Exchange has been suspended, expelled, or declared deemed defaulter or defaulter, no other Member of the Exchange shall do business for or on behalf of such Member.

#### **4.4. MEMBERS OF THE EXCHANGE REQUIRED TO MAKE PERSONAL APPEARANCE**

4.4.1. Before making any decision, the Exchange shall invite the Member for a hearing and give the Member concerned a notice in writing stating the allegation or matter against the Member and requiring him to attend a hearing of the Exchange called for the purpose at which the said Member may produce whatever evidence or statements and witnesses he wishes to present in his defense.

4.4.2. The Exchange may also require the Member to produce for inspection any books, documents, correspondence, or papers or any part thereof in his possession or under his control or that of his firm or company which may be deemed relevant or material to any matter under inquiry or investigation.

**4.5. ACTIONS ON MEMBERS IN LIEU OF EXPULSION OR SUSPENSION**

- 4.5.1. The Exchange may, in its absolute discretion withdraw one or any of the membership rights or impose a fine in lieu of suspension or expulsion warranted and may direct that the erring Member of the Exchange be censured or warned or may reduce or remit any such penalty on such terms and conditions as it deems fair and equitable.
- 4.5.2. The Exchange may of its own motion or on appeal by the Member of the Exchange concerned reconsider and may rescind, revoke or modify its resolution withdrawing all or any of the membership rights or fining, censuring, or warning any Member of the Exchange. In a like manner, the Exchange may rescind, revoke, or modify its resolution suspending any Member of the Exchange.
- 4.5.3. Provided that where any expulsion, suspension, or other penalties as aforesaid is imposed in accordance with the directions of other authority, apart from the Exchange, issued in exercise of any powers conferred on the authority by any relevant law or regulation, then the Exchange shall not exercise the power to rescind or revoke or modify the same, except with the previous sanction or express consent of the authorities concerned.

**5. WAREHOUSING AND WAREHOUSE RECEIPTS****5.1. CONDITIONS FOR WAREHOUSES FOR THE EXCHANGE**

- 5.1.1. The Exchange shall specify Warehouses at which Commodities to be traded on the Exchange shall be delivered and stored and which shall facilitate storage of Commodities in the manner as prescribed by the Exchange from time to time.
- 5.1.2. The Exchange shall not accredit any structure as a Warehouse for the Exchange unless the structure is registered with Securities and Exchange Commission and satisfies its rules.
- 5.1.3. The Exchange shall make an initial assessment at the time of accrediting a Warehouse as well as an annual assessment in relation to each Warehouse accredited and maintain a copy of the report for a minimum period of 7 years.
- 5.1.4. The Exchange shall not designate any warehouse for the Exchange unless it fulfills the following:
- 5.1.1.1. that the Collateral Manager or the person managing or in possession of the warehouse is a legitimate tenant or owner;
  - 5.1.1.2. that the Warehouse is suitable for warehousing of respective goods in



accordance with regulations made under any applicable law; and

- 5.1.1.3. that the Warehouse and the Commodities which are or may be kept therein are fully insured in respect of fire, theft, burglary and other risks regularly provided for under a comprehensive cover; and
- 5.1.1.4. that the Warehouse is compliant with all relevant regulations in its country of location; and
- 5.1.1.5. That the Warehouse, Collateral Manager or the person managing or in possession of the Warehouse is of good financial standing.

## **5.2. DEPOSIT OF COMMODITY AT THE WAREHOUSE**

Any Member or Client who intends to deliver Commodities in fulfillment of obligations arising from positions on the Exchange shall deposit such Commodity at Warehouses during the business hours of the Warehouse. The Warehouse shall, through a Collateral Manager appointed and/or approved by the Exchange, and before initiating the procedure for receiving the Commodity, verify the eligibility of the Commodity and identity of the Depositor.

- 521. The Depositor shall enter into a Storage Agreement with the Collateral Manager which will set out the terms and conditions relating to the deposit of Commodities at the Warehouses by the Depositor.

## **5.3. PROCESS AND PROCEDURE FOR CERTIFICATION OF WAREHOUSES**

The Exchange shall specify from time to time the processes, procedures, and operations that every Warehouse shall observe in order to gain Exchange certification. The processes, procedures, and operations relating to Warehouses shall be deemed to form a part of any settlement process so provided.

## **5.4. RESPONSIBILITIES OF A DEPOSITOR**

- 541. The Depositor shall ensure that:
  - 5.4.1.1. commodities delivered to the Exchange's Warehouse meet the minimum requirements for quantity and quality as per the contract specification; and
  - 5.4.1.2. the Commodities are packed according to the standards as laid down in contract specifications.

## **5.5. RESPONSIBILITIES OF THE COLLATERAL MANAGER**

A certified Collateral Manager shall:

- 5.5.1.1. use the Warehouses for storage of Commodities to be traded on the Exchange only;

- 5.5.1.2. ensure proper sampling and grading of the Commodities;
- 5.5.1.3. ensure proper inspection of the Commodities before accepting deposit;
- 5.5.1.4. confirm the weight, grade, quality, and other conditions of the goods;
- 5.5.1.5. accept deposit of the goods into the Warehouse and ensure that an Exchange Grade Certificate has been issued;
- 5.5.1.6. not accept for Warehouse depositing, any Commodities that do not meet the standards set by the Exchange;
- 5.5.1.7. store the Commodities in line with their grade specifications;
- 5.5.1.8. maintain quality control and inventory management according to procedures prescribed by the Exchange and other relevant Warehouse guidelines and ensure that the quantity and the grade of the Commodity are maintained during the storage period;
- 5.5.1.9. use uniform and standard description of Commodities and units of measurement approved by the Exchange in respect of the Commodities stored;
- 5.5.1.10. strictly adhere to the warehousing norms stipulated for a commodity in particular or group of Commodities in general by the Exchange from time to time;
- 5.5.1.11. maintain the records for the Commodities deposited with it in the manner and in the system as prescribed by the Exchange; and
- 5.5.1.12. perform any other duty or responsibility as may be specified by the Exchange from time to time.

552. Unless and until expressly consented to by the Exchange, the Collateral Manager shall not assign, shift, transfer and relocate the Commodities held by it. However, the Collateral Manager shall be entitled to move the Commodities within the area earmarked in a Warehouse.

#### **5.6. INSPECTION OF COMMODITIES STORED IN A WAREHOUSE**

The Exchange reserves the right to physically inspect goods stored in a Warehouse either itself or through any nominated third parties, at any time, in order to ensure that the Commodities deposited in a Warehouse are stored in compliance with the warehousing standards stipulated by the Exchange.

#### **5.7. GRADING OF COMMODITIES**

571. The Collateral Manager shall, on behalf of the Exchange, grade the commodities deposited in the Warehouse in accordance with the grading

procedure approved by the Exchange and shall be based on a user sample and under conditions that permit the determination of the true grade of the Commodities.

5.72. The Exchange may from time to time develop and amend standards for the grading and sampling of Commodities.

5.73. An Exchange Grade Certificate issued shall contain such information as name and location of the Warehouse in which the Commodities are stored, grade of the Commodity, date of certification, and the signature of the grader.

#### **5.8. GRADING EQUIPMENT**

All sampling, weighing and grading equipment shall be calibrated and maintained in line with the manufacturer's recommendations and warranty conditions.

#### **5.9. ALLOWABLE TOLERANCE ON LOT WEIGHT**

The maximum allowable tolerance limit on weight loss or gain shall be determined by the Exchange and stipulated on specific contract specifications.

#### **5.10. EXPIRATION PERIOD FOR STORAGE**

5.10.1. Subject to contrary provisions in relevant regulations, the Exchange shall determine and may amend from time to time the appropriate Warehouse Receipt expiration period of each type of Commodity.

5.10.2. The expiration period shall be indicated in the Warehouse Receipt.

5.10.3. Every Depositor is expected to sell, revalidate, or otherwise withdraw the Commodity within this specified period of time.

5.10.4. Subject to the Rules, where the deposited Commodity is not sold or withdrawn by the expiration date and the period is not revalidated, the Exchange shall impose an expiration penalty, as prescribed by the Exchange on the Depositor in the Warehouse receipt user agreement.

#### **5.11. WITHDRAWALS OF COMMODITIES FROM WAREHOUSE**

5.11.1. Unless withdrawal is prohibited by applicable law, stored Commodities may be withdrawn with or without sale on the Exchange.

5.11.2. Withdrawal of Commodities shall be subject to payment of all liabilities on the deposit including any handling and storage fee payable to the Exchange by the Depositor.

#### **5.12. INVENTORY MANAGEMENT**

5.12.1. Commodities in a Warehouse will be stored and identified on the basis of Depositor, grades, and date of deposit. The Collateral Manager shall provide a

- Depositor Number which will serve as the identification number for Depositors at the Warehouse.
- 5.122. Every Collateral Manager shall create and maintain in an orderly manner the appropriate operational records of the Commodity inventory in approved space, which includes:
- 5.12.2.1. daily position record;
  - 5.12.2.2. copies of all scale tickets and Exchange Grade Certificate;
  - 5.12.2.3. records documenting pest control and fumigation events;
  - 5.12.2.4. copies of Warehouse Receipts issued;
  - 5.12.2.5. records of visual inspection of Commodities in storage; and
  - 5.12.2.6. any other information or detail as may be directed by the Exchange from time to time.
- 5.123. These records shall always be accessible to the Exchange and to the Commission.
- 5.124. Every Warehouse shall display in a conspicuous place and accessible to the public a copy of its most current rules and schedule of charges for the storage of Commodities.
- 5.13. WAREHOUSE RECEIPT**
- 5.131. Upon receipt of goods deposited in a Warehouse for trading at the Exchange, an acknowledgment of deposit in the form of goods received note or electronic Warehouse Receipt shall be issued by the Collateral Manager.
- 5.132. A Depositor, if he is not a Member with trading rights shall appoint a Member to undertake the Trade and Clearing and Settlement on his behalf.
- 5.133. Any Warehouse Receipt issued by the Exchange shall be prove of the holder having proprietary rights in the goods in respect of which such Warehouse Receipt was issued.
- 5.134. In relation to Warehouse Receipts, a person acquires proprietary rights in the Commodities if that person is entitled to ownership of the Commodities:
- 5.13.4.1. in return for a binding commitment to extend credit or extension of immediately available credit, whether or not drawn;
  - 5.13.4.2. as security for or in total or partial satisfaction of a pre-existing contract for purchase; or in return for any consideration sufficient to support a pre-existing contract;

- 5.13.4.3. as a result of the purchase of the Warehouse Receipt traded on the Exchange.
- 5.13.4.4. the Exchange may levy a commission for facilitating the financing as may be agreed between the Exchange and the financier.
- 5.135. The Warehouse Receipt shall contain the following information:
  - 5.13.5.1. the Depositor's identification number;
  - 5.13.5.2. the location of the Warehouse where the Commodities are stored;
  - 5.13.5.3. the date of issue;
  - 5.13.5.4. the serial number;
  - 5.13.5.5. the quality and quantity of the Commodities;
  - 5.13.5.6. a statement indicating whether the Commodities received will be delivered to the bearer, to a specified person, or on that specified person's Order;
  - 5.13.5.7. a short description of the Commodities or the packages containing them;
  - 5.13.5.8. the nature and fact of ownership of the Commodities, whether solely or jointly or commonly owned with others; and
  - 5.13.5.9. a statement as to the number of advances made and liabilities incurred.
- 5.136. The Warehouse Receipt must be submitted to the Exchange for endorsement in return for the physical release of the Commodities.
- 5.137. Upon receipt of the endorsed Warehouse Receipt and after payment of all Handling and Storage Fees, physical release of the Commodities will be made to the holder of the Warehouse Receipt.
- 5.138. The Exchange may insert on the Warehouse Receipt any other terms and conditions in accordance with the provisions of these Rules and which do not impair obligations of Delivery or duty of care.
- 5.139. Any provision appearing on a Warehouse Receipt, purporting to contain any condition which is contrary to these Rules shall not be capable of enforcement.

#### **5.14. OBLIGATIONS OF A COLLATERAL MANAGER TO DELIVER**

Except as provided in these Rules, a Collateral Manager shall deliver goods upon demand made by the buyer or upon demand of then Depositor in accordance with the handover instructions given by the Exchange.

**6. RECORDS****6.1. RECORD KEEPING**

- 6.1.1. Each Member must maintain such accounting records which correctly record and explains the transactions and financial position of that Member, and enables the Exchange conveniently to ascertain the Member's compliance with these Rules.
- 6.1.2. All Members must keep the following books and records at their main business offices:
- 6.1.2.1. Journals including cash receipts and disbursement records and any other records of original entry forming the basis of entries in a ledger;
  - 6.1.2.2. Renewal and auxiliary ledger reflecting assets, liabilities, reserve, capital, income, and expenses accounts;
  - 6.1.2.3. All cheque books including counterfoils of used cheque, Bank statements, canceled cheque and cash reconciliation of the Member or Clearing House;
  - 6.1.2.4. All trial balances, financial statements, and internal audit working papers relating to the business of the Member;
  - 6.1.2.5. A list of other records of all accounts in which the Member or Clearing House is vested with any discretionary power with respect to the funds, contracts, or transactions of any Client;
  - 6.1.2.6. All powers of attorney and other evidence of the granting of any discretionary authority by any Client or otherwise relating to the business of the Member;
  - 6.1.2.7. All written agreements or copies thereof entered into by the Member with any Client relating to the business of the Exchange;
  - 6.1.2.8. All other records which may be duly prescribed by the Exchange and the Commission to be kept by the Members;
- 6.1.3. Subject to the provisions of the Commission's rules, every Member shall preserve all pertinent records for a period of not less than ten (10) years, the first five (5) years in an easily accessible place in its operating office.
- 6.1.4. The Commission may, wherever it deems necessary, prescribe the nature, form, manner, and content of the records to be kept by the Exchange and all of its Members and it shall be the duty of any such person to comply.
- 6.1.5. Such records are to be maintained in a form and at a location that will enable them to be conveniently and properly audited.
- 6.1.6. The Exchange shall preserve for a period of not less than ten (10) years after the

closing of any Member's account, any records kept with the Exchange during the membership period.

- 6.17. Each Member shall comply with the Exchange Rules, SEC Rules, and other relevant laws.
- 6.18. In respect of all trades done by the Members of the Exchange, the Exchange shall forward reports to the respective Members, including settlement obligations relating thereto. All such reports and obligations shall be binding on the Members of the Exchange.
- 6.19. Every Member of the Exchange shall provide the Exchange with such reports that the Exchange or the Commission may seek from the Members from time to time. Such reports shall be in the form as the Exchange or the Commission may from time to time provide.
- 6.1.10. Every Member shall notify the Exchange of any incident, which may endanger the Clearing Member's financial strength or interfere with the Clearing Member's ability to conduct its business in the best interests of the Exchange.
- 6.1.11. Every Member of the Exchange shall be required to maintain such Books of Accounts, Records, and Documents, registers, statements, and other records, either in physical or electronic form, as may be specified by the Exchange.
- 6.1.12. All documents and records shall be kept in good order and preserved as specified by the Exchange. All such documents and records shall be made available to the Exchange by the Member for inspection, whenever required.
- 6.1.13. Every Member of the Exchange shall submit himself to audit and investigation and furnish all books, records, files, and such other information as required upon the direction of the Commission. The audit and investigation shall be restricted to the affairs of the Exchange Member as a provider of trading, clearing and settlement services to their Client as also in respect of his trading, either directly or through another Clearing Member.
- 6.1.14. In the case that the Exchange and the Member cannot reach an agreeable position, the matter should be referred to the SEC, who will appoint an independent auditor at the cost to the Member
- 6.1.15. Any person who fails or neglects to comply with the foregoing provisions of these Rules shall be deemed a defaulter and liable to a monetary penalty as stipulated by the Exchange for every day the default persists.

## **6.2. RECORDS FOR EVIDENCE**

- 6.2.1. The records of the Exchange as maintained by a central processing unit or a cluster of processing units or computer processing units or on the Trading Platform or any other Trading Platform of the Exchange, whether maintained in any register, magnetic storage units, electronic storage units, optical storage

units or computer storage units or in any other manner or on any other accepted media, shall constitute the agreed and authenticated record in relation to any transaction entered into or executed through the Trading Platform or any other Trading Platform of the Exchange.

The records as maintained by the Exchange shall, for the purpose of any dispute or claim between the Members of the Exchange inter-se or between any Exchange Member and his Clients or between the Members of the Exchange and the Exchange or the Clearing House regarding trading, Clearing or Settlement of any deal or transaction carried out on the Trading Platform or any other Trading Platform of the Exchange and reported to the Exchange, constitute valid and binding evidence between and among the parties.

### 6.3. RECORDS AND REPORTS OF WAREHOUSES

6.3.1. The Exchange shall file with the Commission a list of all Warehouses in which, or out of which, Commodities are deliverable in satisfaction. Such Warehouses shall conform to specifications as shall be determined by the Commission.

## 7. GENERAL TRADING RULES

### 7.1. TYPES OF TRADING

7.1.1. **Auction Trading:** Type of trading where buyers enter competitive bids and sellers make competitive offers to purchase the Commodity being auctioned and the most competitive bid wins the Commodity.

7.1.2. **Reverse Auction:** Type of trading in which sellers bid for the prices at which they are willing to sell their goods and services and the Commodities are usually sold to the lowest bidder(s).

7.1.3. **Spot Trading:** Type of trading where there are multiple sellers and buyers who enter prices at which they are willing to sell or buy and there usually is no bidding involved. The trading algorithm of the AFEX Trading Platform automatically matches buyers and sellers and provides the resulting price of trade.

7.1.4. **Forwards Trading:** Type of trading involving a customized contract between two parties to buy or sell a Commodity at a specified price on a future date. The Exchange shall determine rules that govern the trading of Exchange futures and options contracts.

Complete trading and listing rules available in annex A.

### 7.2. TRADING PLATFORM

7.2.1. The Exchange shall use the AFEX Trading System (AFTS) as a Trading Platform, or such other trading platform as may be determined adequate, for electronic trading. Only a Member or his Authorized Person shall execute any transaction



on the Trading Platform of the Exchange.

722. All transactions in Commodities permitted on the Exchange shall be made only in the manner approved by the Exchange. Only transactions in Commodities permitted for trading on the Exchange will be recognized as valid.
723. Prices of the Commodities permitted for trading on the Exchange shall be quoted in accordance with the contract specifications for that Commodity and they shall be for the grade variety of the Commodity and for the base center or place prescribed in the clauses of contract specification of that Commodity.
724. Price limits for Commodities to be traded may include floor and ceiling prices for a day or for a specific period.
725. The Exchange shall have the right to specify and charge transaction fee, clearing fee, or any other fee from the Member of the Exchange.

### **7.3. ACCESS TO TRADING PLATFORM**

731. The Exchange shall provide a Trading Platform to the Exchange Members to access and carry on trading in the Commodities admitted to dealings on the Exchange which shall be called the Trading Platform.
732. The Exchange shall provide its Trading Platform for trading in multiple Commodities in multiple varieties, which shall be consisting of different types of graded, unprocessed, semi-processed, or processed Commodities.
733. The only persons who may have access to the Trading Platform are the Exchange Members, Authorized Person, or permitted Clients under these Rules and authorized employees of the Exchange.
734. The provision of access to the Trading Platform of the Exchange may be given to an Exchange Member, subject to compliance with such terms and conditions as the Exchange may prescribe from time to time, which may include, payment of such deposits or charges, as may be provided in the relevant circulars and notices issued there under from time to time.
735. The Members of the Exchange shall be solely responsible for all the transactions done by them or through their respective Authorized Person on the system of the Exchange.
736. Exchange Members shall furnish their Clients in writing such reports at such intervals as may be specified by the Exchange.
737. An Exchange Member, who has been de-activated or suspended by the Exchange, or any Authorized Person, who is not approved by the Exchange or whose approval has been rejected or refused or withdrawn or canceled, shall not be allowed to Trade on the Exchange either indefinitely or for such period as may be decided by the Exchange or the authority concerned.

738. No Authorized Person shall be allowed to log in to the Trading Platform if the Member whom he represents is suspended.
739. The Exchange may, upon application of a Member, or upon its own initiative pursuant to Exchange policies, issue a 'view only' right permitting view-only access to the Trading Platform.
- 73.10. Members shall be responsible for all violations of these Rules committed by their Authorized User and for resulting fines.
- 73.11. Any authorized officer of Government may be granted view-only access to the Trading Platform of the Exchange at any time if such access is in furtherance of the performance of his official duties.
- 73.12. The Exchange may provide architecture and the infrastructure related thereto, to the extent possible, to facilitate the Members of the Exchange to establish remote connectivity with the trading system of the Exchange.
- 73.13. Without prejudice to its members, the Exchange will publish the trading calendar on its website and will have the right to update this calendar from time to time. The Exchange will notify all members of any change to the published calendar a minimum of two business days ahead of the change. Provide an adequate exemption for cases of technology, market failure, or other external events that restrict the Exchange from performing its functions.
- 73.14. The Exchange may prescribe procedures or code of conduct which an Exchange Member shall be required to strictly adhere to during his participation on or use of the Trading Platform of the Exchange.
- 73.15. An Exchange Member shall not by himself or through any other person on his behalf, publish, supply, show or make available to any other person, or reprocess, retransmit, store or use the facilities of the Exchange or the information provided thereof, except with the prior approval of the Exchange.

#### **7.4. MANAGEMENT OF THE TRADING PLATFORM**

The management of the Trading Platform of the Exchange shall be under the charge of the employees of the Exchange or such other agency authorized or engaged by the Exchange in this regard.

The Exchange shall have the power to provide for:

- 74.1. The procedure for registration and cancellation of the provision of access to the Trading Platform to Members, their Authorized Person or Client;
- 74.2. The conditions required to be fulfilled before a person can be registered as an Authorized Person;
- 74.3. The conditions required to be fulfilled before an Authorised Person may have access to the Trading Platform of the Exchange;

- 7.44. The maximum number of persons who may be allowed to have access to the Trading Platform on behalf of an Exchange Member;
- 7.45. The procedure for provision and modification of user name and a password used by an Authorised Person to access the Trading Platform; and
- 7.46. The circumstances in which the Exchange may refuse, withdraw, or cancel the permission to an Authorised Person to have access to the Trading Platform of the Exchange, either indefinitely or for a specified period or until the fulfillment of conditions, as may be specified by the Exchange from time to time.

## **7.5. TRADING HOURS**

- 7.5.1. The business hours for trading Commodities on the Exchange shall be during 10:00 and 15:00 WAT. The Exchange may, however, from time to time, specify business hours for different types of deals such as for spot, ready, and futures. The Exchange may declare a list of holidays in a calendar year. The Exchange may from time to time alter or cancel any of the Exchange holidays fixed in accordance with these provisions. It may, for reasons to be recorded, close the market on days other than or in an addition to holidays.

## **7.6. SPOT TRADING RULES**

### **7.6.1. DAILY PRICE LIMIT**

- 7.6.1.1. There shall be an allowed price fluctuation limit higher or lower than the last closing price of the previous day, specified for each contract.
- 7.6.1.2. The closing price reported on the Exchange will be determined using the closing price methodology published by the Exchange.
- 7.6.1.3. If no Trades have been executed during the Trading Session, the closing price shall be the last recorded price.
- 7.6.1.4. In exceptional circumstances and for reasons to be recorded in writing, the Exchange may modify the daily price limits for a contract.

### **7.6.2. OPENING PRICE**

- 7.6.2.1. The opening price of all commodities on the Exchange shall be the closing price reported on the last trading day.
- 7.6.2.2. All posted bids or offers of each contract shall be within the allowed daily price limit, as specified in each contract.
- 7.6.2.3. Subsequent bids or offers that would establish or change the market price for the current contract shall be made in price increments as stated in the contract specifications - not to exceed the daily price limit.

### **7.6.3. CLOSING PRICE**

- 7.6.3.1. The closing price for all contracts shall be determined using the closing

price methodology of the Exchange.

- 7.6.3.2. When the computed closing price is a fraction, the published closing price shall be rounded to the nearest minimum permissible price fluctuation above or below the fractional average depending on which is nearer to the last price recorded for such contract but always in accordance with the minimum fluctuation as set out in the contract specifications.

7.6.4. **DAILY POSITION LIMITS**

- 7.6.4.1. The daily position limit is the maximum amount, specified in each contract, that a Member is allowed to buy or sell during a Trading Session.
- 7.6.4.2. In exceptional circumstances and for reasons to be recorded in writing, the Exchange may modify the daily position limits within a Trading Session.

7.6.5. **BID AND OFFER FOR CONTRACT:**

Each bid and offer shall be:

- 7.6.5.1. made electronically through the electronic system:
- 7.6.5.2. be matched with the best prevailing counter offer/bid, based on price-time priority;
- 7.6.5.3. binding upon the Member making and his counterpart Member accepting such bid or offer or part of such bid or offer at the price specified by the bidding or offering Member:
- 7.6.5.4. deemed pending if not immediately accepted:
- 7.6.5.5. In a transaction with or on behalf of Clients, Exchange Members must indicate to the Clients the current best quotation as reflected in the Trading Platform.

7.6.6. **EXECUTION OF TRADES**

- 7.6.6.1. When the Order is matched by the Trading Platform of the Exchange it shall capture the execution price, quantity, and the concerned Members' identification number.
- 7.6.6.2. The Exchange shall ensure that each transaction that it concludes is recorded, executed, and properly assigned for clearing and settlement in accordance with these Rules.
- 7.6.6.3. Each Member shall have access to the record of his transaction.
- 7.6.6.4. If any Member discovers that a properly executed transaction in which

he has participated on the Exchange has not been reported by the Exchange, or has been reported incorrectly, he shall as soon as practicable notify the Exchange about the anomaly.

7.6.6.5. The Exchange has the authority to approve an insert or a correction as soon as possible during the Trading Session or after on the basis of evidence confirming the error or omission.

7.6.6.6. The Exchange will keep a log of all insert or correction requests including the details of the insert or correction requested and the name of the Member making the request and the Exchange staff authorizing the insert or correction.

7.6.6.7. Except as otherwise provided in this Rule, the Exchange shall not change the terms of a Trade to correct an error or omission.

## **7.7. PRICES**

7.7.1. Prices of the Commodities dealt with on the Trading Platform of the Exchange shall be recorded in the manner, as may be prescribed in these Rules from time to time. No prices shall be recorded for any transaction done on the Exchange unless it is made in the regular course of trading on the Trading Platform of the Exchange.

## **7.8. DIVISIONS**

7.8.1. The Exchange may constitute different divisions for every group of agricultural Commodities, metals, and other Commodities or instruments, as well as for different logins of trading as may be decided by the Board of Directors and as may be specified in these Rules from time to time.

## **7.9. RESTRICTIONS ON TRADING**

7.9.1. The Exchange may, from time to time, impose such restrictions on trading in such contracts, or on such Exchange Members relating to risk management and trading on the Exchange.

## **7.10. TRADING SESSIONS**

7.10.1. The Exchange may prescribe different Trading Sessions for different Trading Segments on the Trading Platform of the Exchange and may also decide on the timings and operational requirements for the same as may be necessary from time to time. The Exchange may reduce, extend or otherwise alter the timings of such Trading Sessions for any particular trading day.

7.10.2. Where the Exchange has reduced, extended, or otherwise altered the timing of any Trading Session(s) on the Trading Platform of the Exchange, on any particular trading day, the reasons for the same shall be required to be recorded in writing.

**7.11. TRADING WITH GOOD DECORUM**

7.11.1. A person allowed to Trade on the Trading Platform of the Exchange shall be bound to observe the provisions contained in the Rules of the Exchange, and maintain proper decorum in his behavior. The Exchange may, in its absolute discretion, refuse any person to Trade on the Trading Platform and may, at any time, withdraw or terminate the right of trading of any person who breaches these Rules, provided that the Exchange shall communicate such a decision to the concerned person in writing and shall state the reasons for its decision.

**7.12. FRAUD AND OTHER MALPRACTICES**

7.12.1. Transactions in Commodities that are not permitted by the Exchange are outside the purview of these Rules. Any Member who infringes or attempts to breach or who assists any breach or attempted breach of these Rules in respect of such Trades shall be liable to suspension or expulsion from membership of the Exchange or any other action that the Exchange may take under these Rules or other regulations.

7.12.2. It shall be unlawful for any person howsoever involved in Commodity trading on the Exchange to directly or indirectly:

7.12.2.1. Employ any device, scheme, or artifice to defraud or defrauding any person or institution.

7.12.2.2. Make, utter or present any untrue statement of a material fact;

7.12.2.3. Omit to disclose a material fact/information necessary to clarify any statement which may otherwise be misleading in the light of the circumstances under which it was made;

7.12.2.4. Engage in any act, practice, or course business that operates or would operate as a fraud or deceit upon any person in connection with the purchase or sale of or dealing in any Commodity or futures.

**7.13. DAILY OFFICIAL LIST**

7.13.1. A Daily Official List shall be issued by or under the authority of the Exchange. Such Daily Official List of prices may be published or provided in such media as may be decided by the Exchange from time to time or be made available on the official website of the Exchange.

**7.14. REGISTRATION AND DE-REGISTRATION OF AUTHORISED PERSONS**

7.14.1. Members of the Exchange shall allow only their Authorized Persons to operate or conduct a Trade in any Trading Platform approved by the Exchange, subject to the following conditions:

7.14.1.1. The access shall be subject to such terms and conditions, and the submission of application in such form as the Exchange may prescribe from time to time;

- 7.14.1.2. The Exchange may, at its discretion, de-register any Authorized Person of an Exchange Member for failure to comply with the applicable provisions of these Rules and or circulars and notices issued thereunder; but the Member concerned shall continue to be liable for acts of commission or omission of its Authorised Persons prior to de-registration by the Exchange and or loss or damage consequent to the de-registration;
- 7.14.1.3. The Commission shall have the right to disallow any person from being registered as an Authorized Person or may allow registration with such conditions, as may be deemed necessary by such authority; and
- 7.14.1.4. No one person shall be appointed at any time as an Authorised Person by more than one Exchange Member.

## **7.15. OPERATIONAL PARAMETERS FOR TRADING**

- 7.15.1. The Exchange may prescribe from time to time the operational parameters regarding transactions in Commodities traded on any Trading Platform of the Exchange. Such operational parameters may include:
  - 7.15.1.1. determination of the procedure and norms for trading on any Trading Platform of the Exchange;
  - 7.15.1.2. fixation of units of trading, minimum or maximum quantity of Commodities or Order which may be offered to be bought or sold or the limits on price fluctuations permitted in a day or period;
  - 7.15.1.3. fixation of tick sizes and levels for providing alerts;
  - 7.15.1.4. determination of the types of Trades permitted for an Exchange Member and for a Commodity;
  - 7.15.1.5. specifications of different Order books, types of Orders, Order conditions, and other details related to Orders and trades;
  - 7.15.1.6. maintenance of record of transactions executed and the manner of reporting transactions in the prescribed form to the Exchange; and
  - 7.15.1.7. other matters, which may affect the smooth operation of trading in Commodities permitted on the Exchange.
- 7.15.2. All such parameters shall be strictly adhered to by the Exchange Member. The parameters, however, may vary for Commodities and for different Trading Sessions.
- 7.15.3. No Member of the Exchange shall, while trading, initiate directly or indirectly any transaction in any Commodity admitted to trading on the Exchange for any account in which a Member has an undisclosed interest, or for any account with

respect to which a Member has discretion as to the time or execution, the choice of Commodity to be bought or sold, the total amount of any Commodity to be bought or sold, or whether a sale or purchase transaction. This provision shall not apply to:

7.15.3.1. Any transaction made with the prior approval of the Exchange to permit a Member to contribute to the maintenance of a fair and orderly market in a Commodity or any purchase or sale or reverse any transaction;

7.15.3.2. Any transaction conducted to offset a transaction made in error.

## **7.16. CLOSING-OUT EXCHANGE MEMBER'S RESPONSIBILITY**

7.16.1. An Exchange Member shall be fully accountable for the closing out of transactions effected on the Exchange on his behalf and shall indemnify the Exchange against any loss or cost arising out of or incidental to such close-out of transactions either directly or indirectly.

## **7.17. ORDER MANAGEMENT**

7.17.1. All the Orders for purchase or sale of Commodities by an Exchange Member shall be required to be entered only through the Trading Platform approved by the Exchange.

7.17.2. The conditions and procedures to be followed by an Exchange Member or his Authorized Person for entering, amending, or canceling Orders on the Trading Platform shall be as may be specified by the Exchange and the Exchange may, inter-alia, specify details to be entered compulsorily at the time of Order entry, such as, client code, type of Order, symbol or commodity code, and such other details that may be specified by the Exchange from time to time.

7.17.3. The Exchange Member shall maintain in the relevant records for the Orders received from his Client in a manner as shall be specified by the Exchange from time to time.

## **7.18. TRADE MANAGEMENT**

7.18.1. Trading shall be allowed on the Trading Platform of the Exchange in such Commodities as may be admitted to dealings on the Exchange and for such categories of Members of the Exchange, Trade types, market types, settlement periods and for such trading hours as the Exchange may specify from time to time or as may be provided in these Rules, circulars and/or notices issued thereunder, from time to time.

7.18.2. An Exchange Member shall be liable for all the Trades executed on the Trading Platform of the Exchange, arising out of Orders entered into the system by the Member. The Member shall be solely responsible for all the acts of commission or omission of Authorized Persons, employees, and other persons employed by



or acting on behalf of such a Member, in relation to the performance of obligations arising therefrom, connected therewith and incidental to such acts of commission or omission. Provided that if the Member satisfies the Exchange that the action or the Trade took place due to fraud or misrepresentation by any person other than himself or his Authorized Person the Exchange may issue such directions as it considers just and reasonable and the same shall be final and binding on the Member. Such directions may include referring the matter to arbitration or annulment of Trades so effected, after providing an opportunity of being heard to the Member.

7.183. Trades executed on the Trading Platform approved by the Exchange (and still open) are irrevocable and locked-in and shall be cleared and settled in accordance with these Rules. The Exchange may however by a notice annul the Trades on an application by the Exchange Member or his Clearing Member in that behalf if the Exchange is satisfied, after hearing the other Exchange Members and clearing Members to the Trades, that the Trades are required to be annulled on account of fraud or wilful misrepresentation or material mistake in the Trade.

7.184. Notwithstanding anything contained in these Rules, circulars, and notices issued thereunder, the Exchange may protect the interest of Clients and the public and for the proper regulation of the market, discretionally annul Trades at any time, if it is satisfied for reasons to be recorded in writing that such Trades are vitiated by fraud, material mistake, misrepresentation or market or price manipulation, or designing artificial or false market, or Trades with a design to recover monies or dues or to defraud or misuse the Trading Platform. The Exchange shall notify the SEC of such annulments of Trade, and the justification for the Exchange's decision on such Trades.

7.185. Annulment, as provided herein, maybe for the full quantity or part quantity of a Trade. Any annulment of Trades made pursuant to these Rules or circulars and notices issued thereunder shall be final and binding upon the Member. In such an event, the related contracts issued by the Exchange Members to their Clients shall ipso facto stand canceled and the Clients shall be bound by such annulment without any right of recourse between the Clearing Members and Members of the Exchange and their Clients, as the case may be.

#### **7.19. ORDER VALIDATION**

7.19.1. Orders on the Trading Platform approved by the Exchange shall be subject to such validation checks relating to quantity, price, value, and location, as may be prescribed in these Rules or/and circulars or/and notices issued thereunder from time to time.

#### **7.20. MATCHING RULES**

720.1. The Exchange may from time to time specify the rules or principles to be applied for matching Orders on the Trading Platform of the Exchange, which may vary for different Order books.

**7.21. TRANSACTION WHERE THE EXCHANGE ACTS AS A LEGAL COUNTER PARTY**

721.1. The Exchange may specify from time to time the types of transactions in a specific Commodity or Commodities, with regard to which the Exchange shall act as a legal counter party and the transactions that may be excluded for this purpose.

721.2. Provided that if on an investigation by the Exchange, the Exchange concludes that either all the transactions or part thereof in any Commodity are found to have been executed on the Trading Platform of the Exchange in a fraudulent manner or are done as financial transactions with a design to defraud the Settlement Guarantee Fund, the Exchange shall have absolute authority and discretion to withdraw itself as a legal counter party to any transaction.

721.3. Provided further that if the Exchange decides to exercise its discretion to withdraw itself as a legal counter party to the transactions, either in full or in part, or either from both sides or single side of the transaction, it shall afford an opportunity of being heard to all the parties affected or likely to be affected by such decision. The decision taken by the Exchange thereafter shall come into force forthwith and shall be final and binding on all the parties concerned, including the Clients.

**7.22. APPROPRIATION OF THE CLIENT'S ORDER**

722.1. No Member of the Exchange shall, in respect of any Commodity permitted for trading on the Exchange, enter into any contract on his own account with his Client, whether a Member of the Exchange or not, unless he has secured the consent or authority of such Client in writing and disclosed in the note, memorandum, agreement or any other form of contract for sale or purchase that he has bought or sold the Commodity as the case may be, on his own account and in accordance with the norms and operational procedures and parameters as laid down by the Exchange in these Rules or orders and notices issued from time to time. Any contract entered into in violation of these Rules will result in disciplinary action by the Exchange.

**7.23. SEPARATION OF ACCOUNTS**

723.1. All monies received from Clients should be promptly deposited in a segregated account.

723.2. A Member shall maintain account(s) for its Clients separate from its operations account(s). Thus, all Clients' funds shall be separately accounted for. Such funds when deposited with any Bank, Trust Company, clearing organisation,

or other operators shall be deposited under an account name that clearly identifies them as Clients' funds.

7233. Under no circumstances shall any portion of a Client's monies be withdrawn except for purpose of payment of deposits and margins to the Clearing House, payment of debts due to the Member from a Client, or reimbursement of monies expended by the Member on behalf of such Client, monies drawn on the Clients' authority, and monies properly requested for payment in connection with any physical deliveries of transactions on the Exchange.

7234. No Member shall use Clients' funds domiciled under its administration for proprietary and/or personal use.

7235. Any Member who fails, refuses, or neglects to comply with the foregoing provisions shall be guilty of an offense and shall be liable to a penalty of N1,000,000 and a further sum of N5,000 for every day the default persists;

7236. Any Member who violates the provision of this Rule 7.23 shall be liable to the payment of interest at the ruling Nigerian Inter-Bank Offer Rate (NIBOR) on the aggregate credit balance on the Client's accounts.

#### **7.24. FIDUCIARY RELATIONSHIP**

7241. All Members shall be in a fiduciary position in relation to all transactions undertaken on behalf of their Clients and shall be bound to act in good faith and with utmost diligence in executing Clients' Orders.

7242. A Member shall not be allowed to benefit from the Client's money or proceeds in any way other than his commission and shall account for all Client's money or proceeds or benefits therefrom.

#### **7.25. SPECIFICATION OF CODES AND OPERATIONAL PARAMETERS**

The Exchange may provide for an appropriate mechanism for specification, alteration, and rescission of the unique codes for Trades, Exchange Members, Authorised Users, Clients, and operational parameters for tick sizes, trading units, Order types, Order attributes, market view contents, and participation norms for trading through the Trading Platform.

#### **7.26. SURVEILLANCE, MARKET WATCH SYSTEM, INVESTIGATION AND EXCHANGE MEMBERS DATABASE**

7261. The Exchange will undertake market surveillance, incorporating all the functions relating to surveillance, investigation, and any other market-related activity, either by itself or by a separate entity through outsourcing or by a separate and distinct entity established by it, either jointly or in collaboration with any other institution.

7262. The provisions relating to surveillance, market watch system, investigation, any other market-related activities, and Exchange Member's database shall be

specified in the relevant circulars and notices issued hereunder.

## **8. ELECTRONIC AUCTION AND REVERSE AUCTION**

### **8.1. PRE-TRADE PROCEDURES**

A Member who wishes to participate in the Exchange's electronic auction must submit an application and receive clearance as an Authorised User.

### **8.2. MARGIN REQUIREMENTS**

821. An Authorised User shall, in respect of Trades in which he is a party, deposit a margin in the manner and to the extent specified by the Exchange ten (10) days prior to the commencement of a Trade.

822. All fees are subject to the approval of the Commission

### **8.3. PARTICIPATION**

831. Participants on the electronic auction Trading Platform shall include all Members of the Exchange, including buyers, sellers, and their Authorized Persons, all requiring a valid registration code which is issued by the Exchange. The valid registration code shall be the Member's identification code on the electronic Trading Platform

832. All Members shall be required to register the names of their Authorized Person in writing with the Exchange. Where a Member intends to change its Authorized Person, the Member can give written notice to the Exchange no later than one (1) Working Day prior to the date on which electronic auction will take place.

833. There shall be an Exchange auction participation fee with the approval of the Commission which is chargeable electronically in every auction, at a specific rate as determined by the Exchange.

834. The fee rate shall be reviewed from time to time at the discretion of the Auction Management Committee, and any changes thereof shall be advised in good time with the approval of the Commission.

835. The participation fee is for covering all the expenses incurred by the Exchange relating to its infrastructure maintenance and market development costs.

836. All Authorized Persons will be allowed access to the Trading Platform upon execution of an Electronic User Agreement and such other agreements as may be required from time to time by the Exchange.

837. A Member can appoint an Authorized Person in accordance with these Rules

upon making an application to the Exchange. The Exchange reserves the right to reject any application or withdraw any approval previously granted, or suspend any Authorised Person at its sole discretion. Such suspension may be conditional and may be revoked on the fulfillment of conditions specified, if any, to the satisfaction of the Exchange.

838. An Authorized Person shall access the Trading Platform via a password and may change such password from time to time. An Authorized Person shall maintain complete secrecy of his password.

839. Any bid or transaction conducted by use of password of any Authorized Person of the Auction, shall be binding on such Member. An Authorized Person shall be required to change his password at the end of the password expiry period. The Exchange shall prescribe the password expiry period.

#### **8.4. CONDITIONS OF SALE**

841. The Exchange shall have the right to set reserve prices electronically for each lot, in collaboration with the seller.

842. The Commodity cannot be offered at a price below the reserve price in auction. It can be offered in kerb session.

843. A no-bid lot shall mean a lot that has not attracted any electronic bids on the Trading Platform.

844. Withdrawn lots must be declared, in writing, to all Members and the Exchange's offices in advance of the electronic trading session in which the Commodity was to be sold.

#### **8.5. PROMPT DATE OF PAYMENT**

851. All Commodities should be paid for by the prompt date determined by the Exchange.

852. A buyer who has not settled his payments in full by the prompt date shall be considered as a defaulter. Such buyer shall also receive from the Exchange a notice in writing of his default, together with the amount of interest to be charged on the outstanding payments.

853. If a buyer has failed to pay the outstanding payments, inclusive of interest, within the specified calendar days from the prompt date, that buyer shall be suspended and notified in writing by the Exchange, not to participate in any subsequent electronic auctions. In this event, the Commodity affected shall be withdrawn and re-offered for sale electronically in consultation with the seller.

854. Habitual default, to be determined by the auction management committee, may result in the defaulter being barred from participation in any future

Exchange markets.

## **8.6. BID EXECUTION**

86.1. A bid is executed in the Trading System when the following conditions occur:

8.6.1.1. A buyer places a bid in an open auction that has a valid reserve price;

8.6.1.2. The next bid must be higher (lower for reverse auction) than the current bid in the Trading System with minimum tick size;

8.6.1.3. The price of the bid (offer for reverse auction) equals or is greater (less for reverse auction) than the reserve price;

8.6.1.4. All bids entered and activated are queued by the price priority basis in Trading System.

## **8.7. BID VALIDATION**

A Bid entered into the Trading System by an Authorized Person or buyer shall be subject to a trading limit or turnover limit and any other validation requirement the Exchange may require from time to time. The Trading System shall reject any bid that does not pass the validation check.

## **8.8. BID CANCELLATION**

88.1. Bids generated on the Trading Platform are irrevocable and 'locked in'. The Exchange may specify the manner if any, in which bid cancellation can be effected. Where bid cancellation is permitted and an Authorized Person wishes to cancel a bid, it may be done only with the approval of the Exchange.

## **9. SETTLEMENT, PAYMENT, AND DELIVERY**

### **9.1. SETTLEMENT**

9.1.1. In order to facilitate smooth payment and settlement, all Members of the Exchange participating in trading shall be required to open such number of Bank accounts with designated Settlement Banks as may be advised by the Exchange.

9.1.2. To ensure real-time payment and settlement of funds, the Exchange will designate a Settlement Bank which will ensure the quick settlement of contracts.

9.1.3. Every Member wishing to buy Commodities through the Exchange shall open two Bank accounts as follows:

9.1.3.1. a settlement account which shall be a blocked account to be used by the Settlement Bank to execute debit and credit instructions from the Exchange. The Settlement Bank shall be required to specify the Clearing limit of this account; and

9.1.3.2. a trade account which the Member shall use to pool the balances from different Clients or Members and transfer the funds to the

settlement account. The Exchange shall have a lien over funds in settlement accounts.

- 9.14. All such Members shall be required to strictly follow instructions of the Exchange in respect of the operation of such Bank accounts, minimum balance, and segregation of Clients' funds and own funds and any other instructions the Exchange may deem proper.
- 9.15. Members shall submit an irrevocable mandate in writing enabling the Exchange to debit and credit their accounts electronically. They shall be required to keep the accounts adequately funded, so as to enable the Exchange to recover its dues by debiting their respective Bank accounts.
- 9.16. The settlement of Trades on the Exchange is based on T+1 system. Under this system, a transaction shall have to be settled on the Working Day following the transaction.

## **9.2. DELIVERY**

921. A Member shall immediately after settlement of payment issue a Delivery Order of Commodities traded on the Exchange to the Clearing House.
922. The Delivery Order shall specify the Commodity to be collected, preferable pickup date and time, buyer's or his user's name, phone number, identity number and type of identity, driver name, driving license, and vehicle plate number or other information according to as developed by the Exchange.
923. The Delivery Order shall be signed and submitted by the Member or the user to the Exchange. Provided that if the mentioned driver on the Delivery Order cannot be available for the pickup, the Member can change the driver information and vehicle plate number by correcting the existing Delivery Order at the Exchange.
924. The Exchange shall issue the handover instruction to the Warehouse which shall have the details provided by the buyer on the Delivery Order.
925. The buyer or his agent shall within the period specified in the contract specifications take physical delivery of the Commodities purchased by him on the Exchange from the Warehouse upon producing identity documents recorded on the Delivery Order including the Warehouse Receipt and shall sign a Commodity Handover Voucher.
926. The Exchange may unilaterally extend the period of Delivery or provide for a longer period of Delivery if, in its opinion, such an extension of time has become necessary due to force majeure.
927. The signing of the Commodity Handover Voucher by the buyer or his user shall be evidence that the buyer has confirmed the good delivery of the Commodity.
928. The Warehouse shall transmit the transaction conducted (the Daily Position

Record) to the Exchange on a daily basis for updating of the Exchange's database regarding the beginning inventory, day's deposits, and withdrawals, and day's final inventory on hand.

### **9.3. PARTIAL DELIVERY**

931. Partial pick-up shall result in the issuance of a Commodity Handover Voucher for each partial pick-up and such Commodity Handover Voucher shall only be issued to the buyer or his agent when complete Delivery of the portion of the consignment being delivered is effected.

932. The buyer shall ensure that the full consignment is collected within the period specified in the contract specification.

### **9.4. PENALTIES FOR LATE OR NO PICK-UP**

941. If the buyer or his Authorised Person does not take Delivery within the period specified in the contract specifications the Exchange shall impose a late pick-up penalty that it shall determine from time to time and payable by the buyer.

942. If the aggregate of the accumulated late pick-up charges and all other liabilities equals the value of the deposited Commodity, the Exchange shall liquidate the deposited Commodity. Any shortfall in funds after liquidation will be for the account of the buyer.

943. For the purpose of this Rule, the value of the Commodity shall be the consideration that the Member paid for the Commodity on the transaction day.

944. The Exchange shall give two (2) notices of late pick up to the Buyer as follows:

9.4.4.1. at start of the late period; and

9.4.4.2. five (5) days prior to liquidation.

945. The buyer or his agent will only take receipt of the late pick-up after settling accumulated penalty charges to the Exchange in accordance with the prescribed procedures of the Exchange if any.

## **10. DISPUTE RESOLUTION**

### **10.1. CONCILIATION**

10.1.1. In all claims, differences and disputes, irrespective of whether the Exchange is a party to or not, arising out of or in relation to transactions on the Exchange, including any agreements and contracts made subject to these Rules or with reference to anything incidental thereto or in pursuance thereof or relating to their validity, construction, interpretation, fulfillment or the rights, obligations, and liabilities of the parties thereof and including any question of whether such agreements, contracts and transactions have been entered into or not, the



parties shall adopt conciliation proceedings subject to the provisions of these Rules.

10.1.2. An officer of the Exchange shall be present at all conciliation proceedings in which the Exchange is not a party. All conciliation proceedings shall be presided over by an independent conciliator.

10.1.3. In case the conciliation proceedings do not result in any settlement, the dispute shall be referred to and decided by arbitration, as provided in these Rules.

10.1.4. The Exchange may provide for:

10.1.4.1. Norms, procedures, forms, jurisdiction, terms, conditions, and scale of arbitration fees and other charges for reference to arbitration;

10.1.4.2. Appointment of conciliation officers, arbitrators, substitute arbitrators, and umpires:

10.1.4.3. Procedure for serving notice of hearing and adjournment of hearings and communications to the parties and witnesses;

10.1.4.4. Procedure for appearance, hearing, filing of claims and counter claims and taking witnesses and evidence of assessors and experts;

10.1.4.5. Procedure for issue of arbitration awards; and

10.1.4.6. Procedure for implementation of arbitration awards.

## **10.2. APPOINTMENT OF CONCILIATORS**

10.2.1. There shall be a single conciliator mutually appointed by the parties. Where the parties do not agree on the appointment of the conciliator within 10 working days, the Exchange shall appoint a conciliator and its decision shall be final.

10.2.2. In the event the Exchange is a party to a dispute, a neutral third party (such as the President of the Chartered Institute of Arbitrators, UK (Nigeria Branch)) will have the power to appoint the conciliator if the parties fail to reach a mutual decision.

## **10.3. PANEL OF CONCILIATORS**

10.3.1. Where it is considered necessary or required, the Exchange may constitute a panel of conciliators consisting of persons who shall be drawn from people possessing expertise in the areas related to the Commodities market and other relevant fields like industry, commerce, economics, finance, accountancy, and law.

## **10.4. SUBMISSION OF STATEMENTS TO CONCILIATOR**

10.4.1. The Conciliator shall, upon his appointment, require each party to submit to him

a brief statement in writing describing the general nature of the dispute, the issues, and the amount of the claim, if any, within the time stipulated by the conciliator. Each party shall forthwith serve the other party with a copy of such statement.

1042. At any stage of the conciliation proceedings, the conciliator may require a party to submit to him such additional information, as he may deem appropriate.

1043. Any information submitted to the conciliator under this sub-rule 10.4. be confidential and the conciliator shall not disclose such information to a third party.

#### **10.5. COMMUNICATION BETWEEN CONCILIATOR AND PARTIES**

1051. The conciliator may invite the Disputing Parties to meet him or may communicate with them in writing and may meet or communicate with the disputing parties together or with each of them separately. The parties shall, in consultation with the conciliator, determine the place where the conciliation meetings shall be held.

#### **10.6. CESSATION OF CONCILIATION PROCEEDINGS**

1061. If no reply is received by the conciliator to the invitation for initiating conciliation within ten (10) days from the date of communication inviting conciliation or the period specified in the invitation, whichever is earlier, conciliation proceedings in such an event shall not proceed and the party shall then be free to refer the dispute, difference or claim to arbitration as provided under these Rules.

#### **10.7. CO-OPERATION OF PARTIES WITH CONCILIATOR**

1071. The parties shall in good faith co-operate with the conciliator and in particular shall endeavour to comply with the requirements specified by the conciliator for submitting written materials, providing evidence, and attending meetings, if any.

#### **10.8. SUGGESTIONS BY PARTIES FOR SETTLEMENT OF DISPUTES**

1081. Each party may, on his own initiative or at the invitation of the conciliator, submit to the conciliator, suggestions for the settlement of the dispute.

#### **10.9. ADMISSIBILITY OF EVIDENCE IN CONCILIATION PROCEEDINGS**

1091. The parties shall not rely on or introduce as evidence in conciliation proceedings, whether or not such evidence relating to the dispute, and more particularly with respect to the following:

10.9.1.1. Views expressed or suggestions made by the other party in respect of a possible settlement of the dispute;

10.9.1.2. Admissions made by the other party in the course of the conciliation proceedings;

10.9.1.3. Proposals made by the conciliator for a settlement; and

10.9.1.4. The fact that the other party had indicated his willingness to accept a proposal for settlement by the conciliators.

#### **10.10. ROLE OF CONCILIATOR IN OTHER PROCEEDINGS**

10.10.1. Unless otherwise agreed upon by the parties, the conciliator shall not act as an arbitrator or as a user or as a counsel or as an attorney or advocate of a party in any arbitral or judicial proceedings in respect of a dispute, which is the subject of the conciliation proceedings.

10.10.2. The conciliator shall not be presented by the parties, as a witness in any arbitral or judicial proceedings.

#### **10.11. DEPOSITS**

10.11.1. The conciliator may direct each party to deposit with the Exchange an amount, to be shared equally between the parties, as an advance for the costs which the Conciliator expects to be incurred.

10.11.2. If the required deposits are not paid in full by the parties within five (5) Working Days from the date of the direction by the conciliator, the conciliator may notify the parties of the default and suspend the proceedings.

10.11.3. Upon termination of the conciliation proceedings, the Exchange shall render an account to the parties of the deposits received and expenses incurred and shall return the balance amount, if any, to the parties in the ratio of their deposits, within five (5) working days.

#### **10.12. COMPLETION OF CONCILIATION PROCEEDINGS**

10.12.1. The conciliation proceedings for the settlement of any dispute shall be deemed to have commenced on the date of appointment of the conciliator as provided in these Rules and shall be completed within a period of twenty (21) working days from the date of commencement of such proceedings.

#### **10.13. SETTLEMENT AGREEMENT**

10.13.1. When it appears to the conciliator that there exists a possibility of settlement, which may be acceptable to the concerned parties, he may formulate the terms of a possible settlement and submit them to the parties for their observations. After receiving the observations of the parties, the conciliator may reformulate the terms of the possible settlement in the light of such observations.

10.13.2. If the parties reach an agreement on a settlement of the dispute, they may draw up and sign a written settlement agreement. If requested by the parties, the conciliator may draw up, or assist the parties in drawing up the settlement

agreement.

10.133. When the parties sign the settlement agreement, it shall be final and binding on the parties and persons claiming under them respectively.

10.134. The conciliator shall authenticate the settlement agreement and furnish a copy thereof to each of the parties and to the Exchange (if, the Exchange is not a party).

#### **10.14. STATUS AND EFFECT OF SETTLEMENT AGREEMENT**

10.14.1. The settlement agreement shall have the same status and effect as if it is an arbitral award.

#### **10.15. COSTS**

10.15.1. Upon termination of the conciliation proceedings, the conciliator shall provide the Exchange with the detailed cost of conciliation on the basis of such schedule of fees as may be provided in the relevant SEC rules and the Exchange shall give notice thereof to the parties on the costs of the conciliation.

#### **10.16. DISPUTE BETWEEN THE EXCHANGE AND A MEMBER**

10.6.1 Any dispute between the Exchange and a Member arising out of or in connection with these Rules shall be referred to and finally resolved by conciliation under the Arbitration and Conciliation Act, CAP. A18, Laws of the Federation of Nigeria 2004 which provisions are deemed to be incorporated by reference into this Rule 10 of these Rules.

10.6.2 The number of arbitrators shall be three (3). Each party shall appoint one (1) arbitrator and the remaining arbitrator shall be appointed by agreement between the arbitrators appointed by each party. The third arbitrator shall serve as Chairman.

10.6.3 The seat or place of arbitration shall be Abuja, FCT. The language to be used in the arbitral proceedings shall be English.

#### **10.17. TERMINATION OF CONCILIATION PROCEEDINGS**

10.17.1. The conciliation proceedings shall be terminated –

10.17.1.1. by the signing of the settlement agreement by the parties, on the date of the agreement;

10.17.1.2. by a written declaration of the conciliator, after consultation with the parties, to the effect that further efforts in conciliation are no longer justified, on the date of the declaration;

10.17.1.3. by a written declaration of the parties addressed to the conciliator to the effect that the conciliation proceedings are terminated, on the date of the declaration; or

10.17.1.4. by a written declaration of a party to the other party and the

conciliator that the conciliation proceedings are terminated, on the date of the declaration.

10.17.2 The conciliator shall, upon the termination of the proceedings, send an intimation thereof in writing to the parties and to the Exchange (if, the Exchange is not a party).

**10.18. CONFIDENTIALITY**

10.18.1. The conciliator and the parties shall keep confidential all matters relating to the conciliation proceedings, except where their disclosure is necessary for the purposes of implementation and enforcement of the settlement agreement.

**10.19. ARBITRATION**

10.19.1. The Exchange will from time to time issue rules & regulations guiding arbitration proceedings between Disputing Parties.

**11. MISCELLANEOUS**

**11.1. LIMITATION OF LIABILITY**

11.1.1. The Exchange shall not be liable for any activities of its Members or of any other person, authorised or unauthorised, acting in the name of any Member, and any act of commission or omission by any one of them, either singly or jointly, at any time, shall not be in any way construed to be an act of commission or omission by any one of them, acting as an agent of the Exchange.

11.1.2 Save as otherwise specifically provided in these Rules, the Exchange shall not incur and shall not be deemed to have incurred any liability, and accordingly, no claim or recourse shall lie against the Exchange, any member of the Board, or any other authorised person acting for and on behalf of the Exchange, in respect of or in relation to any transaction entered into through the Exchange made by its Members and any other matters connected therewith or related thereto, which are undertaken for promoting, facilitating, assisting, regulating, or otherwise managing the affairs of the Exchange to achieve its objects as defined in the Memorandum and Articles of Association of the Exchange.

**11.2. PROTECTION FOR ACTS DONE IN GOOD FAITH**

No claim, suit, prosecution, or any other legal proceedings shall lie against the Exchange or any member of the Board or any other duly authorised person acting for and on behalf of the Exchange, in respect of anything which is done or intended to be done or omitted or intended to be omitted in good faith in the exercise of any power under these Rules or in pursuance of any Order or any other kind of communication received by the Exchange, in writing, from any court, tribunal, Government or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.

**11.3.      SECRECY OR CONFIDENTIALITY**

- 11.3.1.      The Exchange shall take necessary steps to preserve and protect the details, particulars, data, or information available in the Trading Platform and its computer system. The Exchange shall cause its employees who, in the normal course of discharge of their duties, are likely to have access to details, particulars, data, or information relating to any business transactions of the Members of the Exchange to maintain complete confidentiality in respect of all such details, particulars, data, and information by those employees at all times.
- 11.3.2.      The Exchange may provide or disclose such details, particulars, data or information relating to any business transactions of its Members or in respect of any Commodity admitted to dealings on the Exchange as may be required or directed in writing by any court, tribunal, the Commission or any other competent regulatory or revenue authority empowered under any law or delegated legislation for the time being in force in that behalf.
- 11.3.3.      No Exchange Member, Authorized User, Authorized Person, or any of their employee shall be entitled to visit or inspect any premises of the Exchange, access whereto is restricted, without the prior written permission of the Exchange or to require the discovery of any information with respect to any activities of the Exchange or any matter which is or may be in the nature of a trade secret, mystery of trade, secret process or any other matter which may relate to the conduct of the business and which in the opinion of the Exchange may not be expedient in the interest of the Exchange to disclose.

**11.4.      CONFIDENTIAL INFORMATION**

- 11.4.1.      No officer of the Exchange shall directly or indirectly make unauthorized disclosure or improper use of any information that may come into his possession as a result of his official position or former official position in the Exchange, which if generally known might reasonably be expected to affect materially the price of commodities traded in the Exchange. Failure to comply with this Rule shall be considered to be a major violation and shall be dealt with by the Exchange in the manner it considers appropriate.
- 11.4.2.      No officer of the Exchange shall directly or indirectly make unauthorized disclosure or improper use of any information that may come into his possession as a result of his official position or former official position in the Exchange, to derive direct or indirect advantage for himself or any other person. Failure to comply with this rule shall be considered to be a major violation and shall be dealt with by the Exchange in the manner it considers appropriate.
- 11.4.3.      No employee of the designated Settlement Bank shall directly or indirectly make unauthorized disclosure of any information that may come into his possession as a result of the function of the Bank as a Settlement Bank. The designated

Settlement Bank would be responsible for the activities of all its employees and any violation by its employees shall be subject to such action, as the Exchange may deem fit.

#### **11.5. INDEMNITY**

11.5.1. Every Member of the Exchange shall indemnify and keep indemnified the Exchange from and against all harm, loss, damages, injury, and penalty suffered or incurred and all costs, charges and expenses incurred in instituting or carrying on or defending any suits, action, litigation, arbitration, disciplinary action, prosecution or any other legal proceedings suffered or incurred by the Exchange on account of or as a result of any act of commission or omission or default in complying with any of the provisions or the authorities regulating Commodity trading in the area where such trading takes place, and the rules framed there under or these Rules of the Exchange or due to any agreement, contract or transaction executed or made in pursuance thereof or on account of negligence or fraud on the part of any Member of the Exchange or the Clearing House and their employees, servants, and agents.

#### **11.6. DISCLAIMER**

Where any loss or damage is caused to or incurred by any party or person on account of or as a result of any act of commission or omission or default in complying with any of the provisions of any statute or the condition imposed by the Commission or these Rules of the Exchange or any agreement, transaction or contract executed or made in pursuance thereof on account of negligence or fraud on the part of any Member of the Exchange or the Clearing House that is not a part of the Exchange but is an independent entity or their employees, servants or agents, and in the event of the Exchange making good or being required to make good such loss or damages (or any part thereof) to such party or person, the Exchange shall be entitled to recover the amount so made good by it from the Member of the Exchange in default.

#### **11.7. SEVERABILITY**

11.7.1. If any provision of these Rules is rendered unlawful, void, or unenforceable by reason of any statutory amendment, re- enactment, notification, or any judicial decision or pronouncement by any competent court, such provision shall, to the extent required, be severed and rendered ineffective without in any way affecting the validity or enforceability of the rest of the provisions of these Rules, which shall continue to apply with full force and effect, provided further that the action already taken earlier under such provision shall remain unaffected.

#### **11.8. FORCE MAJEURE**

- 11&1. The Exchange shall provide its services on a best effort basis and it shall not be liable for any harm, loss, damage, and injury caused to any person arising in any way out of causes beyond its control.
- 11&2. Without prejudice and notwithstanding anything contained hereinabove, any failure on the part of the Exchange out of causes beyond its control shall not in any way reduce, alter, limit or affect the liability of a Member of the Exchange in respect of any transaction entered into or executed through the Trading Platform or any other Trading Platform of the Exchange by such Member.
- 11&3. Any delay or failure to observe or comply with any requirement, either in full or in part under these Rules may be dealt with by the Exchange as a violation of the Rules of the Exchange.
- 11&4. The provisions of these Rules are intended solely for the benefit of the stakeholders of the Exchange, their Clients, and their respective successors or permitted assigns, if any, to facilitate carry out the Orders by the Members either for themselves or on behalf of the Clients, whether such Orders are placed directly with the Members or through any one of other intermediaries and determine rights and liabilities inter-se between the Members, other intermediaries and Clients and across themselves, in relation to trading, Clearing and Settlement of Trades as provided in these Rules and the regulations framed thereunder and these provisions do not confer any beneficiary right to any other party or person.

#### **11.9. GOVERNMENT AUTHORITY**

- 11.9.1. Notwithstanding anything contained in these Rules, the dealings in agriculture produce or any other Commodities shall be subject to relevant regulations, directives, or orders of organs of Government with competent and relevant jurisdiction and to the extent of any inconsistency with the general provisions of these Rules the conditions provided by in the relevant regulations shall prevail.



ANNEX A



**General Terms**

Trading Rules

Issued by AFEX Commodities Exchange

## 1 INTRODUCTION

- 1.1 AFEX Commodities Exchange (subsequently, The Exchange) is a limited liability company registered in Nigeria and authorized by the Securities and Exchange Commission (Nigeria) and offers trading facilities for Exchange Members in Exchange Listed Products.
- 1.2 The Trading Rules are a set of private law agreements applying to the Exchange and Exchange Members in respect of Exchange Trading in Exchange Listed Products and relevant activities, consisting of these General Terms and the Trading Appendices. The Trading Rules are supplemented by the relevant Trading Agreement(s) entered by each Exchange Member. The Contract Specifications shall prevail in case of conflict.

## 2 INTERPRETATION, DEFINITIONS, AND ABBREVIATIONS

- 2.1 Capitalized terms in the Trading Rules shall have the meanings assigned to them in the Definitions or as otherwise defined in the individual Trading Appendixes or in the text body of the Trading Rules. Terms combining several defined terms shall, unless otherwise defined herein, be understood as a combined reference to such terms and the meaning of the combination term shall be construed accordingly.
- 2.2 References to a person or entity include a body corporate, an unincorporated association of persons, or any other legal entity or natural person. References to a party include references to the rightful successors or assignees (immediate or otherwise) or nominees of that party.
- 2.3 References to any law or statute include amendments, consolidations, re-enactments, and replacements of it. Unless otherwise specified, references to any law or statute are to the laws and statutes of Nigeria, save that, references to "applicable law" shall mean the laws and regulations applicable under any relevant jurisdiction, including any order or judgment or other decisions of any competent court or Regulatory Body in accordance with such laws or regulations at the relevant place and time.
- 2.4 References to points in time refer to West African Time unless otherwise specified. Time is specified in the 24- hour format and dates are in the little-endian date format (i.e. day-month-year). References to days, weeks, and months are, unless otherwise specified, references to calendar days, weeks, and months. A calendar week starts on Monday and ends on Sunday. A quarter spans three consecutive calendar months, and the first quarter starts on the first day of the calendar year.
- 2.5 Any words importing the singular shall admit the plural where the context admits and vice versa. Any words importing the neutral gender shall include the feminine gender and the masculine gender (in respect of a natural person).

- 26 The term "including" shall mean "including without limitation", and variations of the word shall have the same effect.
- 27 Any reference to the Exchange having a right to make a decision or termination or to form any opinion or judgment shall unless as otherwise stated mean that the Exchange has the right to exercise its sole and unfettered discretion in doing so.
- 28 References to communications in writing shall unless otherwise specified include fax, e-mail, and communications via the Exchange website or any means deemed necessary by the Exchange.

### **3 APPROVAL OF EXCHANGE MEMBER**

- 3.1 The membership of the Exchange will be categorized into three clear categories with varying levels of functions and allowances. These categories include Brokers, Broker-Dealers, and Dealers.
- 3.2 Only entities found by the Exchange to be so qualified shall be permitted as Exchange Members. For the purpose of determining whether any applicant is qualified, the Exchange may establish minimum operating requirements (per membership category), in alignment with the applicable provisions of the SEC Rules, experience, and other information relating to any applicant or Exchange Member, and may take such other steps as it may deem necessary to ascertain the facts bearing upon the question of qualification.
- 3.3 No natural persons will be permitted as Members of the Exchange. The broker and broker-dealer categories are reserved for non-natural persons that fulfill the minimum operating requirements to execute the functions of such as set out by the Securities and Exchange Commission (SEC).
- 3.4 An entity seeking membership shall apply to the Exchange in the form prescribed by the Exchange. Applicants shall meet the requirements for membership set out in the rule book of the Exchange. Upon approval of the application, the legal entity is admitted as an Exchange Member by entering into an Exchange Member Agreement with the Exchange.
- 3.5 In the course of an application process, prospective Exchange Members shall provide any information and documentation deemed relevant and as requested by the Exchange in order for the Exchange to undertake its due diligence assessment against the membership criteria prescribed in these Trading Rules and other requirements of the Trading Rules, including the Appendices.
- 3.6 Applicants shall ensure that all applicable information that is furnished by or on behalf of it in connection with the application process is true, accurate, and complete in every material respect as of the date it is furnished to the Exchange. Applicants shall additionally endeavour to inform the Exchange about all other

circumstances relevant to the Exchange's assessment of the information furnished unless such information is of general nature and it can be reasonably assumed that the Exchange is already aware of the relevant issues. All information supplied shall be provided in English unless the Exchange approves the use of another language. Except as otherwise agreed in writing or as set out in these Trading Rules, the applicant and the Exchange shall cover their own incurred costs relating to the application process, including costs for external services as procured by either party. Refused membership shall not entitle the applicant to make any claim for indemnification or compensation for any reason whatsoever, nor shall any cost or loss arising from any delay or error in the application procedures result in any liability for the Exchange.

37 Applicants applying for the broker and broker-dealer categories shall provide the Exchange with information on the applicant's legal and regulatory status, financial soundness, organisation, level of competence and other matters as the Exchange deems relevant and appropriate to consider their fitness for membership, including further evidence for the Exchange to verify the authenticity or correctness of any information submitted. All such information requested from the applicant shall be provided free of charge to the Exchange.

38 Applicants similar to those in 3.7 above shall, if so requested by the Exchange and without cost to the Exchange, provide a legal opinion satisfactory to the Exchange on such issues as the Exchange considers appropriate to consider its fitness for membership, including that the applicant is legally entitled to undertake the relevant Exchange Transactions under applicable law, signatory powers and signing procedures relating to the applicant, and generally that the Exchange Agreements and all other legal arrangements with the Exchange (and the Clearing house) will be valid and legally binding on the applicant if accepted as a member.

39 The Exchange may decide to waive any of the requirements towards individual applicants. The Exchange may furthermore set additional terms and conditions for membership for individual applicants where the Exchange deems that it has just cause for doing so, including any terms and conditions that may follow from legislation in the jurisdictions where the applicant is domiciled and/or operates or from extraordinary properties of the individual applicant.

3.10 The Exchange will inform applicants about the outcome of the application process in writing. If approved, the applicant and the Exchange shall then sign and execute the relevant Trading Agreements (together with applicable third parties if mandated by the individual arrangements).

#### 4.0 MEMBERSHIP REQUIREMENTS

#### 4.1 Exchange Trading Eligibility

4.1.1 Exchange Trading is available for eligible Exchange Members in Exchange Listed Products as set out in the Contract Specifications.

4.1.2 Exchange Trading shall be performed in accordance with the Trading Procedures described under the Market Trading Rules.

4.1.3 In order to be eligible for Exchange Trading, an Exchange Member must at the time that each Order and Exchange Transaction is registered to fulfill the requirements as specified under the various membership categories stated as follows;

##### 4.1.3.1 Investors

Individuals intending to transact in Commodities via the Exchange must:

- a. Be registered with an eligible Member of the Exchange.
- b. Provide all the relevant documents required to identify and fast track payments and settlement of transactions in the event of a Trade.
- c. Fund their accounts with, at least, the equivalent of the amount required to settle the transactions that will be executed on the exchange trading platform.

##### 4.1.3.2 Brokers

Entities willing to register/ remain on the Exchange must fulfill the following requirements

- a. Provide the Exchange with all the relevant documents relating to the legal, financial, organization status of the entity, allowing the Exchange to evaluate its position.
- b. Maintain its status as a Member of the Exchange and not have its rights revoked/suspended due to violation of the Exchange Trading Rules.
- c. Indicate organizational/individual understanding of the commodities markets
- d. Hold one or more Trading Accounts for registration of Exchange Transactions in its own name.

4.1.4 In addition to the above requirements, all Exchange Members must also

- a. assert and ensure that all Exchange Traders have the necessary skills and capabilities to trade in the commodities market, or are undergoing training and appropriate supervision, in the case of brokers, and have had no material incidents relating to their trading behaviour,

- b. demonstrate appropriate contingency plans in place for absences,
- c. be of good repute and pass checks against sanctions and negative news screening, and not have been found guilty of any significant criminal charges or have been subject to significant sanctions by any other exchange. All information retrieved from the entity's relevant regulator (for regulated entities) must be satisfactory and
- d. have strong risk and compliance capabilities in place. This includes:
  - (i) a formal risk framework/documentation describing processes in place for managing and controlling material risks the Exchange Member is exposed to,
  - (ii) formalized arrangements for the independence of risk and compliance activities from trading,
  - (iii) an assigned and contactable person responsible for compliance (a Compliance Officer),
  - (iv) appropriate pre and post-trade controls in place
  - (v) key functionality in place enabling a Member to immediately cancel any or all unexecuted Orders from individual traders and trading desk of a Client.
  - (vi) have in place the necessary technology to manage network security, integrate with the Exchange's Trading System, and implement the necessary controls and conformance testing.

## **4.2 Recognition of Understanding in Commodities Trading**

4.2.1 An Exchange Member shall appoint one or more individual(s) as its Trading Contact Person(s). A Trading Contact Person must be named, contactable, and meet the requirements in section 4.2.2 below.

4.2.2 An Exchange Member must ensure that he/she or the Trading Contact Person understands and agrees to comply with the Trading Rules and relevant regulatory requirements. In addition, an investor or a Trading Contact Person (for brokers) is deemed to have an appropriate understanding, competence, or qualifications or a combination of these three to trade in the commodities and there have been no material negative incidents connected to that individual's trading. Individuals that do not fulfill this requirement may at the discretion of the

Exchange be deemed to have appropriate competence and qualifications, e.g. through other relevant experience and/or by completing an interview with the Exchange which demonstrates that the person has sufficient knowledge about the Exchange's products and systems and relevant regulatory issues.

4.2.3 The appointment of a Trading Contact Person by a broker is subject to the approval of the Exchange, not to be unreasonably withheld. The Exchange may suspend or withdraw its approval if a Trading Contact Person is deemed unfit by the Exchange at any time.

4.2.4 A Trading Contact Person shall be authorised in the name of the Exchange Member to sign all instruments, to give instructions, to submit Orders, enter into Exchange Transactions, to claim Trading errors, and to perform such other duties as may be required under the Trading Rules and to generally transact all requisite business in connection with the operations on the Exchange under the Trading Rules.

4.2.5 A Trading Contact Person may appoint other individuals as Exchange Traders to submit Orders and conduct Exchange Trading on behalf of the Exchange Member in accordance with the Trading Rules, and to handle Trading errors connected to such activities. The Trading Contact Person may also revoke or amend any such appointments by written notice. The Exchange may suspend or withdraw such individual's rights if the individual is deemed unfit by the Exchange.

4.2.6 An Exchange Trader who does not fulfill the requirements in Section 4.2.2 may only participate in trading when supervised by the Trading Contact Person or another named Exchange Trader meeting the requirements.

4.2.7 All rights and authorizations granted under Section 4.2 are non-exclusive and persons sharing the same rights are authorised to exercise such rights individually and independently of each other in all matters.

4.2.8 Unless otherwise agreed in writing with the Exchange, all appointments, amendments, and withdrawals under this Section 4.2 must be in writing and in such format as the Exchange may prescribe from time to time.

### **4.3 Information Obligations**

4.3.1 The Exchange may at any time request and obtain information relating to the above membership conditions, including, but not limited to the compliance, organization and technical systems, level of experience, and competence level of the Exchange Member. Each Exchange Member shall ensure that the Exchange promptly upon request receives such information as the Exchange in its reasonable discretion may request in order for the Exchange to assess the eligibility and status of the Exchange Member at all times, even where such information is held by third parties. The Exchange may require a legal opinion or similar confirmation on such issues if the same, in the reasonable opinion of the

Exchange, is required. All such information shall be provided free of charge to the Exchange.

- 4.3.2 In order to ensure compliance by the Exchange Members with the Trading Rules, the Exchange shall, subject to relevant statutory and regulatory limitations, such as bank secrecy obligations, have the right to access the trading information at the request of the Exchange in order to conduct audits and in order to obtain any information which the Exchange reasonably deems necessary in order to monitor and ensure compliance with the Trading Rules and in order to fulfill its obligations pursuant to applicable securities and clearing operation legislation and regulations.
- 4.3.3 An Exchange Member shall immediately notify the Exchange in writing of the occurrence of any of the following events or as soon as the Exchange Member finds it likely that any of the following events may occur:
- a. any Non-Compliance Event under the Trading Rules
  - b. any disciplinary, criminal, or regulatory proceedings related to Trading and Clearing activities involving the Exchange Member or any related persons;
  - c. any Default Event or Insolvency Event under the Clearing Rules, including any breach of the representations and warranties from the Exchange Member;
  - d. any merger, de-merger, or other business re-organisation of the Exchange Member affecting the organization of its trading unit(s) involved in Exchange Trading, including change of management where the management is not replaced by a substantially equivalent qualified person(s);
  - e. any changes to its regulatory status or other material changes to its business which may affect its Exchange Trading, its Exchange Trading eligibility, or its membership with the Exchange;
  - f. a replacement of Trading Contact Person(s), Compliance Responsible and/or nominated Exchange Traders;
  - g. any other matter relating to it of which an Exchange Member acting in good faith would reasonably expect to be of interest to the Exchange in relation to Exchange Trading and its position as an Exchange Member.
- 4.3.4 The provisions under Rule 4.3.3. (d), (e), and (f) apply to brokers and broker-dealers only.
- 4.3.5 An Exchange Member may appoint a person as an administrator to its OMS portal when such Exchange Member opts to use the OMS platform.
- 4.3.6 The Exchange may require that any information or data to be submitted or certifications to be made by the Exchange Member under these Rules shall be



submitted or made, as the case may be. The Exchange Member must ensure that all information in Member Portal is kept up to date at all times.

#### 4.4 Representations and Warranties

4.4.1 The Exchange Member represents and warrants to the Exchange on each date on which an Exchange Transaction is entered into that:

- a. **Power.** It has the power to perform its obligations under the Trading Rules and each Exchange Transaction;
- b. **Status.** It is duly organized and validly existing under the laws of the jurisdiction of its organisation or incorporation (and, if relevant under those laws, is of good standing) and, that it meets the conditions for membership stated in the Trading Rules;
- c. **Risk Assumption.** It is aware of and understands the characteristics of the Products and the risks related thereto, and it has entered into the Exchange Transactions to which it is a party after a full opportunity to review their terms and conditions, and has a sufficient understanding of those terms and conditions and of their risks, and is capable of assuming those risks;
- d. **No Violation or Conflict.** The execution, delivery, and performance of the relevant Trading Agreements and of Exchange Transactions do not violate or conflict with any applicable law or any provision of its constitutional documents applicable to the Exchange Member or any of its assets, or any contractual restriction binding on or affecting it or any of its assets;
- e. **Required Authorisations.** All Required Authorisations under the applicable laws have been obtained and are in full force and effect, and all conditions of any Required Authorisations have been complied with, and there are no further licenses or filings with or other acts by or in respect of any Regulatory Body or competent court that are required to be obtained, made or done by the Exchange Member in connection with Trading or Clearing, nor is it necessary in order to ensure the validity or enforceability of the Transaction that the Transaction, the Trading Rules or any Clearing Agreement are filed, registered or recorded by the Exchange Member in any public office;
- f. **Obligations Binding.** Its obligations under each Exchange Transaction and the Trading Rules constitute legal, valid, and binding obligations of the Exchange Member, enforceable in accordance with their respective terms subject to applicable law affecting creditors' rights generally and to equitable principles of general application;
- g. **Compliance.** No Non-Compliance Event, or event that with notice or lapse of time or both would constitute a Non-Compliance Event, has occurred with

respect to it, and no such event would occur as a result of its entering into or performing its obligations under the Trading Rules;

- h. **No Litigation.** No litigation, arbitration or administrative suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency, official, or arbitrator is pending or, so far as it is aware, threatened against it that would, if adversely determined, result in a material adverse change in its financial condition or its ability to perform its obligations under the Trading Rules, or that is likely to affect the legality, validity or enforceability against it of the Trading Rules or its ability to perform its obligations thereunder;
- i. **Accurate Information.** All applicable information that is furnished in writing by or on behalf of the Exchange Member which is identified as being subject to or connected to the Trading Rules (including any information submitted in the membership application process) is, as of the date it is furnished to the Exchange, true, accurate and complete in every material respect; and
- j. **No Encumbrances.** The Exchange Member shall deliver to the Exchange any deliverables under the Trading Rules free and clear of all liens, security interests, claims, and encumbrances, or any interest in or to them by any person, except where in favour of the Exchange or the Clearinghouse.

## 5 FEES AND SETTLEMENT

- 5.1 Fees related to Exchange Trading shall be in accordance with the transaction fees schedule, as approved by the Commission from time to time.
- 5.2 For brokers, settlement of fees for membership and Exchange Transactions shall be carried out through the designated Clearing system.

## 6 MARKET MAKERS

- 6.1 An Exchange Member may be approved as Market Maker, in which case the Exchange Member and the Exchange shall sign a Market Maker Agreement. An Exchange Member wishing to be associated as a Market Maker shall enter into a Market Maker Agreement with the Exchange. Further details on the obligations of a Market Maker, including the requirements for any Exchange Member pursuing a Market Making Strategy, to enter into a Market-Making Agreement are set out in section 6.4 below.
- 6.2 Market Maker Spread, Market Maker Volume, and Market Maker Hours follow from the relevant Market Maker Agreement. The Exchange shall upon request make such information available to Exchange Members.
- 6.3 An Exchange Member which has entered into a Market Maker Agreement with the Exchange may become a Market Maker. Certain Exchange Members are

required to enter into such agreement under the circumstances set out in section 6.4 below. Unless otherwise agreed between the Exchange and the Market Maker, the provisions set forth below shall apply to Market Making.

- 6.4 An Exchange Member that is pursuing a Market Making Strategy shall enter into a Market Maker Agreement and notify the Exchange about the Exchange Listed Products in which it wishes to pursue a Market Making Strategy were, during half of the trading days over a one month period, in the execution of the Market Making Strategy it:
- a. posts firm, simultaneous two-way Quotes of comparable size and competitive prices; and
  - b. deals on its own account in at least one Instrument on the Exchange for at least 50% of the Trading Hours of the Exchange.
- 6.5 The Market Maker shall continually, or upon demand, place two-way Quotes in all Exchange Listed Products covered by its Market Maker Agreement.
- 6.6 Exchange Listed Products that are covered by the Market Maker's obligations shall be specified in the Market Maker Agreement. The Exchange may grant exemptions from the Market Maker obligations for a limited period of time in Exceptional Circumstances for a specific or all Market Makers in one or several market segments. The Exchange shall make public the occurrence of Exceptional Circumstances as soon as reasonably possible when it has become aware of such occurrence. It shall also make public the resumption of normal trading after such Exceptional Circumstances have ceased to exist.
- 6.7 The obligation to continue and upon request place two-way Quotes shall apply within the ETS Opening Hours at the times stated in the Market Maker Agreement. After the execution of Exchange Transactions or after the re-opening of the trading system after extra-ordinary closure, the Market Maker shall, within a certain time stated in the Market Maker Agreement, place new two-way Quotes.
- 6.8 The Market Maker shall place two-way Quotes in the ETS. Upon the placing of two-way Quotes, the Market Maker shall fulfill those requirements in the Market Maker Agreement pertaining to Order volume and maximal Spread.
- 6.9 The Market Maker shall appoint and notify the Exchange about one or more natural persons who shall be continuously responsible for the market-making function during the ETS Opening Hours.
- 6.10 Performance of Market Maker obligations is automatically supervised in the ETS. Upon non-compliance by the Market Maker, the Exchange will charge regular fees in accordance with the Exchange's Fee List and any additional compensation will be reduced accordingly.

6.11 A Market Maker Agreement might entail obligations to enter into Transactions in Exchange Listed Products to provide liquidity on the Exchange, hereinafter referred to as "Privileged Transactions". When a Market Maker enters into a Market Maker Agreement which specifies obligations such as or comparable to providing liquidity with a maximum Spread, a minimum volume, a minimum Quote duration, a maximum response time to provide Quotes and a minimum participation rate for the purpose of providing liquidity on the Exchange, these obligations will be published by the Exchange.

6.12 Upon non-compliance by the Market Maker of providing liquidity according to the obligations under 6.9, the Exchange may charge regular fees in accordance with the Exchange's Fee List and any additional compensation will be reduced accordingly.

## **7 NON-COMPLIANCE**

7.1 A Non-Compliance Event exists if an Exchange Member in the reasonable opinion of the Exchange:

- a. is in breach of any of its obligations or representations under the Trading Rules; or
- b. fails to comply with any reasonable and valid instruction from the Exchange in respect of Exchange Trading, including any instructions from Market Surveillance pursuant to the Market Conduct Rules;
- c. is subject to a Default Event under the Clearing Rules;
- d. is in breach of applicable law and such breach affects or will affect, the Exchange Member's ability to comply with the Trading Rules.

7.2 A Material Non-Compliance Event exists in relation to an Exchange Member if in the reasonable opinion of the Exchange:

- a. the Non-Compliance event is caused by the Exchange Members breach of the requirements of Section 4.1 of these General Terms;
- b. the Non-Compliance event entails a material breach of any of the Exchange Member's obligations or representations under the Trading Rules, which either cannot be remedied or have not been remedied within fifteen (15) calendar days following written notice from the Exchange, and such breach indicates that the Exchange Member is unfit for further Exchange Trading or no longer qualifies as an Exchange Member;
- c. the persistence of a Non-Compliance Event may materially affect the Exchange Member's ability to comply with the Trading Rules and/or applicable law and such Non- Compliance Event is not remedied within

fifteen (15) calendar days after the Exchange has sent written notice to the Exchange Member; or

- d. the Non-Compliance Event is caused by the negligence, wilful default, or fraud of the Exchange Member, and such Non-Compliance Event is not remedied within fifteen (15) calendar days after the Exchange has sent written notice to the Exchange Member.

7.3 The Exchange may for as long as a Non-Compliance Event or Material Non-Compliance Event persists suspend an Exchange Member from Trading with immediate effect. Upon suspension, all Orders by the Exchange Member will be paused or canceled, and the Exchange Member will be unable to register further Orders or enter into new Exchange Transactions. During the suspension, the Exchange Member may only carry out Exchange Trading following approval by the Exchange.

7.4 The Exchange may terminate an Exchange Membership Agreement due to a Material Non-Compliance Event if such Material Non-Compliance Event in the opinion of the Exchange makes the Exchange Member unsuitable as a continued Exchange Member.

7.5 An Exchange Member may, in case of suspension or termination of its membership by the Exchange, file a complaint with the Exchange Appeal Committee, subject to further rules as stipulated in the Investments and Securities Act. Such filing implies a stay on the termination, however the Exchange reserves the right to uphold any suspension until such time as the Exchange's decision is overturned or the Exchange otherwise deems that the suspension can be lifted.

7.6 In the event of non-compliance with Market Maker obligations, the specific regulations in section 6 shall also apply.

## **8 LIABILITIES AND FORCE MAJEURE**

### **8.1 Force Majeure**

8.1.1 If a Force Majeure Event prevents a party to these Trading Rules from performing any obligation under these Trading Rules at the prescribed time in whole or in part, the time for performance of such obligation shall be suspended for as long as the Force Majeure Event persists, subject to Section 8.1.3. Other parties shall be entitled to suspend their obligations towards the affected party accordingly.

8.1.2 If a Force Majeure Event prevents an Exchange Member from amending or withdrawing an Order the Exchange Member shall nevertheless be bound by such Order and any Exchange Transaction resulting from it. The Exchange may, during the same Bank Day and provided that all Exchange Members involved so agrees, cancel or amend an Exchange Transaction which the Exchange deems would not have been entered into in absence of a Force Majeure Event.

- 8.1.3 A party shall only be entitled to claim relief due to a Force Majeure Event under this Section if the party:
- a. complies with Sections 8.1.4 or 8.1.5 (as applicable); and
  - b. continues to seek to perform its obligations under the Trading Rules to the best of its abilities.
- 8.1.4 An Exchange Member seeking relief under Section 8.1.1 shall:
- a. notify the Exchange as soon as practically possible after it becomes aware (or should reasonably have become aware) of the Force Majeure Event, reasonably evidencing that a Force Majeure Event has occurred; and
  - b. as soon as practically possible provide to the Exchange a non-binding estimate of the likely effect on the performance of its obligations and the extent and expected duration of its inability to perform its obligations under the Trading Rules, and shall provide reasonable updates, when and if available, of the extent and expected duration of the Force Majeure Event; and
  - c. on request promptly provide all further information required by the Exchange to determine whether a Force Majeure Event has occurred and/or information in relation to affected Exchange Transactions; and
  - d. promptly take such actions in respect of Exchange Transactions and Orders registered as the Exchange deems reasonably necessary or desirable in light of the Force Majeure Event.
- 8.1.5 The Exchange shall, as soon as practically possible after it becomes aware of a Force Majeure Event affecting the Exchange, notify all Exchange Members of the Force Majeure Event and, to the extent then available, provide a non-binding estimate of the likely effect on the performance of its obligations and the extent and expected duration of its inability to perform its obligations under these Trading Rules. The Exchange shall use all commercially reasonable efforts to mitigate the effects of the Force Majeure Event and shall, during the continuation of the Force Majeure Event provide Exchange Members with reasonable updates, when and if available, of the extent and expected duration of the Force Majeure Event.
- 8.1.6 A party to these Trading Rules that is subject to a Force Majeure Event shall not, subject to its compliance with this Section 8.1, be liable for any loss or damage caused by such party's non-performance of its other obligations under these Trading Rules, and a party may not use any claim relating to such loss or damages as grounds for set-off or withholding of its obligations towards another party.

## 8.1 Exclusion of Liability

- 8.1.1 The parties shall not be liable for any loss or damage that may arise as a result of any act governed by the Trading Rules, provided that the party has not acted negligent or intentional.
- 8.1.2 Save as explicitly set out in these Trading Rules, the Exchange shall have no liability to any Exchange Member in connection with performance or non-performance of the Exchange's obligations under these Trading Rules to the extent such performance or non-performance as a result of:
- a. the occurrence of any Non-Compliance Event in relation to the Exchange Member;
  - b. any delay or failure by the Exchange Member in the performance of its obligations to the Exchange;
  - c. the Exchange acting or relying on any communication in accordance with Section 12.4;
  - d. the performance or non-performance of any party or entity other than the Exchange (or its nominees) under the Trading Rules;
  - e. any suspension, interruption, temporary unavailability or fault occurring in the provision of the Trading System except where such circumstances have been caused by the wilful or negligent conduct of the Exchange;
  - f. any loss or damage whatsoever and howsoever caused arising in connection with the use of information or services acquired or accessed by Exchange Members through use of the Trading System;
  - g. any loss or damage in connection with the availability, functionality, or accessibility of any system employed by the Exchange Member to access the Trading System, including the availability of telecommunication lines leased by the Exchange Member; or
  - h. the Exchange complying with applicable law.

## 8.2 Indemnity

- 8.2.1 Without prejudice to all other rights and remedies available to the Exchange, but provided that the Exchange shall not be permitted to recover twice for the same loss, each Exchange Member (the "indemnifying Exchange Member") shall, on-demand by the Exchange, indemnify the Exchange against any cost, loss or liability incurred by the Exchange as a result of the following:
- a. the occurrence of any Non-Compliance Event in relation to the indemnifying Exchange Member;
  - b. a delay or failure by the indemnifying Exchange Member in the performance of its obligations to the Exchange, except where such performance has been

delayed or prevented as a result of a Force Majeure Event and subject to Section 8.1;

- c. investigating, defending, and/or paying any claim brought against the Exchange by any person for whom the indemnifying Exchange Member has agreed to submit an Order or enter into an Exchange Transaction; and
- d. investigating, defending, and/or paying any claim brought against the Exchange by any other Exchange Member or third party, directly or indirectly as a result of (i) any breach by the indemnifying Exchange Member of the Trading Rules; (ii) the Exchange complying with any court order or other legal or regulatory process in any action brought by or with respect to the indemnifying Exchange Member; (iii) the Exchange's proper provision of its services to the indemnifying Exchange Member.

### **8.3 Sole Remedy and Exclusion of Consequential Loss**

8.3.1 Save as provided separately in the Trading Appendices, the rights under Sections 7 and 8 are in full and final satisfaction of the rights of the non-defaulting party if a Non-Compliance Event occurs.

8.3.2 Save as expressly provided in these Trading Rules, no party shall be liable to any other party for any indirect or consequential loss (including, but not limited to, loss of business, loss of profits, trading losses, loss of opportunity, and loss of use) howsoever suffered or incurred or for any special, punitive or exemplary damages save in the case of deliberate and intentional misconduct by a party.

## **9 MARKET INFORMATION SERVICES**

9.1 The Exchange shall continuously throughout a Bank Day supply Exchange Members with information of all Orders and Exchange Transactions registered in the Exchange Traded System (ETS). Exchange Trading is anonymous, and the identities of the applicable Exchange Members shall not be disclosed.

9.2 Trade Information will be made available through the ETS and such other information facilities as the Exchange in its sole discretion decides, and consideration for such information service is included in the membership fees unless otherwise set out in the Fee List.

## **10 PROPRIETARY RIGHTS TO TRADE INFORMATION**

10.1 Whenever an Exchange Member provides data relating to Orders or Exchange Transactions to the Exchange;



- a. such data, as provided by the Exchange Member in its original format, shall belong to the Exchange Member; and
- b. the Exchange Member irrevocably grants to the Exchange a perpetual, non-exclusive, royalty-free license (which shall survive the termination of any Trading Agreement) to include such data in the Trade Information and to use such data for whatever purpose in accordance with these Trading Rules. The Exchange shall treat the identity of the Exchange Member as confidential in accordance with Section 11.

10.2 Exchange Members shall, except as permitted pursuant to these Trading Rules or as may be permitted by mandatory provisions of applicable law or other written agreement with or written authorization from the Exchange:

- a. use any Trade Information received only in the ordinary course of business as it relates to its Exchange Trading, and not cause any unauthorized third party to access or use the Trade Information except where such third party is assisting the Exchange Member in relation to its Exchange Trading and is subject to restrictions that are no less strict than those applying to the Exchange Member in respect of Trade Information;
- b. ensure that its relevant employees, agents, independent contractors, and other recipients of Trade Information do not act in violation of the Exchange or its licensors' rights to the Trade Information; and
- c. take all such reasonable steps which shall from time to time be necessary, in the reasonable opinion of the Exchange, to protect the rights of the Exchange or its licensors in the Trade Information.

10.3 All copyright and other intellectual property rights or proprietary rights of whatever nature contained in the Trade Information (including, for the avoidance of doubt, all database rights and similar rights whether or not protected by law) are and shall at all times remain, as between the Exchange and the Exchange Members, the property of the Exchange. The Exchange shall be entitled to use, copy, adapt, sub-license, supply, sell, distribute, assign, transfer, rent, lease, charge or otherwise deal with Trade Information as it deems fit at all times.

## 11 CONFIDENTIALITY AND INFORMATION SHARING

11.1 Except as otherwise set forth herein all information and data received by the Exchange from Exchange Members, including information relating to transactions and information pertaining to the legal or financial status of the Exchange Member and its membership eligibility or business in general, will be treated as confidential by the Exchange.

11.2 Notwithstanding Section 11.1, but subject to applicable and mandatory law:

- a. the duty of confidentiality shall not extend to information which is or becomes public through no breach of the Exchange's confidentiality obligations hereunder, which the Exchange already possessed at the time of reception without any obligation of confidentiality, or which the Exchange receives from a third party through no breach of the third party's confidentiality obligations towards the Exchange Member;
- b. the Exchange may share information with any other person or entity advising or assisting the Exchange in its operations, provided that such persons and entities are subject to a corresponding duty of confidentiality and shall only use the information for such purposes;
- c. the Exchange may share any information as the Exchange deems to be required by applicable law, provided that the Exchange Member should be notified thereof to the extent allowed and practicable;
- d. the Exchange shall not be required to keep confidential the fact that an Exchange Member is a member of the Exchange or its applicable membership category;
- e. The Exchange may enter into information-sharing agreements or other arrangements or procedures with other market operators or clearing organizations for the purpose of market surveillance of the Exchange Listed Products, or contracts or instruments related to the Exchange Listed Products, provided that the receiving entity is subject to materially similar confidentiality obligations and other restrictions as those of the Exchange in respect of the disclosed information. As part of any such arrangements or procedures the Exchange may provide market surveillance reports to other market operators or clearing organizations;
- f. Share information and documents concerning current and former Exchange Members with other market operators or clearing organizations;
- g. Share information and documents concerning ongoing and completed investigations with other market operators or clearing organizations; and/or
- h. require its Exchange Members to provide information and documents to the Exchange at the request of other market operators or clearing organizations with which the Exchange has entered into such arrangements.

11.3 The Exchange may enter into any arrangement with any entity or body (including any Regulatory Bodies, any market operator or clearing organization) if the Exchange (i) believes that such entity or body exercises a legal or regulatory function under any law or regulation, or a function comprising or associated with the enforcement of a legal or regulatory function, or (ii) considers such arrangement to be in furtherance of the Exchange's purpose or duties under applicable law. The Exchange may disclose to any entity information concerning

or associated with an Exchange Member or other entities that the Exchange believes is necessary and appropriate in exercising a legal or regulatory function (including, without limitation, information concerning any aspect of any clearing activity or business concerning the Exchange), whether or not a formal arrangement governing the disclosure exists or a request for information was made.

- 11.4 Subject to applicable and mandatory law, the Exchange may use any information in relation to any Exchange Member, client, or other business relationship of the Exchange Members where necessary to enable the proper performance of its activities and in order to protect the integrity and adequate functioning of the market.

## **12 COMMUNICATION**

- 12.1 Communications between the Exchange and Exchange Members shall be in English, unless as otherwise agreed between the individuals communicating.

- 12.2 Any notice to be given under the Trading Rules shall be in writing and shall be delivered or sent by fax or email. If addressed to the Exchange the notice shall be sent to the relevant address(es) and number(s) specified on the Exchange's website at any time. If addressed to the Exchange Member the notice shall be sent to the relevant address or telephone number or e-mail address specified by that Exchange Member in writing as may be changed by confirmed notice to and from the Exchange. The Exchange and Exchange Members may communicate via the Trading System. The Exchange may also communicate via its standard website for matters pertaining to the Trading Rules.

- 12.3 Notices shall be deemed to have been given (in the case of fax or email communication) on the date on which they are sent or (in the case of other communications) on the date of delivery to the appropriate address.

- 12.4 The Exchange shall be entitled to act and otherwise rely upon any communication (whether or not in writing) which purports and which the Exchange believes in good faith:

- a. to have been issued by or on behalf of an Exchange Member; or
- b. to have been approved by an individual who is authorised by that Exchange Member, and which (in the case of an electronic communication) satisfies the requirements of any applicable requirements of the Exchange in relation to the security and integrity of information which is transmitted electronically.

## **13 MISCELLANEOUS**

- 13.1 **Transfer of Rights**

13.1.1 Save as explicitly set out herein, the rights of an Exchange Member under the Trading Rules are not assignable or otherwise transferable without the prior written consent of the Exchange.

13.1.2 An Exchange membership may be transferred to another entity in connection with a merger or other business combination where such transfer of membership is approved by the Exchange, as well as any other transfer approved by the Exchange.

### 13.2 **Third-Party Rights**

13.2.1 Save as explicitly set out herein, no entity who is not an Exchange Member or the Exchange shall confer any benefit on or give any right to enforce any provisions of the Trading Rules to any person.

### 13.3 **Severability**

13.3.1 If at any time any provision of the Trading Rules becomes illegal, invalid, or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity, or enforceability of the remaining provisions of the Trading Rules nor the legality, validity, or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

### 13.4 **Binding Effect of Determinations**

13.4.1 Any good faith certification or determination by the Exchange of a rate or amount under the Trading Rules shall, in the absence of manifest error, be conclusive evidence of the matters to which it relates.

13.4.2 Any good faith estimate made by the Exchange in accordance with the Trading Rules shall, in the absence of manifest error, be binding on all Exchange Members affected thereby.

13.4.3 In any proceedings arising out of or in connection with the Trading Rules, the entries made in the accounts maintained by the Exchange for an Exchange Member will be prima facie evidence of the matters to which they relate.

### 13.5 **Non-waiver of Rights**

13.5.1 No failure of a party to exercise, nor any delay on its part in exercising, any of its rights (in whole or in part) under the Trading Rules shall operate as a waiver of the party's rights or remedies upon that or any subsequent occasion.

## 14 **CHOICE OF LAW AND ARBITRATION**

14.1 The Trading Rules and all disputes arising out of them are subject to the laws of Nigeria without regard to its conflict of laws provisions. The application of the United Nations Convention on Contracts for the International Sale of Goods (CISG) is expressly excluded.

14.2 Any dispute between the parties concerning the understanding of the Trading Rules or any dispute arising from any acts or omissions governed by them shall be decided by arbitration in pursuant to the Nigerian law.

## 15 TRADING PERIOD, PRICE MOVEMENT, AND METHODOLOGY

### 15.1 Trading Period

The trading period on the Exchange spans from 10:00 and 15:00 WAT, subject to a modification by the Exchange.

### 15.2 Daily Price Limit for Spot Contracts

The daily price limit for all spot contracts traded on the Exchange is a maximum of 10% and a minimum of 10%

### 15.3 Price Tick for Spot Contracts

The minimum fluctuation possible on the price of any spot contract traded on the Exchange is ₦0.01

### 15.4 Closing Price Methodology

The closing price traded on the Exchange is computed in line with the closing price methodology published by the Exchange.

### 15.5 Trading Currency

Trading will be carried out on the Exchange in Nigerian Naira, except otherwise stated.



**General Terms**

Listing Rules

Issued by AFEX Commodities Exchange

**Glossary:**

**AFEX Commodities Exchange (“The Exchange”):** This represents AFEX Commodities Exchange as registered under the laws of Nigeria.

**Accredited Warehouse:** This is a warehouse certified and approved for exchange transactions by AFEX Commodities Exchange and the Securities and Exchanges Commission (SEC)

**Contract(s):** These are standardized documents representing tradable units of commodities on AFEX Commodities Exchange

**Corporate Affairs Commission (CAC):** This is the agency recognized by the laws of Nigeria to grant the license to any company to operate in Nigeria.

**Indemnity:** Indemnity is a contractual obligation of one party to compensate the loss incurred to the other party due to the acts of the Indemnitor or any other party.

**Issuer:** This represents an entity with the license to place instruments for trade on AFEX Commodities Exchange.

**Instrument(s):** These are financial products that can be invested in on AFEX Commodities Exchange

**Market Maker:** This is a Member of the Exchange registered by the Securities and Exchange Commission to provide liquidity of instruments traded on the Exchange.

**Trading Rules:** these are a set of guidelines for trading on AFEX Commodities Exchange

**Warehouse Receipt:** This is an evidence indicating the details of the commodities delivered at a warehouse

## Introduction

The AFEX Commodities Exchange trading platform is developed to facilitate the trading, matching, and settlement of trades executed on the Exchange. In essence, the platform is built to foster the expansion of investments in the commodities markets in Nigeria. The development and trade of this instrument however are not complete except and until the instrument is listed on the Exchange platform. This document seeks to provide clarity on the rules surrounding the listing of instruments and items required of the listing entity.

### 1. Conditions for Registration and Admission of Issuer

- a. The Issuer must be a corporate entity duly registered according to the laws Federal Republic of Nigeria, meeting the necessary legal, financial and physical requirements to fulfill the duties of an Issuer. The Issuer must submit to the Exchange:
  - i. The certificate of incorporation issued by the Corporate Affairs Commission of Nigeria (CAC);
  - ii. The audited financial statements for the previous year with evidence of filing with the CAC; and
  - iii. Evidence that the commodities or securities have been deposited at a warehouse duly accredited by AFEX Commodities Exchange.
- b. The Issuer must submit a cover letter containing/forwarding the requirements set out in 1(a) above.
- c. The Issuer must show significant capability to deliver on the instrument issued and fulfill the orders in line with the instruments listed on the Exchange. The decision on the capability of the Issuer is reserved at the discretion of the Exchange and shall be based on the documents provided under 1(a)(i-iii) above or such other information as the Exchange may require.
- d. The Issuer may or may not be required to perform the function of a market maker for the instrument being listed on the Exchange platform
- e. The Issuer shall sign an agreement to abide by all post-listing requirements as mandated by the Exchange from time to time.



**2. Admission and Revocation of Issuer**

- a. The decision to admit an Issuer, or, in the case of a violation, revoke the admission of an Issuer shall be at the sole discretion of the Exchange.
- b. Where the Exchange reaches a decision to admit an Issuer or revoke the admission of an Issuer, as the case may be, the Exchange shall communicate its decision to the concerned Issuer and shall implement or otherwise take any action in relation to the decision as it deems fit.

**3. Admission of Issued Instruments on the Exchange**

- a. The issued instrument shall fulfill all the necessary requirements of the Exchange with emphasis on the quality and quantity parameters specified by the contract specification backing the instruments.
- b. The Issuer must provide appropriate evidence of ownership of the commodities to be issued via physical evidence or a warehouse receipt from an accredited warehouse located in Nigeria or any other means satisfactory to the Exchange.
- c. The specification of the instrument as developed by the Issuer of the instruments shall determine the transaction dynamics of all the trades executed in the instrument category.
- d. The instrument shall follow the commodity focus of the Exchange, which are maize, soybean, cocoa, ginger, sorghum, paddy rice, or such other commodity as the Exchange may specify.
- e. In the event that an Issuer intends to list instruments outside the commodities listed in 3(d), the Exchange reserves the discretion to approve the listing based on the perceived, estimated, or evaluated demand and supply potential for the commodity.
- f. In the event of approval or rejection of the listing request, the Exchange shall communicate with the Issuer in writing delivered by email, post or any other means deemed fit by the Exchange.

**4. Indemnity of Exchange**

- a. Notwithstanding the outcome of an application for listing, the Exchange shall not be liable to refund or bear any fees or costs of whatever nature incurred by the Issuer in connection with the listing process.

**5. Trading of Issued Instruments**

- a. The trading of the issued instruments shall be conducted in accordance with the standards specified under the trading rules of the Exchange.
- b. Trading under any category of Exchange membership shall be conducted in accordance with the rules specified in the trading rules of the Exchange.
- c. Trading of the instrument shall be conducted in accordance with the specification of the contracts developed for the instruments under discussion which will align with the standards referred to in 5a above.

**6. Right to Information**

- a. Information on trading parameters such as closing price, the volume traded and value of trades will be transmitted to members of the Exchange.
- b. Information shared on the Exchange is limited to use by Exchange Members only and third-party transfers are not permitted.
- c. Subscription to the data by third parties shall be subject to a data subscription agreement and payment terms emanating therefrom.

**7. COMMENCEMENT**

These Rules shall come into force on the date of their approval from the Securities and Exchange Commission, on the day and year mentioned below.

Signed on:

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**Growing Markets | Connecting Trades**

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