

MEMBERSHIP REGULATIONS AND CODE OF CONDUCT

CHARTERED INSTITUTE OF STOCKBROKERS
(Established by Act No 105 of 1992)

MEMBERSHIP REGULATIONS AND CODE OF CONDUCT
MADE BY COUNCIL PURSUANT TO SECTIONS 10(6) AND 15 OF
THE CIS ACT 105 OF 1992, AND APPROVED AT THE
2004 AGM HELD IN LAGOS ON THURSDAY, 3RD
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INTRODUCTION

The contents of these Membership Regulations and Code of Conduct serve as a guide to members of the Institute, which require the strict observance of these regulations as a condition for its membership.

Together with the Institute Bye-laws as contained in the Charter, these are to assist members in their approach to problems bearing on professional conduct and the performance of their duties, whilst the non-observance of these may result in disciplinary action if a member is found guilty of misconduct.

The Institute is of the opinion that a high standard of professional conduct is best maintained by such provisions made herein, but is not confined to these specific areas which it considers to be more explicit on.

Members should behave with integrity in all professional, business and financial relationships; and objectivity is essential for any professional person exercising professional judgment.

In view of these developments, the Institute through its Council, reserves the right to add to and vary from time to time, these Membership Regulations and Code of Conduct.

These have been set out as its basic ethical requirements in relation to those professional situations which most commonly arise.

The Institute is empowered through an Investigating Panel and Disciplinary Tribunal to demand from its members, a strict compliance and maintenance of high standards of professional conduct.

The Institute is also empowered to set up a 'Conflict /Dispute Resolution Committee' to handle conflicts among members.

FEBRUARY, 2005

CHARTERED INSTITUTE OF STOCKBROKERS

MEMBERSHIP REGULATIONS AND CODE OF CONDUCT

The Governing Council of the Chartered Institute of Stockbrokers, in exercise of the power conferred on it by the Charter and all other powers enabling it, hereby makes the following regulations:

1. CITATION, COMMENCEMENT AND APPLICATION

- (a) These regulations may be cited as the Chartered Institute of Stockbrokers Membership Regulations and Code of Conduct 2005 and shall become effective on March 1, 2005
- (b) These regulations shall apply to all members and registered students and, to the extent that they are relevant, to former members and registered students.

2. INTERPRETATION

- (a) In these regulations, unless the contexts otherwise require;

Institute means Chartered Institute of Stockbrokers

Charter means Decree (Act) 105 of 1992

Council means the Governing Council of the Institute from time to time constituted in accordance with the Charter.

Firm means a stockbroking firm, and includes any other body corporate operating within the Financial Services Industry.

Member means any person including Fellows, Associates, Graduate members,

Student Members and Honorary members admitted to membership of the Institute in accordance with or pursuant to the Charter and these rules.

Fellow means any person so elected by Council and authorised to use the designation FCS

Associate means any person so admitted by Council and authorised to use the designation A CS

Graduate means any person who has successfully completed the Institute examinations but is yet to be admitted as an associate.

Student means any person on the register of students maintained by the Institute.

- (b) Words importing the masculine gender shall include the feminine and words in the singular shall include the plural and vice-versa. Any reference to a statutory provision shall include where the context permits, the subordinate legislation made from time to time under that provision, and any reference to a statutory provision or regulation shall include that provision, or regulation as from time to time modified or re-enacted so far as such modification or re-enactment applies, or is capable of applying to such reference.
- (c) Headings and sub-headings are for convenience only and shall not affect the interpretation of these regulations.
- (d) Misconduct is any act or default likely to bring discredit to a member, the Institute or the Stockbroking profession.
- (e) Integrity implies not merely honesty but fair dealing, truthfulness and full disclosure.
- (f) Objectivity is the state of mind which has regard to all considerations relevant to the task in hand, but to no other.
- (g) Specified person means every qualified Stockbroker working in a firm.

3. GENERAL

The Charter and applicable regulations for the time being in force shall apply to each member on, and following his admission and, insofar as the Charter, bye-laws and such regulations provide, following his ceasing to be a member. In addition, the Charter and applicable bye-laws and regulations shall similarly apply to each person who undertakes or agrees to be bound by them.

4. PRACTISING LICENCE

The Council shall from time to time make all such regulations as it shall consider necessary or desirable in connection with or otherwise relating to the carrying on of stockbroking practice, or other related activities in Nigeria. Such regulations may (without limitations) prescribe, or provide for:

- (a) The conditions for the grant, suspension, withdrawal, application of conditions to,

and renewal of practising licence, which may provide for different types of licence to be issued to different classes of members, the manner in which an application for a practising licence shall remain valid and the fees payable for the issuance or renewal of a practising licence.

- (b) The rules applicable to the holder of a practising licence, including without limitation, to conduct at trading floors and related activities.
- (c) The monitoring of compliance by specified persons, with the requirements of the regulations.

5. TRADING RULES AND PRACTICES

A Member shall:

- (I) Not practise as a stockbroker unless he is an employee/attache/agent of a firm.
- (II) Not practise as a stockbroker without a currently valid practising licence issued by the Institute.
- (III) Not, if in practice, buy or sell securities, in the secondary market, for his own account except with the written consent of his firm (employer), and such transaction must be executed only through the employer firm and by another member in practice.
- (IV) Not, if in practice, buy or sell securities in the secondary market, for the account of his spouse or children except with the written consent of his employer and such transaction must be executed only through the employer firm and by another member in practice.
- (V) Not trade in quoted securities outside the recognized markets.
- (VI) In the conduct of his business, observe high standards of commercial honour and just and equitable principles, expected of a professional.
- (VII) Not allow personal interest to override clients' interests, in the performance of his professional duties
- (VIII) Not buy or sell securities at prices higher or lower than the market quotations.
- (IX) Not buy or sell securities from; or to a client at prices different from that in which the securities were traded in the market on the date of the transaction.
- (X) Not make a secret profit for himself or his employer.

- (XI) Use reasonable diligence, to obtain the best market for the subject security, and buy or sell in such a market, so that the resultant price to the customer, is as favourable as possible to the customer under prevailing market conditions.
- (XII) Not effect any transaction in, or induce the purchase or sale of, any security by means of any manipulative, deceptive, or other fraudulent device or contrivance.
- (XIII) In recommending to a customer the purchase, sale, or exchange of any security, have reasonable grounds for believing that the recommendation is suitable for such customer upon the basis of the facts, if any, disclosed by such customer as to his other security holdings and as to his financial situation and needs.
- (XIV) Not establish or connive with his employer, to establish fictitious accounts in order to execute transactions, which otherwise, would be prohibited, or to disguise transactions which are against the regulatory institutions guidelines.
- (XV) Not transact business on discretionary accounts in excess of, or without actual authority from customer.
- (XVI) Not execute transactions which are unauthorized by customers; or send contract notes, in order to cause customers to accept transactions not actually agreed upon.
- (XVII) Not unilaterally back out of a transaction validly done with a member or non-member.
- (XVIII) Not use, or borrow customers' funds or securities without the customers' written authority.
- (XIX) Not forge, misstate material facts, manipulate or deceive in order to gain personal advantage.
- (XX) Not recommend the purchase of securities, or the continuing purchase of securities in amounts, which are inconsistent with the reasonable expectation that the customer has the financial ability to meet such a commitment.
- (XXI) Not make use of any price-sensitive information not available to other members for personal or official advantage.
- (XXII) Nor maintain a stockbroking account with other firms without prior written approval or disclosure of such account to his/her employers. Members are permitted to maintain a personal trading account only with their employer stock broking firm.
- (XXIII) Not influence the price movement of a security unless he is willing to deal in the

- stipulated minimum units of the subject security, as recommended by the Automated Trading System and other market rules in force at the time.
- (XXIV) Not misuse, manipulate or indulge in non-disclosure of material information on operation to his/her advantage, or in order to derive some benefit or avoid liability for his/her employer.
 - (XXV) Not engage in running down competitors through deliberate misinformation.
 - (XXVI) Not indulge in deliberate rendition of inaccurate returns to the regulatory authorities with intent to mislead.
 - (XXVII) Respect the confidentiality of information entrusted to them by a client. Therefore, members shall not disclose any information to a third party without specific authority from the client, except under the following conditions;
 - (a) The client is known to have committed a criminal offence.
 - (b) Disclosure is reasonably necessary to protect the interest of the member to sue for his/her commissions or defend actions instituted against the Member.
 - (c) The Member is required to disclose such information by due process of the law.

6. LIABILITY TO DISCIPLINARY PROCEEDINGS

- (a) A member or registered student shall, subject to the Charter, bye-laws and regulations, be liable to disciplinary proceedings if:
 - (i) in the course of carrying out his professional duties or otherwise, has been guilty of misconduct.
 - (ii) he has performed his professional work or the duties of his employment negligently, to such an extent or on such number of occasions as to bring discredit to himself, to the Institute, to his employer, or to the profession.
 - (iii) he has committed any breach of the Charter or any bye-law or regulations made under them in respect of which he is bound.
 - (iv) he has been disciplined by any other professional body recognized by statute or pursuant to some other disciplinary process.
 - (v) he is a "specified person" in relation to a corporate body against which a disciplinary order has been made and which has become effective or which has been disciplined by a regulatory authority or pursuant to some other disciplinary process.

- (vi) in the case of a Stockbroking firm or other body corporate, any member has in the course of business of that firm committed any breach of the Charter, bye-laws or regulations made under them in respect of which he is bound.
 - (vii) he has made an assignment for the benefit of creditors, or has made an arrangement for the payment of a compensation to creditors, or has had an interim order made by the court in respect of him, or is a specified person in relation to a firm which has made such an assignment or compensation or been wound up, or entered into a voluntary arrangement, administration or liquidation, or other similar or analogous event has occurred in relation to him under applicable legislation.
 - (viii) he has failed to satisfy a judgment debt without reasonable excuse for a period of three months (and the fact that he did not have sufficient funds to discharge the debt shall not be a reasonable excuse for this purpose) whether or not the debt remains outstanding at the time' of the bringing of the disciplinary proceeding hereunder.
 - (ix) he does anything contrary to the Stockbrokers' Oath of Allegiance to which he had subscribed.
- (b) A complaint of misconduct against a Stockbroking firm shall be deemed to be a complaint against all registered members of the Institute working in such firm, at the material time.
 - (c) Each of the paragraphs in 6 (a) and (b) above shall be without prejudice to the generality of any of the other paragraphs herein,
 - (d) For the purposes of these regulations, misconduct includes (but not confined to) any act or default likely to bring discredit to the member in question, his employer or the Institute. The fact that a member or registered student has before a court of competent jurisdiction in Nigeria or in a superior court of any country whose judgments are in the opinion of the Council relevant, pleaded guilty to, or been found guilty of any offence discreditable to him, or derogatory to the Institute or the Stockbroking profession, or has in any civil proceedings before any court of competent jurisdiction in Nigeria, or in a superior court of any country whose judgments are enforceable in Nigeria, been found to have acted fraudulently or dishonestly, shall be conclusive proof of misconduct.

7. DISCIPLINARY PROCEEDINGS

In addition to the provisions of the Charter, the Council shall, from time to time, prescribe the procedures whereby a person subject to these regulations may be disciplined

and as to all other matters pertaining thereto. Any person subject to disciplinary process shall:

- (a) Have the right to be given notice of any disciplinary proceedings which it is proposed should be brought against him.
- (b) Have the right to be represented at any such disciplinary proceedings.
- (c) Have the right to call and cross-examine any witness at such disciplinary proceedings.
- (d) Have the right of appeal against any disciplinary order made against him, to the Federal High Court, subject to the provisions of the

8. CONFLICT/DISPUTE RESOLUTION

- (a) Conflicts/Disputes relating to professional conduct between members shall be settled internally before resorting to external settlement. Thus, the settling of such disputes on the pages of Newspapers, the Law courts or through other avenues without exhausting existing internal organs available in the Institute constitutes misconduct and will attract disciplinary action against the member who initiated such action.
- (b) Members' grievances should be channeled to the Institute through the Registrar in writing.
- (c) Upon receipt of such complaint, the Registrar shall refer same to the appropriate committee as appointed by the Council, within 2 weeks.
- (d) The Conflict/Dispute Resolution Committee shall thereafter inform the parties concerned of the case before it, fix a date for hearing and resolve the issues.
- (e) The recommendation of the committee shall be submitted to the Council and copies kept in the Institute's archives.

9. OBLIGATION TO CO-OPERATE AND INFORM

- (a) Every member or registered student shall use his best endeavours at all times to co-operate with the Council, the Investigating Panel and the Disciplinary Tribunal in the administration of the Institute's disciplinary process.

- (b) It shall be for every member and for any person to bring to the attention of the Registrar, facts or matters indicating that a member or registered student is, or may have become liable to disciplinary action; and in any such case, the Registrar shall lay the facts and matters before the Investigating Panel.

10. RESIGNATION FROM MEMBERSHIP OR STUDENT REGISTER

(a) NOTICE

- (i) Any member wishing to resign his membership, or seeking removal from the register of students, shall send a written notice to the Council through the Registrar, and on its acceptance, his membership shall cease or, as the case may be, he shall cease to be a registered student and his name shall be removed from the relevant register.
- (ii) A member leaving the services of an employer must fully disclose the status of its clients. Similarly, the employer should within two weeks be able to give a full confidential report on the member to concerned parties.

(b) FEES AND SUBSCRIPTION

Any individual giving notice of his intention to resign from membership or seeking removal from the student register shall remain liable to pay any subscription or other sums due from him at the date the relevant notice is accepted.

(c) OUTSTANDING DISCIPLINARY MATTERS

An individual's notice of resignation or notice seeking removal from the student register, shall not be accepted, and the individual shall accordingly not cease to be a member or, as the case may be registered student, where there is a complaint in respect of him or of a relevant firm in relation to which he is a specified person, until such time as the matter has been finally disposed, of and the amount of any fine or costs specified in a disciplinary order made in respect of him or such relevant firm has been paid in full.

11. REMOVAL FROM MEMBERSHIP OR FROM STUDENT REGISTER

(1) NON-PAYMENT OF SUMS DUE TO THE INSTITUTE

- (a) Subject to the remainder of regulations 11 (1) below, a member (2)

or registered student shall cease to be a member or, as the case may be, registered student if any sum shall remain unpaid after six months from the date on which it was due to the Institute.

- (b) The Council may in its absolute discretion, either on its own volition or on the application of the individual concerned, suspend the operation of regulation 11 (1) (a) where it is of the opinion that it is reasonable to do so.
- (c) Regulation (11) (1)(a) shall not apply to an individual where a complaint in respect of him or his firm in relation to which he is a specified person has been referred to the Investigating Panel or Disciplinary Tribunal, until such time as the complaint is finally disposed of and all applicable appeal periods have expired.
- (d) Where a disciplinary order has been made by the Disciplinary Tribunal against a member or registered student, he will automatically cease to be a member if he fails to pay when due any amount imposed by way of a fine or costs pursuant to that order. Provided that Council may at its absolute discretion and on such terms as it deems fit agree to defer the due date for payment on the application of the member prior to such date it is of the opinion that such deferral is appropriate in all the circumstances.
- (e) The Institute shall be entitled to recover the amount of any fine or costs which an individual has been ordered to pay pursuant to a disciplinary order from that individual and his personal representatives, notwithstanding that he has ceased to be a member or registered student howsoever that may have occurred.

(2) BANKRUPTCY

If an individual is adjudged bankrupt he shall, unless the Council otherwise direct, automatically cease to be a member or, as the case may be, a registered student, on the expiry of three months from his becoming so liable, or on the expiry of such extended period as the Council may in its absolute discretion fix.

12. RE-ADMISSION TO MEMBERSHIP OR TO STUDENT REGISTER

- (a) Any former member or registered student may apply for readmission as a member or registered student. Such application should be made in the same manner as an original application and will be considered in the same manner as an original application, and will also be considered by the membership committee in the ordinary way, but having regard to the circumstances of his having ceased to be a member or registered student.

However, where the member or registered student ceased to be a member or registered student pursuant to an order or direction of the Disciplinary Tribunal, application for readmission must comply with the provisions of section 11 (9) of the Charter.

- (b) No former member or registered student who has had a disciplinary order made against him excluding him from membership or as the case may be, removing him from the student register, and prohibiting him from applying for readmission to membership or, as the case may be, seeking restoration to the student register, for a specified period may do so prior to the expiry of such period.

13. **RELIANCE ON CURRENT MEMBERSHIP LIST:
OBLIGATION ON MEMBERS TO UPDATE THEIR RECORDS**

The Registrar of the Institute shall make available to all members and the general public, at a reasonable cost, a list of all members of the Institute, and shall keep every member advised, by amendments to the list or otherwise, of all new members and of all new suspensions, cancellation and resignation of membership. Each member shall be responsible for providing such information as current employment, residential and mailing address. For the purpose of complying with pertinent rules, a member shall be entitled to rely on the information provided by the Institute.

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