

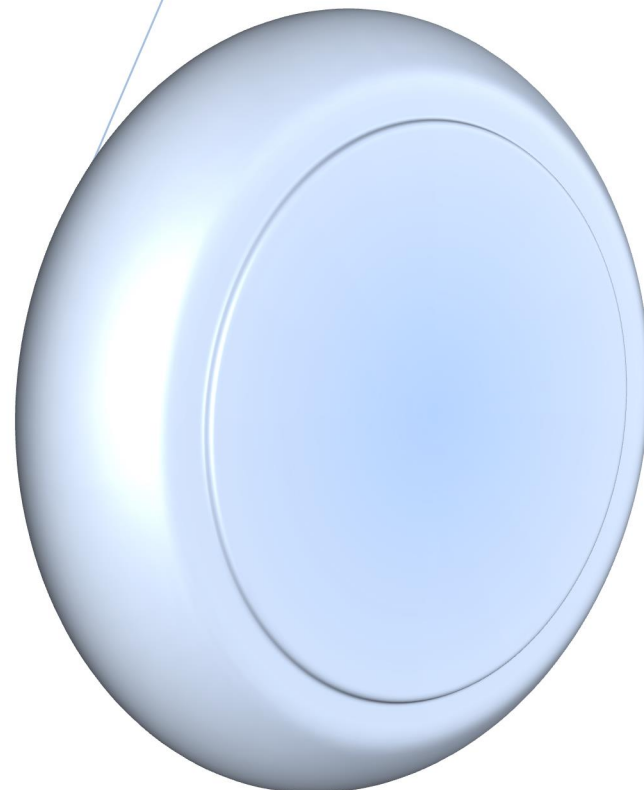


The Scripless Securities Settlement System

Business Rules and Guidelines

Central Bank of Nigeria

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Definitions

- **Allotment** - a compact set of transfers of securities in electronic form at the point of issuance to various beneficiaries.
- **Broker** - a party that arranges transactions between a buyer and seller, and earns commission when the deal is consummated.
- **Business Day**- the period between the hours of 8:30 am and 5:00 pm (Monday – Friday, except on public holidays)
- **Delivery Free of Payment (FoP)** - The transfer of securities ownership that does not involve funds, this is the same as Delivery versus Free.
- **Delivery versus Payment (DvP)** – Simultaneous transfer of securities ownership and funds.
- **Direct Participant** - A Participant that can access the S4 without going through an intermediary. Direct Participant shall be an authorized dealer, bank, discount house or any other financial institution as may be approved by the Regulatory Authority.
- **FGN** – Federal Government of Nigeria
- **FMDA** – Financial Market Dealers Association
- **Indirect Participant** - A Participant that can access the S4 only through an intermediary. An Indirect Participant shall have an account (sub-account) with the Direct Participants
- **ISIN** - International Securities Identification Number.
- **Money Market Securities** - All instruments traded at the short end of the market.
- **Net position** – Information for Participants on the volume and value of net financial obligation from all transactions on the S4.
- **NISS** – Nigerian Settlement System
- **NTB** – Nigerian Treasury Bills
- **RTGS** - Real Time Gross Settlement.
- **Regulatory Authority** - CBN which acts as the administrator of the S4.
- **Settlement Cycle** – The transaction processing time for securities settlement, that is, T+X. where T is Transaction date and X is number of day(s) to settlement.
- **Settlement Day** – The date on which a transaction is agreed to be settled.
- **Settlement Price** - The consideration agreed by participants for a transaction.
- **S4** - Scripless Securities Settlement System.

- **Transfer** – Movement of securities from one Participant to another.
- **Transaction Day** - The date on which a transaction is agreed upon.
- **Unique Identifier Code** – Unique code for a particular security.
- **Participant Code** - A code which is unique to each participant.
- **Unilateral Trade** - A trade in which the same Participant appears on both the purchase and sale sides.

1 Introduction

In furtherance of the principal objects of the Central Bank of Nigeria (CBN or the Bank) to ensure monetary and price stability, to promote a sound financial system and pursuant to the provisions of the CBN Act 2007 and the Banks and Other Financial Institutions Act (BOFIA) LFN 2010, the CBN hereby issues the following guidelines for the operation of Scripless Securities Settlement System (S4.)

The S4 as one of the pillars of global financial markets infrastructure is a system that holds securities in dematerialised form and enables book entry transfer of securities. In some cases, the system also carries out centralised comparison, and transaction processing such as clearing and settlement of securities. The physical securities shall be immobilized or dematerialised so that they exist only as electronic records and maintains the definitive record of legal ownership.

The System holds securities accounts and enables securities to be transferred and settled by book entries according to predetermined multilateral rules. Such system allows for the transfer of securities either free of payment - where the transfer of securities does not involve funds, or against payment - where delivery of the securities occurs simultaneously with funds.

The S4 also provides central safekeeping and asset servicing, which may include the administration of corporate actions and redemptions, and plays an important role in ensuring the integrity of securities issues (securities are not accidentally or fraudulently created or destroyed or their details changed). It also holds securities in dematerialized form (electronic records)

The S4 is set to assume a critical role to guarantee a safe and efficient transfer of securities that exist to a large extent in book entry form only and has become a central point of reference for financial markets. Furthermore, it records all the settlement failures occurring during the settlement period. It is therefore a key element in instilling settlement discipline. Given the systemic importance of the system and its strategic position at the end of the post-trading process, there is a strong need for an appropriate regulatory framework.

The modalities for the operations of the System shall be regulated by these Business Rules and Guidelines.

2 Functions

2.1 The functions of the Scripless Securities Settlement System shall include:

- (i). Safekeeping: Securities would be warehoused in dematerialised or electronic form
- (ii). Deposit and Transfers: It provides functionality for deposit and transfer of securities. It also covers the underwriting process or listing of new issues in a market.
- (iii). Interest and principal processing.
- (iv). Pledging of securities.
- (v). Issuance of the Government and CBN Securities in electronic form;
- (vi). Auction processing;
- (vii). Maintenance of all records for authorised transactions;
- (viii). Settlement of various transactions based on DvP or FoP principles;
- (ix). Automatic payment of interest and maturity proceeds on due dates.
- (x). Maintain a central register of securities on the accounts of all Participants in the system;
- (xi). Assign and cancel identification for investment instruments according to laid down rules and regulations;
- (xii). Notify the issuers and holders of securities about the position of their accounts;
- (xiii). Keep separate records for each Participant;
- (xiv). Manage records of Participants account, including personal data in case of third party;
- (xv). Settle the liabilities arising from the transactions with securities;
- (xvi). Provide data to comply with the disclosure duty in line with the CBN Reporting Standard;
- (xvii). Perform other services that may arise from the ownership and transactions with securities and its operations.
- (xviii). Other services: The system supports additional services aside from those considered as core services. These services include Securities Lending and Borrowing, Repo Settlement and information dissemination.

2.2 Classes of Securities Managed

The classes of securities covered include FGN Bonds, NTBs, FGN Treasury bonds, CBN Securities and any other securities as may be approved by the Regulatory Authority.

3 Scope

The scope of these guidelines covers:

- (i). Operational aspect: This part of the Business Rules and Guidelines (hereinafter called the “**Rules**” or “**Guidelines**”) regulates the operations of the system;
- (ii). Settlement aspect: This covers settlement of Government, CBN and any other securities as may be approved by the Regulatory Authority for trading.

4 Operations

The Business Rules and Guidelines shall regulate issues relating to all the functions and services performed by the S4. These include:

- a) the rights and obligations of the Regulatory Authority in the performance of its functions,
- b) the rights and obligations of the Participants in the operations of the S4,
- c) recording of the securities issued in dematerialized form,
- d) recording of the rights and ownership of such securities,
- e) opening securities accounts, recording and changing of ownership, settlement of the transactions in securities, notification of the issuers and holders of securities, methods for protection against errors in the performance of the functions of the System,
- f) manner of establishing and functioning of the System and;
- g) other issues within the scope of operations as well as rendering additional services as may be required by the Regulatory Authority.

5 Access

Only Direct Participants shall have access to the System.

5.1 Mode of Connection

The System provides Direct Participants with the following options for connection:

- a) Graphical User Interface (GUI);
- b) Batch Adapter (BA)

Both options shall provide the same capabilities to the Participants in their interaction with the System for operations and/or information queries.

These options shall be made available to Participants at the prevailing cost as may be fixed by the Regulatory Authority.

The connection mode shall be accessible to the Participants subject to the availability of the relevant infrastructure to be provided by the Participants.

5.2 Security of Connections

The connection modes in 5.1 will be accessible through the CBN's approved Secured Network. A Public Key Infrastructure (PKI) and token will also be deployed to ensure that all transactions on the System are digitally signed by authorized Participants only.

6 Participation

Participants are parties having access to the functionality of the System directly or indirectly. These include: dealers, banks, discount houses, system administrators and other Participants as may be approved by the Regulatory Authority.

6.1 Conditions for Participation

A Participant shall either be a Direct or Indirect Participant:

- a) Direct Participant shall be an authorized dealer, bank, discount house or any other financial institution as may be approved by the Regulatory Authority.
- b) Indirect Participants shall have an account (sub-account) with the Direct Participants

The System shall maintain a record of registered Participants. A Participant must have a settlement agent (another Participant, usually a bank) in NISS to support the settlement of securities operations performed on DvP basis. There are defined funds settlement agents for the Participants who do not have funds accounts on NISS.

6.2 Participants

Participants shall include:

- (i) Deposits Money Banks (DMBs)
- (ii) Discount Houses (DHs)
- (iii) CBN
- (iv) Authorized Dealers
- (v) Custodians
- (vi) Debt Management Office (DMO)
- (vii) Investors (Beneficial Owners – Individual and Corporate)
- (viii) Non Interest Financial Institutions (NIFIs)
- (ix) Other Financial Institutions, government agencies and other institutions as may be approved by the Regulatory Authority.

6.3 Roles of Participants

The under listed are the different roles that could be performed by Participants (Direct or Indirect)

Role Name	Role Description
Administrator	<ul style="list-style-type: none">• System business day administration.• Monitoring Participants.• Ensuring compliance with securities market regulations• Ensuring fulfilment of securities/market Participants obligations
Issuer	<ul style="list-style-type: none">• Participant who issues securities and holds issuer portfolio
Registrar	<ul style="list-style-type: none">• Organisation registering securities of an issuer
Broker	<ul style="list-style-type: none">• May present Securities transactions and bids to the system.• May be delivery agent or receiving agent in Securities transactions• Broker and Beneficial owner may be the same institution• Is associated with Settlement agent for funds Settlement.
Custodian	<ul style="list-style-type: none">• Maintain account on the System and may have sub-account for beneficial owners.• Perform the role of delivery or receiving agent in Securities transactions• Is associated with Settlement agent for funds Settlement.
Beneficial owner	<ul style="list-style-type: none">• Must have Securities sub-account(s) maintained by its Custodian.• May be Seller or Buyer in Securities transaction.• Present securities transaction via Broker (Cannot present Securities transactions to the system if not a Broker of him/her/itself).
Dealer	<ul style="list-style-type: none">• Have the roles of Broker, Beneficial Owner, Custodian and Settlement Agent.

6.4 Rights and Responsibilities

The rights and obligations of the Administrator and the Participants in their operations shall be determined by these business rules and guidelines and an agreement signed between the Regulatory Authority and every Direct Participant.

6.4.1 Regulatory Authority

The Regulatory Authority shall:

- a) be responsible for the efficient and timely performance of all its obligations.
- b) be responsible for the protection and safety of the data contained in the securities accounts.
- c) be obliged to keep the confidentiality of the data obtained during the performance of its operations.
- d) be obliged to settle the financial and other obligations towards the Direct Participants in its operation, in an orderly and timely manner, and within the established deadlines.
- e) ensure efficient and safe operations and shall undertake measures for adequate data security, as well as provide an efficient back-up protection of the data security system. This will be done through an efficient disaster recovery and business continuity plan.
- f) provide a mechanism for adequate security and audit trail.
- g) protect the rights of every Participant;
- h) not be responsible for omissions or delay in the provision of services if the omission or the delay occurred due to force majeure or other reasons beyond its control.

6.4.2. The Administrator

The Administrator shall be responsible for the following in the performance of its activity:

- a) Safety, efficiency and confidentiality;
- b) Fairness in the treatment of Participants and beneficiaries of its services;
- c) Resolution of disputes among Participants in an efficient manner.
- d) Timely notification to Participants of the operations in the S4 and the beneficiaries of its services;

6.4.3 Participants

The Participants shall :

- a) be entitled to use the services of the Settlement System only to the extent permitted under this Guideline.
- b) fulfill the technical requirement set forth in the S4 regulation.

- c) fulfill the conditions of participation for the entire period of its participation in the Settlement System.
- d) be responsible for all the actions of their employees whether in accordance with or contrary to the Rules and Guidelines of the S4.
- e) be fully responsible to the clients they represent and are obliged to indemnify them in cases of illegal procedures, negligence or failure to fulfill the obligations of the Participant towards the client, including also the cases where a Participant uses the account of its client with the S4 incorrectly or without authorisation.
- f) be obliged to inform the Regulatory Authority in writing and without delay about
 - (i). all changes in data registered by the Participants;
 - (ii). the initiation of proceedings to revoke the permit authorizing the Participant to participate in the Settlement System, if this permit is necessary for participation in the Settlement System;
 - (iii). a proposal for the withdrawal of the Participant, a change in the subject of enterprise, the initiation of bankruptcy proceedings or proceedings regarding settlement or institution of receivership.
- g) be obliged to act in accordance with the guidelines issued by the Regulatory Authority which determines the technical standards of the system and communications equipment for access to the S4, including the usage of the program support provided by the Regulatory Authority.
- h) be obliged to adhere to all the safety measures for access to the S4 and for protection of the data from unauthorized usage, as well as other measures determined in the guidelines of the S4.
- i) be obliged to verify the accuracy and completeness of all notifications received from the Regulatory Authority and to immediately inform the Regulatory Authority if it has not received the notifications within the determined deadline or if it contests the accuracy of the data or the completeness of the notification.
- j) be obliged to inform the Regulatory Authority immediately about all the changes that may affect its participation in the operations of the System.
- k) be obliged to settle the financial and other obligations towards the Regulatory Authority and other Participants in the operations of the S4 in an orderly and timely manner and within

deadlines determined by these Rules, Guidelines and other Acts, as well as the contracts concluded with the Regulatory Authority.

The following shall also be observed:

- l) A Participant who is not an authorized dealer is obliged to have a secured contractual agreement with an authorized dealer.
- m) A Direct Participant is obliged to have a secured contractual agreement with an Indirect Participant.
- n)
- o) Only persons duly authorized to access the S4 may act on behalf of the Participant
- p) All information provided by the Participant to the S4 in accordance with this regulation are confidential and may be used only for the purpose of participation in the S4.
- q) Every Direct Participant shall maintain a contingency and recovery plan. The CBN assumes no responsibility to provide back up access facilities for Participants.
- r) Participants shall not be responsible for omissions or delay in their transactions with the CBN if the omission or the delay occurred due to force majeure.

7. Participants Registration Procedure

- a) A Direct Participant shall be a legal entity that meets the following requirements:
 - i. Submits an application to the CBN.
 - ii. Registered by the Corporate Affairs Commission (CAC).
 - iii. Possesses the relevant licenses and approvals;
 - iv. Regulated by relevant authorities such as CBN, SEC and PENCOM;
 - v. Meets the technical and other requirements as stipulated in this Guideline.
 - vi. Has at least two trained employees capable of using the services of the S4;
- b) For authorized dealers and CBN registered Custodians, registration shall be automatic while for Indirect Participants, the minimum conditions specified below shall apply:
 - i. Audited financial statements for the previous three years (as applicable);
 - ii. Board resolution authorizing participation (as applicable);
 - iii. Evidence of meeting the requirements for admission to the operations of the S4 in accordance with the Rules and Guidelines, especially trained staff with a sound knowledge of the S4;
 - iv. Compliance with KYC requirements.
- c) The Regulatory Authority shall keep a register of the Participants in the operations of the S4. The register shall contain data on the title of the Participant, address, registry number, date of acquiring the function of Participant, personnel and technical equipment, contact person of the Participant, records of any penalty measures and other necessary data.
- d) The participant shall sign the agreement section of these Rules and Guidelines confirming acceptance thereof.
- e) By signing the agreement, the Participant is committed in its legal relations with the CBN and other Participants in the operations of the S4 and in other legal relations with its clients to adhere to the provisions of these Rules and Guidelines.

7.1 System User Management

7.1.1 Creation and Modification of Participants

It is the duty of the Administrator to create, modify and disable Direct Participants while the Direct Participants will do same for the Indirect Participants.

7.1.2 Setting Participant Status

It is the duty of the Administrator to set Participants status. Each Participant may have one of the following status in the System:

- i. **Active** - Participant may perform any action that is permitted for that Participant on the S4.
- ii. **Suspended** – Temporary restriction on any activity for or against a Participant within a specified period. Any instruction that impact the accounts of this Participant is automatically queued in a special «hold» queue.
- iii. **Inactive** – Participant who has been denied access on S4. All Inward or outward queued instructions and any subsequent instructions to or from that Participant received by the system are automatically rejected. Administrator has the ability to «re-activate» Participants having this status.
- iv. **Deleted** - Participant cannot be Re-activated. Its profile will be removed from the main database to the archive.

8. Settlement

- a) Settlement entails:
 - i. transfer of securities and rights between counterparties or their settlement agents; and
 - ii. delivery of securities consequent upon the transfer of funds on the NISS.
- b) The S4 carries out the settlement in cycles. Each cycle starts with the transfer of securities from the seller's account to the buyer's account. In the case of settlement cycles with funds transfer, movement of funds is effected from the settlement bank of the purchasing Participant to the account of the settlement bank of the selling Participant.

8.1 Conditions precedent to participation

A Participant, who has entered into the S4 Participation Agreement, agrees that all relationships arising from participation in the S4 will be governed by these Rules and Guidelines.

8.2 Irrevocability of the order for settlement

- i. The order for settlement is considered final immediately the S4 commenced settlement on the receipt of an instruction for the transfer of securities.
- ii. A Participant cannot unilaterally recall the order once it is admitted into the S4.
- iii. The information contained in the order for settlement cannot be modified, it can only be canceled before the commencement of the settlement day and by bilateral agreement between the counterparties.

8.3 Transfer of Securities

The settlement is consummated by delivering securities to the counterparty's accounts, in compliance with the agreed terms.

8.3.1 Types of securities transfers

The system carries out trade and non-trade transfers of securities.

- i. Trade transfers are DvP:
 - a) Purchase of securities;

- b) Sale of securities;
 - c) OTC transactions (repo operations, buy/sell operations, securities lending);
- ii. Non-trade transfers are FoP.

8.3.2 Delivery versus Payment (DvP)

This is a settlement procedure in which the buyer and the seller of securities agree that the seller will deliver securities to the buyer upon funds delivery to the seller by the buyer. This agreement is designed to minimize risk to both parties. If the delivery and payment do not occur at the same time, there is a settlement risk.

8.3.3 Delivery Free of Payment (FoP)

This is a transfer of ownership of a security from one party to another. It is effected via transfer of securities on S4 and does not involve any funds transfer.

8.3.4 Settlement of a DvP transaction

The following are the conditions for DvP transactions:

- (i). Counterparties must have an active status;
- (ii). Availability of securities in the portfolio account of the seller;
- (iii). Availability of funds in the account of the buyer
- (iv). Successful matching of DvP instructions.

8.3.5 Failure of settlement

Settlement shall be deemed to have failed in the event of any of the following:

- i. Unavailability of securities on the agreed settlement day;
- ii. Insufficient funds on the agreed settlement day;
- iii. Other reasons as may be provided by the Regulatory Authority.

8.3.6 Settlement day

- i. The settlement day means the date on which a transaction is agreed to be settled.

If the settlement day falls in the period in which a Participant is suspended, the Administrator shall carry out the suspended participant's obligations.

8.4 Procedure in the case of a failed securities transfer

Where a transaction fails at the close of business on settlement date due to insufficient funds or securities in the participant's portfolio, it is the duty of the defaulting Participant to remedy the

settlement by initiating a fresh transaction. The Regulatory Authority shall sanction the erring Participants following investigation to be conducted by FMDA within ten (10) working days of the failed transaction.

8.4.1 Substitute Trade

- i. A substitute trade is a trade consummated between the Participants to remedy a failed trade.
- ii. The substitute trade shall be initiated by the defaulting Participant.
- iii. The substitute trade shall be concluded at the latest one business day after the expiration of the settlement period.

8.4.2 Sanctions on Trade Failure

- a) If a Participant violates his duties as stipulated in the S4 Participation Agreement or by these Rules, the Regulatory Authority shall take any or a combination of the following actions:
 - i. Imposition of fine as the Regulatory Authority may determine.
 - ii. Suspension of participation in the System;
 - iii. Expulsion of the participant from the System.
- b) The relevant provisions of these Guidelines shall apply in the imposition of sanctions.
- c) The Participant shall forfeit the right to use the System from the day the suspension/expulsion of participation takes effect,
- d) Where there exist insolvency proceedings on a Participant, or other measures are imposed by a relevant authority with respect to a Participant's assets, the Administrator shall:
 - i. Suspend the settlement of transactions that have not been accepted into the System or whose settlement time has not been reached.
 - ii. Secure a substitute settlement on a best effort basis for these trades in compliance with these Rules.

8.4.3 Interest Calculation

This shall be on actual / actual basis

8.4.4 Daily Evaluation

For the purpose of portfolio valuation, Mark-to-Market (MTM) rates on tradable securities will be uploaded to the system daily.

9. Other Transactions

9.1 Non-Interest Banking Instruments

This is regulated by the Guidelines on Non-Interest Financial Institutions (NIFIs) Instruments.

9.2 Repo and Reverse Repo

This is regulated by the Nigerian Master Repo Agreement (NMRA) and other approved Guidelines.

9.3 Pledge

9.3.1 Pledge Registration

The following rules shall govern the registration of pledges;

- i. Any instrument with ten (10) days or less to maturity shall not be accepted by the System for pledge transactions.
- ii. A registered owner (hereinafter called “the Pledgor”) must either be a bank, discount house, a custodian, or any entity approved by the Relevant Authority.
- iii. The owner of collateral shall have all the rights pertaining to his ownership. Such securities shall be deposited and registered in the owner’s name.
- iv. The ownership of securities deposited with the System shall not be transferable prior to the settlement of the underlying transaction.
- v. The registered owner shall retain the right to all the financial entitlement from the pledged securities except the right to trade on the securities.
- vi. Where the registered owner loses its legal status or is declared bankrupt or fails to fulfill its obligation to the pledgee, the title of securities shall be changed to the beneficial owner.

9.3.2 Substitution of pledged securities

- i. Securities deposited with the System and the entitlements thereto shall be deemed to be fungible and interchangeable if they are of the same class, issue and currency.
- ii. Instruments with ten (10) days or less to maturity must be substituted with other eligible securities.
- iii. Failure to substitute/release the pledged instrument before the ten (10) day window shall attract a daily fine of N50,000.00 (fifty thousand naira only) until the instrument is substituted /released.

9.3.3 Pledge Execution

- i. The Pledgor hereby grants an irrevocable power of attorney, with the right of substitution, to the Pledgee to perform all acts and execute all documents as may be required to perfect or implement this Agreement on its behalf and to take any action which the Pledgor must take under this Agreement which is necessary for the Pledgee to create, maintain and exercise its rights under this Agreement, including, for the avoidance of doubt, the right to view the pledged Securities in accordance with the Guidelines herein.
- ii. This Pledge shall be a continuing security for the payment of the secured obligations.
- iii. All rights, remedies and powers vested in the Pledgee under this Guideline shall be in addition to and not a limitation of, and shall not in any way be prejudiced or affected by, or prejudice or affect, any and every other right, power or remedy vested in the Pledgee, under any (other) present or future collateral instruments or at law and all the powers so vested in the Pledgee may be exercised from time to time and as often as the Pledgee may deem expedient.

9.3.4 Pledge release

- i. Upon the full and final discharge of the secured obligations, the Pledgee shall at the Pledgor's request promptly certify in writing that the transaction has been terminated and that the collateral shall be released. The Pledgee may at any time terminate or waive the Pledge in whole or in part by a written notice to the Pledgor and upon a written letter informing the Administrator (who acts as a third party in the transaction).
- ii. The Pledgee shall not be liable for any damage suffered or costs or expenses incurred by the Pledgor as a result of the pledge and shall not in any other way be liable for exercising (or failing to exercise) any of the powers, rights and remedies under the transaction, except to the extent that such cost or expenses are the result of the negligence, fraud or willful misconduct of the Pledgee.
- iii. The Pledgor shall indemnify the Pledgee against any claims (including any damage suffered and costs incurred as a result of such claim) made by third parties in connection with this Pledge, provided that nothing shall require the Pledgor to indemnify the Pledgee for negligence, fraud or willful misconduct of the Pledgee.

9.3.5 Early redemptions on pledged securities

Issuer of instrument can retire an instrument prematurely (call back securities), that is, before its due maturity date. The issuer is an initiator of the operation. In an instrument early redemption operation, Issuer retires the instrument and pays off all the investors.

It is the duty of the pledgor to replace/substitute such securities before the effective date of the issuer exercising the right on the option.

10. Queuing

During the settlement process, certain transactions may be queued as a result of unavailability of cash or securities.

10.1 Transactions with CBN

- a) Any auction or 2-way-quote with CBN must be settled. If it is on queue, it shall be given highest priority and when it fails to settle, the system shall generate an automatic Intra-day Liquidity Facility (ILF) backed by collateral to settle the transaction.

Where there are no securities, the allotment shall be cancelled and the defaulter suspended from **ALL AUCTIONS** for eight (8) weeks effective from the date of default.

- b) ILF shall be bought back or converted to SLF by the Participant, failing which, it shall be automatically converted to SLF at the prevailing SLF rate plus 500 basis points by the close of business day.
- c) All SLF/Repo must be bought back latest by 10.00 a.m on the maturity date, failing which, the encumbered securities shall be automatically rediscounted.
- d) If any SLF is not repurchased by a Participant by the next business day, such Participants shall not be eligible to access the CBN discount window until such outstanding obligation is settled, to the extent of the indebtedness.

10.2 Interbank transactions

Where there is an observed trade failure due to insufficient funds/securities as at close of business, the deal shall be deemed cancelled. There shall be five tolerable failed transactions within one calendar month by a single Participant after which the Participant shall be suspended from the transaction type for twenty (20) business days.

10.3 Interbank transactions

Where there is an observed trade failure due to insufficient funds/securities as at close of business, the deal shall be deemed cancelled. There shall be five tolerable failed transactions within one calendar month by a single Participant after which the Participant shall be suspended from the transaction type for twenty (20) business days.

11 Book Keeping

- a) Records of issued securities shall be kept in the System. Such records shall include ownership positions, the unique identification of the securities and their holders.
- b) All securities shall be recorded in the System in accordance with the Guidelines.
- c) International Securities Identification Number (ISIN) shall be allocated to all securities upon their registration in the System.
- d) The data of the instruments on the System shall contain information such as:
 - i. Title,
 - ii. Other data for identification of the issuer anticipated with the guidelines;
 - iii. ISIN;
 - iv. type of securities;
 - v. total number of securities per separate issues;
 - vi. face value of the securities;
 - vii. total value of the issue; etc.
- e) The account of the securities holder shall contain data on:
 - i. the holder's account number;
 - ii. Data for identification of the holder (for individuals: name and surname, address and acceptable means of identification number, and for legal entity certificate of incorporation, board resolution etc.);
 - iii. Total number of securities according to ISIN and their face values;
 - iv. The rights arising from the securities of the account holder;
 - v. Possible limitations in the exercise of the rights;
 - vi. Rights of third parties arising from securities and
 - vii. Other data connected with the rights arising from securities, including limitations on the transfer and prohibition of disposal.
- f) Change in the position of the accounts maintained in the System may occur exclusively on the basis of:
 - i. Delivery versus Payment (DvP);
 - ii. Delivery Free of Payment (FoP).
- g) The transfer of the securities ownership that arises from non-trade transfers shall be carried out on the basis of instruction by the account holder or an order of court of competent jurisdiction.

11.1 Securities Accounts

11.1.1 Main Account

Every Direct Participant shall have one main account in the System into which ownership of securities would be recorded.

The system maintains online records of accounts together with all other securities information in the database.

11.1.2 Sub-accounts

Every Indirect Participant shall have one sub-account with a Direct Participant. However, an Indirect Participant may have sub-accounts with more than one Direct Participant. The following rules shall apply:

- i. Each Custodian shall have only one account with several sub-accounts on S4,
- ii. Each Beneficial Owner (client, investor) shall have one sub-account with a Custodian. This sub-account is managed only by the custodian.
- iii. If a Beneficial Owner wants to have 2 sub-accounts, the sub-accounts shall be opened with two different Custodians.

12 Accounts Structure and Contents

12.1 Multi-level structure of accounts

The System supports multi-level accounts structure. An account may have sub-accounts, and each sub-account may hold any type of securities.

A portfolio which represents actual securities balance of sub-account is divided into sub-balances that define the status of instruments held on this sub-account, such as Available, Restricted for usage, Blocked, Pledged, etc.

12.2 Deposit of Eligible Securities

The System shall accept eligible securities as may be directed by the CBN for deposit into the portfolio accounts of the beneficiaries. Eligible securities deposited by a Participant other than an Investor Participant (Indirect Participant) will be credited to the Participant's portfolio. Eligible Securities deposited by an Indirect Participant will not be credited to that Participant's portfolio until it is duly endorsed to the Participants and fully verified by the Regulatory Authority.

12.3 Portfolio's classification in line with IFRS

Participants shall classify their portfolio holdings in their books in line with IFRS.

13.0. Suspension and Termination of Participants

13.1 Suspension

- a) Where there is breach of these Rules, the CBN may take a decision to suspend all services to the Participant or deprivation of certain rights that would otherwise have accrued to the Participant for a certain period of time. Such deprivation would be referred to as “suspension”.
- b) The deprivation of certain rights shall be applied until the resolution of the circumstances that led to the pronouncement of such measure, but it shall not last for a period longer than three months, and thereafter, the Participant’s membership shall be terminated.
- c) The CBN may in addition to suspension, impose the payment of fine to be determined from time to time.
- d) Where a Participant is suspended, the Participant is obliged to meet all previously undertaken obligations.

13.2 Termination

The participation in the operations of the System shall be terminated in accordance with the following:

- i. request by the Participant;
- ii. violation of provisions of the Agreement for participation in the System
- iii. decision by the CBN

The CBN may take a decision concerning the termination of the participation in the operations of the System in the following cases:

- i. If the Participant fails to meet the requirements for participation;
- ii. If the Participant is declared bankrupt or is liquidated;
- iii. If the Participant violates the Rules and Guidelines of the System;
- iv. If the Participant fails to eliminate or correct the reason for its omissions for not meeting the requirements arising from its transactions in securities;
- v. If the Participant is suspended from S4 operations for a period exceeding three months.
- vi. And any other reason which makes it ineligible for participation.

14.0. Mergers, Acquisition and Liquidation

- a) In the event of a Merger, Acquisition or Liquidation of a Participant, the closure of its securities account in the System shall be performed in accordance with relevant laws.
- b) Opening and closing of the securities accounts, recording and modification of the ownership positions in the securities holder's accounts, as well as other actions related to the changes in the accounts maintained in the System shall be performed only by the Administrator.
- c) The account operator shall undertake actions after having previously checked the completeness, and accuracy of the instruction referred to in the previous items and in particular:
 - i. the identity of the applicant;
 - ii. the validity and accuracy of the order;
 - iii. the ownership position of the securities is unencumbered.
- d) A Participant's account on which bankruptcy proceedings has been initiated shall be removed from the active status in the System and statements shall not be issued to the Participant.
- e) After the conclusion of the bankruptcy or liquidation proceedings, the Participant's record shall remain in the historical database of the System.

15.0. Dispute Resolution

Except as otherwise provided herein, any dispute or disagreement amongst the Participants, or between the Participants and the S4 relating to the settlement of trades or arising out of, or in connection with these Business Rules and Guidelines shall be referred to the Regulatory Authority for resolution.

Where a decision has been reached by the Regulatory Authority on any dispute but any of the parties is dissatisfied with the decision, the dissatisfied party may after giving a five (5) business days' Notice to the Regulatory Authority and the Parties concerned, refer the matter to Arbitration for FINAL RESOLUTION.

Any dispute or disagreement referred to Arbitration shall be settled pursuant to the provisions of the Arbitration and Conciliation Act, Laws of the Federation of Nigeria, 2010 by one Arbitrator jointly appointed by the Parties. Where the Parties fail to agree on the appointment of an Arbitrator, the appointment shall be made by the Regional Centre for International Commercial Arbitration, Lagos, on the application of any of the Parties within thirty (30) days of such dispute or disagreement. The place and location of arbitration proceedings shall be Abuja, Nigeria and the law applicable to the arbitration proceedings shall be the laws of Nigeria. The Arbitration shall be in English.

15.1 Court Order(s)

- a) In the event that an order is made by a court of law against the interest of any of the Participants on the S4, or against the Regulatory Authority or any person connected with the operations of the S4, such a person shall be bound to comply with such order without being liable whatsoever to any of the Participants or other persons connected with the S4 as a result of its compliance with such order.
- b) Subject to the circumstances of each case and its peculiarities, upon compliance with a court order by the Regulatory Authority as it relates to any account, an entry based on the account holder's instruction may not be permitted.

16.0. Miscellaneous Provisions

16.1 Operating calendars

The administrator shall update changes on standard dates related to scheduled and unscheduled public holidays.

16.2 Broadcast messages

All relevant information shall be broadcast through the appropriate communication channels as may be determined by the Regulatory Authority.

16.3 Reconciliation processes

The responsibility for reconciliation shall lie with the Participants

16.4 Fees, Charges and Penalties

The fees, charges and penalties shall be determined by the Regulatory Authority.

17.0. Appendix

17.1 S4 Participation Agreement

We hereby consent to participate in the Scripless Securities Settlement System (S4) of the Central Bank of Nigeria and agree to use the System in accordance with the S4 Business Rules and Guidelines and any relevant regulations.

1. Name of Institution:	
Address	

2. Department/Office and Person in charge of Scripless Securities Settlement System (S4) Operations			
Name of Dept./office		Contact Number	
Name of Officer		Designation	

17.2 Attestation/Execution

SIGNED BY THE AUTHORISED REPRESENTATIVE OF (Participant)

NAME:.....

ADDRESS:.....

STATUS:.....

SIGNATURE:.....

DATE:.....

IN THE PRESENCE OF:

NAME:.....

ADDRESS:.....

STATUS:.....

SIGNATURE:.....

DATE:.....

SIGNED BY THE AUTHORISED REPRESENTATIVE OF THE CENTRAL BANK OF NIGERIA

NAME:.....

ADDRESS:.....

STATUS:.....

SIGNATURE:.....

DATE:.....

IN THE PRESENCE OF:

NAME:.....

ADDRESS:.....

STATUS:.....

SIGNATURE:.....

DATE:.....