

July 22, 2016

FMDQ/MRG/220716/MB-9

From: MARKET REGULATION GROUP

To: ALL MEMBERS AND STAKEHOLDERS OF FMDQ OTC SECURITIES EXCHANGE

## EXPOSURE OF DRAFT FIXED INCOME SECURITIES INVESTMENTS CLIENTS SERVICES (“FISICS”) RULES

### **Introduction**

1. As a securities exchange and self-regulatory organisation, FMDQ OTC Securities Exchange (“FMDQ” or the “Exchange”) is vested with the responsibility of organising and regulating the markets within its purview as well as rule making powers under the Investments and Securities Act 2007.
2. In line with its rule making process and in order to ensure that its Rules are robust and practical, FMDQ hereby exposes the Draft FISICS Rules for comments.

### **Background & Summary**

3. In furtherance of its mandate of investor protection, FMDQ conducted an investigation into the activities of its Dealing Members (Banks) with respect to the services offered to clients seeking to invest in fixed income securities. The investigation revealed widespread apathy in compliance with the various aspects of the Central Bank of Nigeria (“CBN”) *Guidelines on Custodianship in Money Market and other Fixed Income Instruments 2007* and the subsequent directive on the *Transfer of all Non-Proprietary Assets to Licenced Custodians* issued on March 11, 2014.
4. Consequently, in order to ensure that the Nigerian financial markets are not hampered by substandard practices which would impact on investor confidence, FMDQ, with the support of the CBN, developed the FISICS Rules.
5. The FISICS Rules have been developed following research into global best practices, and are designed to guide the market operations, standards and conduct of Dealing Members (Banks and Specialists) and CBN-licenced custodians in respect of their treatment of Clients investing in fixed income securities and are designed to cover the value chain of the fixed income investment client services including but not limited to the following:
  - i. Client engagement – product literature, quotations, trade confirmations, etc.
  - ii. Provision of adequate and accurate information to Clients
  - iii. Custody of assets – Custodial services and custodianship relationship

### **Action Required**

6. All Members and stakeholders of the FMDQ markets (investors, investment advisers, solicitors, financial markets associations, custodians, etc.) are invited to provide comments and feedback. Click [here](#) to view Draft FISICS Rules.
7. Comments shall be received no later than **5:00 PM on August 8, 2016** and should be submitted through one of the following methods:
  - i. Emailing comments to [mrg@fmdqotc.com](mailto:mrg@fmdqotc.com); or
  - ii. Mailing comments in hard copy to:

**Market Regulation Group**  
FMDQ OTC Securities Exchange  
1, Olosa Street  
Victoria Island  
Lagos



**Jumoke Olaniyan**  
Divisional Head  
Market Development & Regulation