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**TRADING AND REPORTING INFRACTIONS &  
PENALTIES GUIDE**

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**November 2017**

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## INFRACTIONS AND PENALTIES GUIDE

The table below provides a non-exhaustive list of the trading and reporting infractions with respect to the transactions conducted by Dealing Member (Banks) (“DMBs”) in the FMDQ markets as well as their attendant penalties. In line with market dynamics and best practices, these infractions and penalties may be reviewed from time to time.

This document supersedes the FMDQ Trading and Reporting Infractions & Penalties Guide – July 2017.

S/N	Infraction	Penalties Grid
1.	Failure to provide firm quotes for all benchmark securities by 10:00 AM on each trading day	<ul style="list-style-type: none"> <li>i. <b>First time:</b> Notice of Infraction to Dealer, with Chief Dealer in copy</li> <li>ii. <b>Second time:</b> Notice of Infraction to Chief Dealer, with Treasurer in copy</li> <li>iii. <b>Third time:</b> Notice of Infraction to Treasurer, with Chief Compliance Officer in copy</li> <li>iv. <b>Fourth time:</b> Notice of Infraction to the MD/CEO</li> <li>v. <b>Fifth time:</b> Fine of ₦500,000.00 (five hundred thousand naira)</li> <li>vi. Subsequent offence(s) that fall within the same month shall attract Public Censure</li> </ul>
2.	Failure to replenish quotes for all benchmark securities within five (5) minutes <i>[considered a sanctionable infraction where this occurs more than three (3) times in a trading day]</i>	
3.	Quoting out of the standard/advised spread <i>[considered a sanctionable infraction where this occurs more than three (3) times in a trading day]</i>	
4.	Responding to less than 35% of mandatory Requests for Quotes (RFQs)	
5.	Failure to report voice trades into the FMDQ-advised medium within thirty (30) minutes of execution of the trade	
6.	Absence from the market without notifying FMDQ	
7.	Effecting settlement of trades beyond two (2) business days of agreed settlement date <i>[subject to FMDQ investigation]</i>	As outlined in <a href="#">Appendix II</a> below.
8.	Failure to submit periodic trade and/or market activity data/reports by the stipulated days and times in the FMDQ-advised medium (See <a href="#">Appendix III</a> below)	<ul style="list-style-type: none"> <li>i. <b>First time:</b> Notice of Infraction to Treasury Operations, with Treasurer in copy</li> <li>ii. <b>Second time:</b> Notice of Infraction to Head, Treasury Operations, with Chief Compliance Officer in copy</li> <li>iii. <b>Third time:</b> Notice of Infraction to the MD/CEO</li> <li>iv. <b>Fourth time:</b> Fine of ₦500,000.00 (five hundred thousand naira)</li> <li>v. Subsequent offence(s) that fall within the same month shall attract Public Censure</li> </ul>
9.	Submission of incomplete or inaccurate trade data	
10.	Failure to update indicative quotes on the FMDQ-advised trading system e.g. the FMDQ E-Bond Trading System	<ul style="list-style-type: none"> <li>▪ Loss of points towards the FMDQ GOLD Awards</li> <li>▪ Exclusion from consideration for the FMDQ Rebate Program</li> </ul>
11.	Requesting for more than three (3) trade cancellations within a trading day due to erroneous quotation	<ul style="list-style-type: none"> <li>▪ Notice of Infraction to Treasurer, with Chief Compliance Officer in copy</li> <li>▪ Public Censure</li> </ul>
12.	Such other infraction as may be prescribed by FMDQ from time to time	FMDQ shall impose appropriate penalties for such infractions as may be prescribed by the OTC Exchange from time to time

### APPENDIX I: GENERAL GUIDELINES

S/N	Standard
1.	Infractions 1-9 shall be reported in the periodic reports provided by FMDQ to the relevant regulatory authorities: i. Securities and Exchange Commission ( <b>SEC</b> ) ii. Central Bank of Nigeria ( <b>CBN</b> ), <i>inter alia</i>
2.	Where two (2) or more infractions meet the specified thresholds for a fine, the defaulting DMB shall be fined for each infraction
3.	The frequency of infraction as outlined in the Penalties Grid shall be reset monthly
4.	Infractions shall be captured in the FMDQ Dealing Members' Compliance Ranking Report published on the FMDQ website or such other FMDQ-advised media
5.	Appeals against penalties shall be conducted in accordance with the FMDQ Appeal Process for Penalties on Trading Infractions (Click <a href="#">here</a> to view)
6.	Penalties imposed in accordance with this Guide do not constitute a waiver of other disciplinary actions which FMDQ may deem fit to take from time to time. Such disciplinary actions will be conducted in accordance with the FMDQ Disciplinary Process (Click <a href="#">here</a> to view)
7.	Fines shall be invoiced monthly and shall <b>not</b> be combined with Transaction Fees
8.	Chief Dealers, Treasurers, and Chief Compliance Officers shall have viewer access to Daily Surveillance Report ( <b>DSR</b> ) as provided in the FMDQ Trade Data Portal

**APPENDIX II: SETTLEMENT INFRACTIONS AND PENALTIES**

S/N	Product	Penalties Grid
1.	<ul style="list-style-type: none"> <li>▪ Secured (Repurchase Agreements, Open Buy-Back, Tenored Placements/Takings)</li> <li>▪ Unsecured Lending/Borrowing (Overnight (“O/N”) Placements/Takings)</li> <li>▪ Foreign Exchange (Cash settlement)</li> </ul>	<p><b>a) Restitution</b> Where the standing lending facility (“SLF”) collateral of the non-defaulting party (“NDP”) is discounted as a result of the unsettled transaction, the defaulting party (“DP”) shall be required to reconstitute the NDP by covering the discounted differential i.e. the difference between FMDQ Closing Rate for the relevant discounted security and the CBN Discount Rate.</p> <p><b>b) Default Charge</b> Upon the establishment of the default in effecting settlement as outlined in Infraction 7 (page 1) above, the DP shall be required to pay a Default Charge at double the daily O/N NIBOR (i.e. O/N NIBOR x 2) from the date the default is established and for every subsequent day the transaction remains unsettled to the NDP.</p> <p><b>c) Additional Penalties</b> In addition to the penalty outlined above, the following penalties shall be imposed on the DP by FMDQ:</p> <ul style="list-style-type: none"> <li>vii. <b>First time:</b> Notice of Infraction to Dealer, with Chief Dealer in copy</li> <li>viii. <b>Second time:</b> Notice of Infraction to Chief Dealer, with Treasurer in copy</li> <li>ix. <b>Third time:</b> Notice of Infraction to Treasurer, with Chief Compliance Officer in copy</li> <li>x. <b>Fourth time:</b> Notice of Infraction to the MD/CEO</li> <li>xi. <b>Fifth time:</b> Fine of ₦500,000.00 (Five hundred thousand naira)</li> <li>xii. Subsequent offence(s) that fall within the same month shall attract Public Censure</li> </ul>
2.	<ul style="list-style-type: none"> <li>▪ Nigerian Treasury Bills</li> <li>▪ CBN Open Market Operations (“OMO”) Bills</li> <li>▪ Bonds</li> <li>▪ Commercial Papers</li> <li>▪ Other fixed income securities</li> </ul>	<p><b>a) Default Charge</b> Upon the establishment of the default in effecting settlement as outlined in Infraction 7 (page 1) above, the DP shall be required to pay a Default Charge at double the daily O/N NIBOR (i.e. daily O/N NIBOR x 2) from the date the default is established (i.e. two (2) business days after the agreed settlement date) and for every subsequent day the transaction remains unsettled to the NDP.</p>

S/N	Product	Penalties Grid
		<p><b>b) Additional Penalties</b></p> <p>In addition to the penalty outlined above, the following penalties shall be imposed on the DP by FMDQ:</p> <ul style="list-style-type: none"> <li>i. <b>First time:</b> Notice of Infraction to Chief Dealer, with Treasurer and Chief Compliance Officer in copy</li> <li>ii. <b>Second time:</b> Fine of ₦500,000.00 (Five hundred thousand naira)</li> <li>iii. Subsequent offence(s) that fall within the same month shall attract Public Censure</li> </ul>

**APPENDIX III: PERIODIC REPORTING OBLIGATIONS**

S/N	Obligation	Timeline	Reporting Medium*
1.	Submission of <b>Weekly Trade Data Report</b>	5:00 PM on the first business day of the week following the reporting period	FMDQ Weekly Data Portal
2.	Submission of <b>Daily Market Activity Summary Report</b> of Investors' & Exporters' foreign exchange trades	5:30 PM every business day	Via e-mail to the Market Services Group ( <a href="mailto:msg@fmdqotc.com">msg@fmdqotc.com</a> )
3.	Submission of Unsettled Fixed Income Trade Data Report	3:00 PM every business day	
4.	<i>Such other reporting obligation as may be stipulated by FMDQ from time to time</i>		

*\*Non-exhaustive; as FMDQ may advise the appropriate reporting medium from time to time*