Amendment To Rules And Regulations Of The Commission

A. Existing Rules on Fund/Portfolio Management Operations

1. Definitions:

Within the context of this part of the Rules the following terms shall have the following meaning:

a) **Discretionary Fund/Portfolio Management** means the exercise of any degree of discretion and independence in investment and management of securities, portfolio of securities, pooled funds on behalf of a client, or a group of clients by a Fund/Portfolio Manager in accordance with investment objectives expressed in an agreement.

b) **Non-Discretionary Fund/Portfolio Management** means the investment in and the management of securities, portfolio of securities on behalf of a client or a group of clients in accordance with the direction of the client or group of clients without any exercise of discretion by the Fund/Portfolio Manager under an expressed agreement.

c) **Retail Investor** means an individual not otherwise classified as 'High Net worth Investor (HNI) or as 'Qualified Institutional Investor (QII) who invests with a registered Capital Market Operator and:

i. has on aggregate (inclusive of tangible and intangible assets) a net worth not exceeding 100 million Naira;
ii. does not possess the requisite knowledge, expertise/skill experience and sophistication for investment management;
iii. has low to moderate risk tolerance threshold;
iv. undertakes the investment for his or her own beneficial account, or on behalf of a minor as parent or guardian.

d) **High Net worth Investor** means an individual whose aggregate net worth of investment assets exceeds 100 million Naira, in addition to:

i. possession of evident capacity, expertise and sophistication to undertake high risk investment activities;

2. General Business Ethics and Conduct

In addition to compliance with the Code of Conduct for Capital Market Operators, the Fund/Portfolio Manager shall:

i. ensure that the execution of client's transaction orders are effected **within twenty four (24)** hours at the best available terms at every point in time in any given market situation;
ii. put in place, written Board approved guidelines in its operations manual outlining all identifiable areas of conflict of interest and stipulating actions to be taken to prevent occurrence thereof arising when allocating and executing transactions in the same securities for clients' portfolios on one hand, and firm's proprietary trade, beneficial transactions for firm's directors, employees or related persons on the other hand;
iii. not undertake a short sale of any securities in a client's portfolio or unauthorized **use** of securities from clients' portfolios.

3. (1) (a) Contents of formal written Client Service Agreement

The Fund/Portfolio Manager **(FPM)** shall ensure the existence of a formal written Client Service Agreement (CSA) with each client or group of clients before the provision of any services in management of Client's assets, or portfolio of securities clearly setting out the following:

i. Management terms and conditions, fees, charges payable by the Client; and scope of services to be provided by the Fund / Portfolio Manager with regards to the investment management service;
ii. investment policy from which the management **terms and conditions are** derived and which identifies clearly:
   a. Investment objective of the Client(s);
   b. Performance benchmark derived from the Client(s) investment objective as provided in (a) c. risk profile of client(s);
   d. limitations, restrictions, etc. with regards to class of assets, sector, industry within permissible assets listed in **3.2**
   e. implementation on the basis of (a), (b) and (c); with a section of the agreement signed by the Client(s), that he/she understands the risk(s) associated with the investments and consents to it(them);
iii. Description of product(s) developed and managed by the Fund/Portfolio manager and offered to the Clients.
iv. Basis and method for valuation of portfolio in reports or account statements distributed to client(s).

v. **Liability clause in respect of default by the Fund / Portfolio Manager.**

"To the fullest extent permitted by the law, and notwithstanding any other provision of this Agreement, the Fund/Portfolio Manager is prohibited from disclaiming responsibility for losses of investments due to breach of the terms of this agreement, fraud, bad faith, gross negligence or willful default arising from its acts or omission or those of its agents appointed by it in the course of performing its services to the Client.

The Client shall indemnify and save harmless the Fund/Portfolio Manager from and against any and all claims, liabilities, damages, losses, costs and expenses, that are incurred by the Fund/Portfolio Manager in the course of carrying out its responsibilities hereunder, provided that it shall be entitled to indemnification hereunder only if it acted in good faith and in a manner reasonably believed to be in the best interests of the Client."

(b) Provision of Investment Performance Report:

The Fund/Portfolio Manager shall provide to the client(s) periodic (monthly, quarterly or bi annual) report (as agreed with the client) on the performance of its investment portfolio which shall state:

i. the nominal and inflation adjusted rate of return. ii. the measuring and reporting of performance based on established and mutually agreed benchmark reflecting investment objective of the client.

iii. the expenses and costs incurred.

c) Contents of Marketing Materials /Client prospecting document

The marketing materials /Client prospecting document shall state among other information, the following:

i. Asset class and types of securities comprised in the portfolio. ii. Risks associated with investment of the assets, securities of the portfolio and management by the firm of such risks;

iii. Class of investors for which investment product is targeted categorized on a basis determined by the Fund/Portfolio Manager such as age, risk tolerance, investment objective etc.

3.2 Investment of Retail Investors Funds

Funds received from Retail Investors/Clients and managed under a discretionary Fund/Portfolio management mandate – whether-on individual portfolio basis or as a pooled Fund - shall only be invested in any or combination of the under listed permissible assets and securities:

i. Quoted equity stocks listed on a registered Stock Exchange in Nigeria;

ii. Registered stock index issued by a registered Exchange in Nigeria which is actively traded;
iii. Unquoted equity stocks admitted and actively traded Over the Counter;
iv. Government Securities: Treasury bills, (national, supra-national and subnational) bonds
v. Marketable Debt Instruments: Corporate Debts assigned investment grade rating by SEC registered rating agency and actively traded for thirty (30) days on a SEC registered secondary market;
vi. Units of registered Collective Investment Schemes;
vii. Fixed/Term deposit investment;
viii. Non-interest/Shariah compliant instruments or securities as provided for under the Rules and Regulations of the Commission.
ix. Any other class of assets or securities as approved by the Commission from time to time.

3.3 Investment of High Net Worth/Qualified Institutional Investor Funds **(HNI/QII)**

Investment of **HNI/QII** Clients funds under discretionary fund/portfolio management mandate shall be in assets and securities determined by the exercise of discretion of the FPM in line with the clients stated investment objective and defined risk tolerance level, evidenced by a mutually agreed/signed mandate from the client transmitted to the FPM physically or electronically.

4. Non-Discretionary Management Service

The following will apply under a non-discretionary management service;

1. The Client Service Agreement (CSA) shall clearly define the following:
   i. the terms of service and relationship between both parties;
   ii. roles and responsibilities of each party during the tenure of the agreement;
   iii. fees, charges and commissions payable by the investor
   iv. the time lines for execution of transaction orders
   v. Requirement for best execution.

B. Amendment to Rules on Fund/Portfolio Management Operations

LEGEND

- Additions are underlined
- Deletions are ~~struck through~~

Rules on ~~Fund~~ Private/Portfolio Management Operations

1. Definitions

Within the context of this part of the Rules the following terms shall have the following meaning:

a) **Discretionary ~~Fund~~ Product/Portfolio Management** means the exercise of any degree of discretion and independence in investment and management of assets, securities, and/or portfolio of securities, ~~pooled funds~~ on behalf of a client, ~~or a group of clients~~ by a Fund/Portfolio Manager in accordance with investment objectives expressed in an agreement.

b) **Non-Discretionary ~~Fund~~ Product/Portfolio Management** means the investment in and the management of assets, securities, and/or portfolio of securities on behalf of a client ~~or a group of clients~~ in accordance with the direction of the client ~~or group of clients~~ without any exercise of discretion by the Fund/Portfolio Manager under an expressed agreement.

c) **Retail Investor** means an individual not otherwise classified as 'High Net worth Investor (HNI) or as 'Qualified Institutional Investor (QII) who invests with a registered Capital Market Operator and:

i. has on aggregate (inclusive of tangible and intangible assets) a net worth not exceeding 100 million Naira;
ii. does not possess the requisite knowledge, expertise/skill experience and sophistication for investment management;
iii. has low to moderate risk tolerance threshold;
iv. undertakes the investment for his or her own beneficial account, or on behalf of a minor as parent or guardian.

d) **High Net worth Investor** means an individual whose aggregate net worth of investment assets exceeds 100 million Naira, in addition to~~: i~~ possession of evident capacity, expertise and sophistication to undertake high risk investment activities; ~~or~~

2. General Business Ethics and Conduct

In addition to compliance with the Code of Conduct for Capital Market Operators, the Fund/Portfolio Manager shall:

a) ensure that the execution of client's transaction orders are effected **within twenty four (24)** hours at the best available terms at every point in time in any given market situation.

b) put in place, written Board approved guidelines in its operations manual outlining all identifiable areas of conflict of interest and stipulating actions to be taken to prevent occurrence thereof arising when allocating and executing transactions in the same securities for clients' portfolios on one hand, and firm's proprietary trade, beneficial transactions for firm's directors, employees or related persons on the other hand.

c) not undertake a short sale of any securities in a client's portfolio or unauthorized **use** of securities from clients' portfolios.

3. Contents of formal written Client Service Agreement

The Fund/Portfolio Manager **(FPM)** shall ensure the existence of a formal written Client Service Agreement (CSA) with each client ~~or group of clients~~ before the provision of any services in management of Client's assets, or portfolio of securities clearly setting out the following:

a) Management terms and conditions, fees, charges payable by the Client; and scope of services to be provided by the Fund / Portfolio Manager with regards to the investment management service.

b) Investment policy from which the management terms and conditions are derived and which identifies clearly:

i. Investment objective of the Client(s);
ii. Performance benchmark derived from the Client(s) investment objective as provided in (i);
iii. risk profile of client(s);
iv. limitations, restrictions, etc. with regards to class of assets, sector, industry within permissible assets listed in ~~3.2~~ 5;
v. implementation on the basis of (i), (ii) and (iii); with a section of the agreement signed by the Client(s), that ~~he/she~~ the Client understands and consents to the risk(s) associated with the investments ~~and consents to it (them)~~

c) Description of product(s) ~~developed and managed~~ offered by the Fund/Portfolio manager ~~and offered~~ to the Clients.

d) Basis and method for valuation of portfolio in reports or account statements distributed to client(s).

e) Liability clause in respect of default by the Fund/Portfolio Manager.

"To the fullest extent permitted by the law, and notwithstanding any other provision of this Agreement, the Fund/Portfolio Manager is prohibited from disclaiming responsibility for losses of investments due to breach of the terms of this agreement, fraud, bad faith, gross negligence or willful default arising from its acts or omission or those of its agents appointed by it in the course of performing its services to the Client.

The Client shall indemnify and save harmless the Fund/Portfolio Manager from and against any and all claims, liabilities, damages, losses, costs and expenses, that are incurred by the Fund/Portfolio Manager in the course of carrying out its responsibilities hereunder, provided that ~~it~~ the Fund/Portfolio Manager shall be entitled to indemnification hereunder only if it acted in good faith and in a manner reasonably believed to be in the best interests of the Client."

4. Provision of Investment Performance Report

The Fund/Portfolio Manager shall provide to the client(s) periodic (monthly, quarterly or bi annual) report (as agreed with the client) on the performance of its investment portfolio which shall state:

a) the nominal and inflation adjusted rate of return;

b) the measuring and reporting of performance based on established and mutually agreed benchmark reflecting investment objective of the client;

c) the expenses and costs incurred.

~~**c) Contents of Marketing Materials /Client prospecting document**~~

~~The marketing materials /Client prospecting document shall state among other information, the following:~~

~~i. Asset class and types of securities comprised in the portfolio.~~

~~ii. Risks associated with investment of the assets, securities of the portfolio and management by the firm of such risks;~~

~~iii. Class of investors for which investment product is targeted categorized on a basis determined by the Fund/Portfolio Manager such as age, risk tolerance, investment objective etc.~~

~~iv.~~

5. Investment of Retail Investors ~~Funds~~ Monies

a) Funds received from Retail Investors/Clients and managed under a discretionary ~~Fund/~~Portfolio management mandate ~~– whether~~ on individual portfolio basis ~~or as a pooled Fund -~~ shall only be invested in any or combination of the under listed permissible assets and securities:

i. Quoted equity stocks listed on a registered ~~Stock~~ Securities Exchange in Nigeria;

ii. Registered stock index issued by a registered Exchange in Nigeria which is actively traded;

iii. Unquoted equity stocks admitted and actively traded Over the Counter on a registered or recognized OTC platform;

iv. Government Securities: Treasury bills, (national, supra-national and subnational) bonds v. Marketable Debt Instruments: Corporate Debts assigned investment grade rating by SEC registered rating agency and actively traded for thirty (30) days on a SEC registered secondary market;

vi. Units of registered Collective Investment Schemes;

vii. Fixed/Term deposit investment issued by banks licensed by the CBN;

viii. Non-interest/Shariah compliant instruments or securities as provided for under the Rules and Regulations of the Commission. ix. Any other class of assets or securities as approved by the Commission from time to time as suitable for retail investors.

b) Monies received from Retail Investors/Clients shall not be invested in any related party's asset/instrument or co-invested in any related party transaction.

c) Monies received from Retail Investors/Clients shall not be kept with any related party custodian

6. Investment of High Net Worth/Qualified Institutional Investor ~~Funds~~ Monies (HNI/QII)

a) Investment of HNI/QII Clients ~~funds~~ monies under discretionary ~~fund/~~portfolio management mandate shall be in assets and securities determined by the exercise of discretion of the ~~FPM~~ fund/portfolio manager in line with the clients stated investment objective and defined risk tolerance level, evidenced by a mutually agreed/signed mandate from the client transmitted to the ~~FPM~~ fund/portfolio manager physically or electronically.

~~**4. Non-Discretionary Management Service**~~

b) ~~The following will apply~~ Under a non-discretionary management service, the Client Service Agreement (CSA) shall clearly define the following:

i. the terms of service and relationship between both parties;

ii. roles and responsibilities of each party during the tenure of the agreement;

iii. fees, charges and commissions payable by the investor; iv. the time lines for execution of transaction orders;

v. Requirement for best execution.

c) HNI/QII Clients' monies managed under a discretionary or non-discretionary ~~fund~~/portfolio management mandate may be invested outside Nigeria, provided that such investment shall not exceed 20% of the client's assets under management.

MADE AT ABUJA, THIS 21ST DAY OF AUGUST 2026

SIGNED

Simnom Garba (Mrs.)	**Emomotimi Agama (PhD)**
Ag. Secretary to the Commission	**Director General**