

**AMENDMENTS TO THE RULEBOOK OF THE NIGERIAN STOCK EXCHANGE**  
**(DEALING MEMBERS' RULES - PART XIV)**

**RULES ON CUSTODIAL ACCOUNTS FOR MINORS<sup>1</sup>**

**Definitions:**

Administrator:	means "Administrator" as defined in the applicable administration of estates law in Nigeria.
Age of Majority:	means eighteen (18) years and above.
Beneficiary:	means a Minor, or a Minor that has attained the Age of Majority who is entitled to the profit, advantage, or benefit of the investment.
Custodial Account for Minors or Custodial Account:	means an account opened with a Dealing Member firm in the name of, and for the benefit of a Minor, which account is managed by a Custodian on behalf of the Minor.
Custodian for Minors or Custodian:	means an adult person who has custody of securities, or certificate(s) issued in the Minor's name, with the Minor's name appearing in the Issuer's register and or other

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<sup>1</sup> **Rule Making History**

1. The draft Rules were presented to the Rules and Adjudication Committee of Council (RAC) at the RAC Meeting of 20 March 2017, and approved for exposure to stakeholders for comments;
2. The draft Rules were exposed for stakeholders' comments from 17 November to 18 December 2017;
3. At its meeting of 28 February 2018, the RAC considered the Memo for approval of the revised draft Rules, for submission to Council for approval; and requested that further internal review be carried out;
4. At its meeting of 19 September 2018, the RAC reconsidered the Memo for approval of the revised draft Rules, for submission to Council for approval at and requested that further internal review be carried out;
5. At its meeting of 29 March 2019, the Regulation Committee (formerly known as RAC) further considered the Memo for approval of the revised draft Rules, and approved the Rules for submission to Council;
6. The Council approved the draft Rules at its meeting of 30 May 2019 for submission to the Securities and Exchange Commission (SEC);
7. The SEC approved the Rules on 27 November 2019.

records as the beneficial owner of the securities.

**Minor:** means any person under the age of eighteen (18) years who is registered as the beneficial owner of the securities, receives the financial benefits from the securities, and on whose behalf a Custodian for Minors acts.

**Trustee:** means “Trustee” as defined in the Bankruptcy Act, Cap. B2, Laws of the Federation of Nigeria, 2004) and as amended from time to time.”

### **1. Custodial Accounts for Minors**

Any brokerage account in the name of, and for the benefit of a Minor, shall be opened and operated in compliance with these Rules, and such account shall be known as a Custodial Account for a Minor.

### **2. Purpose and Designation of Custodial Account for Minors**

- (a) Every Custodial Account for a Minor shall bear the name of the Minor and shall be classified as a Minor account based on the information in the Minor’s birth certificate or document provided in evidence of the Minor’s age and identity at the time of opening the account.
- (b) Any investment income such as dividends, interest or earnings generated by the assets in the Custodial Account for a Minor shall be treated as the Minor’s income.
- (c) All funds transferred to or disbursed from a Custodial Account for a Minor shall be utilized for the benefit of the Minor.
- (d) A Custodial Account for a Minor shall be operated as an individual brokerage account on behalf of the Minor.

### **3. Custodian’s Qualifications**

No one shall be appointed or retained as a Custodian except he/she:

- (a) Is a parent or guardian of the Minor; or is an executor or administrator of an estate of a deceased person of which the Minor is a Beneficiary;
- (b) Is an adult of not less than twenty-one (21) years of age;
- (c) Is not an undischarged bankrupt;
- (d) Has never been convicted of any offence involving fraud, dishonesty, official corruption or moral turpitude; and
- (e) Is of sound mind.

#### **4. KYC Requirements**

Any Dealing Member that intends to open a Custodial Account for a Minor shall satisfy the following KYC requirements:

- (a) Sight the original and obtain a copy of the Minor's birth certificate; or any relevant document reflecting the full names and age of the Minor;
- (b) Confirm that the intending Custodian(s) satisfies all the qualifications for a Custodian in accordance to Rule 3 of these Rules;
- (c) Determine the nature of the relationship between the Minor and the intending Custodian(s);
- (d) Conduct a KYC procedure on the intending Custodian(s) of the account; and
- (e) Obtain relevant information on the identity and contact details of the Minor's next-of-kin.

#### **5. Number of Custodians**

Each Custodial Account for a Minor shall have a minimum of one (1) and a maximum of two (2) Custodians associated with it.

#### **6. Joint Custodians**

- (a) Where a Custodial Account for a Minor, has joint Custodians, the joint Custodians shall jointly exercise the powers, rights and responsibilities vested under Rule 8.
- (b) The joint Custodian shall advise the Dealing Member Firm on the mandate for the Custodial Account:
  - (i) Both Custodians to sign; or
  - (ii) Either of the Custodians to sign.

#### **7. Disputing Custodians**

A Dealing Member shall immediately suspend all operations on a Custodial Account once it receives written notice or otherwise becomes aware of a dispute between joint Custodians in respect of the management of the Custodial Account provided that, subject to the fulfilment of any operational processes, it shall resume same when it receives written notice or otherwise becomes aware, based on reasonable enquiry, that the dispute has been resolved.

#### **8. Custodian's Powers and Functions**

Subject to the terms, or instrument of its appointment, a Custodian shall be vested with rights which include:

- (a) Opening/Closure of Custodial Account;
- (b) Maintenance of the account, initiating and executing transactions thereon;
- (c) Issuing mandates for the purchase of securities into the account;
- (d) Issuing mandates for the sale of securities from the account;
- (e) Collection of benefits, entitlements or rights accruing to the Minor in respect of the securities in the account;
- (f) Designating a bank account in the name of the Minor for e-dividend payment and direct cash settlement;
- (g) Disbursement of funds from the account for the benefit of the Minor;
- (h) Filing of complaint(s) on behalf of the Minor with respect to the account;
- (i) Keeping the Minor informed (via written or electronic communication) of the actions taken or to be taken by the issuer of securities, having a bearing on the benefits or rights accruing to the Minor;
- (j) Any other actions necessary for the proper operation of the Custodial Account.

## **9. Bank Account**

The Custodian(s) shall provide a bank account in the name of the Minor into which the proceeds of sale, dividends, or any other payments, shall be paid.

## **10. Attainment of Majority**

- 10.1 Upon attaining the Age of Majority, the Dealing Member and Custodian shall notify the Beneficiary (via written or electronic communication) of his investments and the Beneficiary may:
- (a) Apply to the Dealing Member to convert his or her account from a Custodial Account for a Minor to a regular account in his or her own name; or
  - (b) Appoint the Custodian as a joint account holder; or
  - (c) Grant the Custodian a power of attorney to manage the account; or
  - (d) Request such other change or action as the Beneficiary desires.
- 10.2 The Dealing Member upon receipt of a request to which Rule 10.1 applies, from the Beneficiary shall:
- (a) Act in accordance with the request, provided that nothing in this Rule shall be taken to prohibit the Dealing Member from taking a period of no longer than thirty (30) days to take such steps as are reasonable in the circumstances to give effect to the request; and
  - (b) Where it is not a joint account, remove the name(s) of the Custodian(s) from the account; and cease to deal with or accept any instructions from the Custodian(s) with respect to the account.

- 10.3 Where the beneficiary fails to respond to notification of his investment, the Custodian shall continue exercising his powers and functions in favour of the beneficiary as stipulated in these Rules; and the Dealing Member and Custodian shall make regular and diligent efforts to obtain confirmation of the beneficiary's instructions.

#### **11. Maintenance of Records**

Dealing Members shall keep complete records regarding the age of the beneficiary, and transactions on the Custodial Account for a Minor and any subsequent investor account held by the Beneficiary until at least six (6) years after the end of the business relationship with the Dealing Member.

#### **12. Notification of Obligations**

Prior to opening a Custodial Account, Dealing Members shall inform the Custodian(s) of their duties and obligations under the Custodial Account for Minors as provided under these Rules.

#### **13. Bankruptcy or Death of Custodian for Minors**

- 13.1 In the event that a Custodian's estate is subjected to bankruptcy proceedings:
- (a) The Trustee of the bankrupt Custodian shall manage the Custodial Account on behalf of the Minor;
  - (b) No proceeds from the Custodial Account shall be applied towards the settlement of the bankruptcy proceedings or the Custodian's debts.
- 13.2 In the event of the death of a Custodian, the Administrator of the estate of the Custodian shall manage the Custodial Account on behalf of the Minor.

#### **14. Supervision and Provision of Information**

The Exchange may demand from a Dealing Member any information on the identity and contact details of the Minor or Custodian, and information on any transactions carried out on a Custodial Account from time to time.

#### **15. Conduct of Custodians**

Custodians shall:

- (a) Act in the best interests of the Beneficiary;
- (b) Not place themselves under any financial or other obligation to any individuals or organizations that might seek to influence them in the performance of their role;
- (c) Avoid impropriety, or any appearance of impropriety;

- (d) Avoid accepting gifts and hospitality that might reasonably be thought to influence their judgment, with respect to the Minor's account;
- (e) Seek proper advice and be objective in making decisions on behalf of the Beneficiary, and should ensure that decisions are made solely on merit;
- (f) Comply with the law on all occasions in accordance with the responsibility placed on them and in such a way as to preserve their integrity at all times;
- (g) Be transparent and accountable for their decisions and actions;
- (h) Ensure that confidential material, including materials about Beneficiaries, are handled with due care;
- (i) Take steps to resolve any conflicts of interest that may arise. Where private interests of a Custodian conflicts with his or her duties, he/she must resolve this conflict in favour of the Beneficiary.

#### **16. Declaration of Compliance by Custodians**

Prior to opening a Custodial Account for a Minor and at such intervals as are reasonable in the circumstances thereafter, Dealing Members shall ensure that the Custodian for a Minor:

- (a) is made aware of the provisions of these Rules, and clearly understands the level and type of conduct expected of them under these Rules; and
- (b) executes an undertaking to comply with these Rules.

#### **17. Sanctions**

The Exchange may exercise disciplinary powers against a Dealing Member that violates these Rules, which shall, amongst others, include all or any of the following:

- (a) Fine;
- (b) Public censure;
- (c) Suspension on such terms and for such period as The Exchange may deem fit;
- (d) Revocation of registration of the Authorized Clerks or Accredited Representatives of the Dealing Member; and
- (e) Expulsion.