

DEMUTUALISATION OF THE NIGERIAN STOCK EXCHANGE ACT, 2018

EXPLANATORY MEMORANDUM

This Act facilitates the expeditious conversion and reregistration of the Nigerian Stock Exchange from a company limited by guarantee to a public company limited by shares in order to adopt and efficiently implement the global practice of the demutualisation of stock exchanges.

This Act also develops and strengthens the Nigerian Capital Market and formation of capital for the expansion of the Nigerian economy for the major role the Nigerian Stock Exchange plays in Nigeria's Financial Market and its conversion and reregistration into a public company limited by shares.

DEMUTUALISATION OF THE NIGERIAN STOCK EXCHANGE ACT, 2018

Arrangement of Sections:

Section:

1. Conversion of the Exchange to a public company limited by shares.
2. Tax implication of the conversion and reregistration process.
3. Tax obligation.
4. Completion of reregistration.
5. Establishment of Claims Review Panel.
6. Claim procedure.
7. Miscellaneous.
8. Interpretation.
9. Citation.

DEMUTUALISATION OF THE NIGERIAN STOCK EXCHANGE ACT, 2018

A Bill

For

An Act to facilitate the development of Nigeria's Capital Market by enabling the conversion and reregistration of the Nigerian Stock Exchange from a company limited by guarantee to a public company limited by shares; and for related matters.

[

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Commencement

ENACTED by the National Assembly of the Federal Republic of Nigeria—

1. (1) The Exchange may, in the overriding interest of the development of the capital market and in accordance with prevalent international practices and standards, and the development of the economy of Nigeria, convert and reregister from a company limited by guarantee to a public company limited by shares. Conversion of the Exchange to a public company limited by shares.
- (2) Notwithstanding any provision of the Companies and Allied Matters Act or the Memorandum and Articles of Association of the Exchange, the Exchange is empowered to adopt any process, procedure, structure or plan as may be required by its Council for the purpose of converting to a public company limited by shares: Cap. C20, LFN, 2004.

Provided that the prior authorisation of the Securities and Exchange Commission has been obtained and all the procedures and requirements of the Demutualisation Rules of the Securities and Exchange Commission have been complied with.
2. (1) The provisions of this section shall apply for the purposes of conversion and reregistration of the Exchange to a public company limited by shares. Tax implication of the conversion and reregistration process.
- (2) Notwithstanding any other provision of this Act and subject to this section, the Exchange may be reregistered as a public company limited by shares if —
 - (a) a special resolution that it should be so reregistered is passed at the General Meeting of the Exchange in accordance with the Articles of Association of the Exchange; and
 - (b) an application for reregistration is delivered by the Exchange to the Commission together with the documents prescribed in subsection (4).
- (3) The special resolution shall —
 - (a) alter the Memorandum of Association of the Exchange to state that it is to be a public company limited by shares;
 - (b) make such alterations in the Memorandum of Association of the Exchange as are necessary to bring it into conformity with the requirements of section 27 of the Companies and Allied Matters Cap. C20, LFN, 2004.

Act, with respect to the memorandum of a public company limited by shares; and

(c) make such alterations in the Articles of Association of the Exchange as are requisite in the circumstances.

(4) The application shall be made to the Commission under a covering letter signed by the President of the Exchange, the Chief Executive Officer of the Exchange and the Secretary of the Exchange together with —

(a) a printed copy of the Memorandum and Articles of Association of the Exchange as altered in pursuance of the special resolution;

(b) a copy of a written statement by the Council Members and the Secretary of the Exchange certified on oath by them, and showing that the paid up capital of the Exchange as at the date of the application is not less than 25% of the authorised share capital as at that date;

(c) a copy of the balance sheet of the Exchange as at the date of the special resolution or the preceding nine months, whichever is later;

(d) a declaration under oath by the President of the Exchange, the Chief Executive Officer of the Exchange and Secretary of the Exchange that the —

(i) special resolution required under this section has been passed, and

(ii) net assets of the Exchange are not less than the aggregate of the paid up share capital and undistributable reserves of the Exchange; and

(e) a copy of any prospectus or statement in lieu of prospectus delivered within such time as the Securities and Exchange Commission may prescribe, not being a period less than the preceding 12 months from the date of conversion and reregistration.

(5) The Commission shall, upon compliance with the provisions of this section —

(a) retain the application and other documents delivered to it under this section;

(b) immediately register the application and other documents; and

(c) immediately issue to the Exchange a certificate of incorporation evidencing the registration of the Exchange as a public company limited by shares.

(6) Upon the issue to the Exchange of the certificate of incorporation under this section

- (a) the Exchange shall, by virtue of the issuance of the certificate of incorporation, become a public company limited by shares;
- (b) any alteration in the Memorandum and Articles of Association of the Exchange set out in the resolution shall take effect accordingly; and
- (c) the Exchange shall comply with applicable provisions of the Companies and Allied Matters Act, and the Investments and Securities Act, in relation to public companies.

Cap. C20, LFN, 2004.

Cap. I24, LFN, 2004

(7) The certificate shall be prima facie evidence that the —

- (a) requirement of this Act in respect of conversion and reregistration and of matters precedent and incidental thereto have been complied with; and
- (b) Exchange is a public company limited by shares.

(8) The Commission shall notify the Attorney-General of the Federation of the conversion and reregistration.

(9) From the effective date of this Act, no provision of -

- (a) the Companies and Allied Matters Act;
- (b) the Investment and Securities Act; and
- (c) any regulation made under the Act mentioned in paragraph (a) or (b) or any other law applicable in Nigeria,

Cap. C20, LFN, 2004.

Cap. I24, LFN, 2004

shall be interpreted as limiting, inhibiting, or restricting the Exchange from converting and reregistering to a public company limited by shares; and

(10) Upon the conversion and reregistration of the Exchange from a company limited by guarantee to a public company limited by shares, all income, assets, property and liability of the Exchange held prior to the commencement of this Act shall continue, without any limitation, inhibition or restriction to the income, assets, property and liabilities of the Exchange as a public company limited by shares.

3. (1) The Exchange and its members shall not have any obligation to pay tax which may arise in connection with, or as a result of, the conversion and reregistration of the Exchange to a public company limited by shares.

Tax obligation.

(2) Upon the conversion and reregistration of the Exchange to a public company limited by shares, the Exchange may only be liable to pay tax on subsequent profits earned

by the Exchange after such conversion and reregistration.

- (3) The members of the Exchange, upon the conversion and reregistration of the Exchange to a public company limited by shares, may only be liable to pay tax on dividends declared by the Exchange.
4. For the purposes of this Act, conversion and reregistration are deemed to have been completed on the date that the Registrar-General of the Commission issues a new certificate of incorporation to the Exchange as a public company limited by shares. Completion of reregistration.
5. (1) The Exchange shall establish, for the purposes of this Act, a Claims Review Panel (in this Act referred to as the "Panel") which shall consist of — Establishment of Claims Review Panel.
 - (a) a chairman, who shall be a lawyer with not less than 15 years of cognate experience working in the Nigerian Capital Market; and
 - (b) four members with not less than 10 years of experience working in the Nigerian Capital Market.
- (2) The appointment of the Chairman and members of the Panel shall be made by the Council.
- (3) The Panel may review and determine any assertion by any person to any right in the shares of the Exchange, such assertion having been made anytime between the coming into force of this Act and six years after conversion of the Exchange from a company limited by guarantee to a public company limited by shares.
- (4) The Panel may adopt any rule or procedure for its proceedings provided that, at all times, such rule or procedure shall comply with the principles of fair hearing as enshrined in the Constitution.
6. (1) Where a person is of the view that he is entitled to any share in the Exchange, the person shall inform the Council of such entitlement through a letter setting out the number of shares to which he believes he is entitled and provide such documentary evidence as may be sufficient to establish his right to the shares claimed. Claim procedure.
 - (2) The Council shall, within 30 days of receipt of a letter, notify the claimant of the Council's decision as to whether the claimant has any right to shares in the Exchange.
 - (3) A claimant may, within 14 days after receiving notification of the decision of the Council on a claim, notify the Council of his intention to challenge the findings of the Council before the Panel.
 - (4) Upon receipt of notice of a claimant's intention to challenge the findings of the Council before the Panel, the Council shall, within 14 days, convene the Panel and shall provide the Chairman and each member of the Panel with all documents considered by the Council in making its finding on the assertion of the claimant, including the minutes of the meeting of the Council at which the claim was considered.
 - (5) For the purpose of exercising its powers under this Act, the Panel shall be properly constituted by the Chairman and two members of the Panel sitting together.

(6) The Panel may, after the review of any claim, direct that the claimant is —

- (a) entitled to the number of shares claimed;
- (b) entitled to a lesser number of the shares claimed; or
- (c) not entitled to any share in the Exchange.

(7) No claimant is entitled to resort to a law court unless such claimant has had recourse to the remedies under the claims procedure as set out in this section.

7. The Registrar-General, or any person authorised by him, is empowered to convert and reregister the Exchange and to take all such actions which are expedient for the purpose of implementing the provisions of this Act, including the registration of any amendment to the Memorandum and Articles of Association of the Exchange and the registration of the statement of authorised share capital, the return on allotment of shares and any resolution of the Exchange.

Miscellaneous.

8. In this Act, —

Interpretation.

"claimant" means any person claiming an interest in any share of the Exchange;

"Commission" means the Corporate Affairs Commission established under the Companies and Allied Matters Act Cap. C20, Laws of the Federation of Nigeria, 2004;

"Constitution" means the Constitution of the Federal Republic of Nigeria, 1999;

"Council" means the National Council of the Nigerian Stock Exchange;

"Council Member" means the director of the Exchange who, by virtue of the Memorandum and Articles of Association of the Exchange, is referred to as the Member of the Council;

"Exchange" means the Nigerian Stock Exchange Limited by Guarantee;

"Member" means a member of the Exchange immediately before the conversion and reregistration of the Exchange from a company limited by guarantee to a company limited by shares;

"Panel" means the Claims Review Panel established under section 5 (1) of this Act;

"President of the Exchange" means the President of the National Council of the Nigerian Stock Exchange or the Chairperson of the Board of Directors of the Nigerian Stock Exchange;

"Registrar General" means the Registrar-General of the Corporate Affairs Commission;

"Reregistration" or "reregister" refers to the process culminating in the registration of the Exchange as a public company limited by shares by the Corporate Affairs Commission;

"Secretary of the Exchange" means the Secretary of the Nigerian Stock Exchange;

"Securities and Exchange Commission" means the Securities and Exchange Commission

established under the Investments and Securities Act Cap. I24, Laws of the Federation of Nigeria, 2004; and

"tax" means companies income tax, withholding tax, value added tax, capital gains tax, stamp duties, and such other tax as may be imposed under the Nigerian law.

9. This Act may be cited as the Demutualisation of the Nigerian Stock Exchange Act, 2018. Citation.

I, CERTIFY, IN ACCORDANCE WITH SECTION 2 (1) OF THE ACTS AUTHENTICATION ACT CAP. A2, LAWS OF THE FEDERATION OF NIGERIA 2004, THAT THIS IS A TRUE COPY OF THIS BILL PASSED BY BOTH HOUSES OF THE NATIONAL ASSEMBLY.



MOHAMMED ATABA SANI-OMOLORI
CLERK TO THE NATIONAL ASSEMBLY

23rd DAY OF JULY, 2018

Schedule to the Demutualisation of the Nigerian Stock Exchange Bill, 2018

SHORT TITLE OF THE BILL	LONG TITLE OF THE BILL	SUMMARY OF THE CONTENTS OF THE BILL	DATE PASSED BY THE SENATE	DATE PASSED BY THE HOUSE OF REPRESENTATIVES
Demutualisation of the Nigerian Stock Exchange Bill, 2018.	An Act to facilitate the development of Nigeria's Capital Market by enabling the conversion and reregistration of the Nigerian Stock Exchange from a company limited by guarantee to a public company limited by shares; and for related matters.	<p>This Bill facilitates the expeditious conversion and reregistration of the Nigerian Stock Exchange from a company limited by guarantee to a public company limited by shares in order to adopt and efficiently implement the global practice of the demutualisation of stock exchanges.</p> <p>This Bill also develops and strengthens the Nigerian Capital Market and formation of capital for the expansion of the Nigerian economy for the major role the Nigerian Stock Exchange plays in Nigeria's Financial Market and its conversion and reregistration into a public company limited by shares.</p>	21st December, 2017	1 st February, 2018

I certify that this Bill has been carefully compared by me with the decision reached by the National Assembly and found by me to be true and correct decision of the Houses and is in accordance with the provisions of the Acts Authentication Act Cap. A2, Laws of the Federation of Nigeria, 2004.


MOHAMMED ATABA SANI-OMOLORI

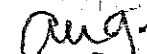
Clerk to the National Assembly

23rd Day of July, 2018


MUHAMMADU BUHARI, GCFR

President of the Federal Republic of Nigeria

29 Day of July, 2018



I ASSENT