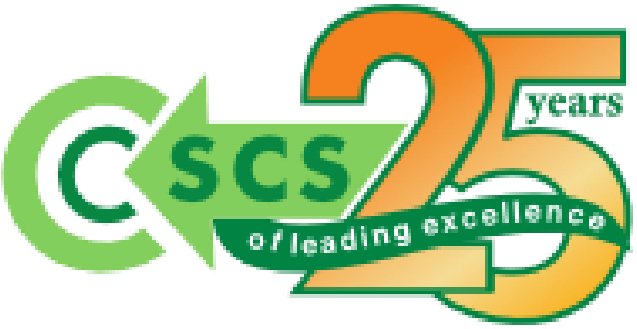
Document Classification: CSCS Confidential (YELLOW) - Internal



CSCS CLEARING & SETTLEMENT OPERATIONS FRAMEWORK

Document Classification: CSC
S Confidential (YELLOW) - Internal

Management

Name	Signature & Date
Managing Director/Chief Executive Officer	
Executive Director	
Divisional Head Business Services and Client Experience	
Divisional Head Business Technology and Digital Innovation	
Chief Financial Officer	
Chief Strategy Officer	
Ag. Chief Risk Officer	
Company Secretary & General Counsel	

Effective Date: Effective from the date the framework is approved by Management.

Distribution List: All Staff

Document Owner: Head, Clearing and Settlement Operations

Contents

Distribution List: All Staff 2

1.0 INTRODUCTION 4

1.1 Purpose of Framework (Framework Objectives) 4

1.2 Scope of Framework 4

1.3 Framework Governance 4

1.4 Related Documents 4

1.5 Definition of Terminologies in this Framework 4

1.6 Framework Statement 8

2.0 FRAMEWORK PROVISIONS 8

3.0 FRAMEWORK REVIEW 10

4.0 FRAMEWORK EXCEPTIONS 11

5.0 ESCALATION 11

6.0 RECORD RETENTION 11

1.0 INTRODUCTION

1.1 Purpose of Framework (Framework Objectives)

The purpose of this Framework is to offer guidance on the clearing and settlement of securities within the Nigerian capital market, in line with the directive issued by the Securities and Exchange Commission on 24 April 2025 to transition from the T+3 settlement cycle to T+2 effective from 28 November 2025 and further to a T+1 settlement cycle, six (6) months afterwards.

1.2 Scope of Framework

This Framework is applicable to all Participants in the Nigerian Capital Market engaged in securities trading across all Exchanges duly registered by the Securities and Exchange Commission.

1.3 Framework Governance

The Head of Clearing and Settlement Operations Department has ownership of and is responsible for maintaining this framework. He or she shall report to the Divisional Head, Business Services and Client Experience with regards to matters within the scope of this framework. The Clearing and Operations Department is charged with ongoing responsibility for the interpretation and communication of this Framework's provisions to all relevant stakeholders.

1.4 Related Documents

The matters addressed by the Framework should be implemented in line with the CSCS Rules and any other applicable regulatory requirements.

1.5 Definition of Terminologies in this Framework

the Act	means the Investments and Securities Act, 2025 and any amendment thereof
Account	means an account maintained by CSCS for a Participant or for a Participant's client, and used for transactions in the Depository Service and the Settlement Service
Applicant	means an entity seeking to be admitted as a Participant in CSCS Systems
Business Continuity Procedure	means the processes and procedures a Participant puts in place for continuing operations in the occurrence of failure or prolonged downtime at CSCS main office
Business Day	means any day (other than a Saturday, Sunday, or public holiday) on which:

	(a) banks in Nigeria are open for business as designated by the Central Bank of Nigeria for the purpose of processing payments and settlements; and (b) the Central Securities Clearing System Plc and the Nigerian Exchange Limited are open and operational for trading, clearing, and settlement activities.
CBN	means the Central Bank of Nigeria
Client	means any person to which a Participant provides services deriving from the CSCS System or Services
CSCS	means Central Securities Clearing System Plc
the CSCS System	means the depository, clearing and settlement platform in operation at any time and which CSCS uses in rendering its clearing and settlement functions
Day	means a calendar day
Securities Dealing Firm	means a registered entity approved by the Securities and Exchange Commission as a Capital Market Operator and licensed as a Securities Dealing Firm or Trading License Holder by any of the exchanges to transact in Securities on its trading floor
Dematerialization	This denotes the process of converting certificated securities into uncertificated securities, to be maintained in electronic book-entry form at (CSCS).
Defective Security	means a Security that is invalid, forged, counterfeit, improperly altered, or subject to any adverse claim or privilege or that contains an unauthorized signature or endorsement or lacks any necessary signature or endorsement or that cannot be effectively transferred or registered.
Delivery vs Payment (DvP)	means the transfer of the security subject to the transfer of cash whereby the transfers are dependent on one another and shall occur at the same time (simultaneously)
Depository Service	means the service made available by CSCS by which it holds Securities on behalf of Participants or clients of Participants
Eligible Securities	means uncertificated securities or immobilized securities which CSCS permits to be held within accounts in CSCS Depository.
EXCO	means the Executive Committee of CSCS Plc
Fungibility	means the concept of mutual substitution of individual units of securities.

Immobilization	means placement of securities in a central securities depository so that subsequent transfers can be made by book entry to the market participant at CSCS
Issuer	means a legal entity that issues, registers and sells eligible securities
Legal Documents	means the CSCS Rules and the Participation Agreement with relevant stakeholders
Netting	Netting refers to the determination of the net cash and/or securities position of a participant, after offsetting all buy and sell transactions executed on a given trade.
NIBSS	means the Nigerian Inter Bank Settlement System Plc, a subsidiary of the Central Bank of Nigeria
Nominee	means a person or firm who acts as the registered holder of securities or an interest in securities on behalf of other persons or firms.
Participant	means corporate entity/personality that holds in custody and administers securities or an interest in securities and that has been admitted as a Participant in accordance with the Rules and Participation Agreement where required, is registered by the Securities and Exchange Commission.
Participation Agreement	means the agreement executed between CSCS and the Participant stating general terms of participation in CSCS subject to the provisions of the Rules
Participant Loss	means any loss, damage, cost, expense, liability or claim suffered or incurred by a Participant, which arises from or is in any way connected with a Service, other than a Loss of Securities
Pledge	means a form of collateral arrangement where a securities holder (pledgor) transfers possession of securities (temporarily) to a lender (pledgee) as collateral for a loan or other obligation.
Pre-funding	means to deposit money into an account in advance before carrying out a transaction
Portfolio Statement	means electronic printout showing investor's holdings in the database of the CSCS
Regulatory Body	means any institution responsible for regulating and overseeing financial activities in Nigeria
Relevant Regulatory Body	includes the Securities and Exchange Commission, Exchanges and the Central Bank of Nigeria

Rematerialization	means the process of converting securities held in book entry form at CSCS into physical certificates.
Rule	means CSCS Rules adopted by CSCS to govern the Services, including all numbered divisions thereof, together with any amendments, additions, deletions or revisions thereto as may be in force from time to time.
Schedule of Charges	means the list of charges to be paid by a Participant to the CSCS as issued by CSCS from time to time.
SEC or Commission	means the Securities and Exchange Commission
SEC Rules	means the Securities and Exchange Commission Rules and Regulations made pursuant to the ISA 2025, as amended from time to time
Securities	means as defined in the Investments and Securities Act, 2025: (a) debentures, stocks or bonds issued by a government; (b) debentures, stocks, shares, bonds, notes issued by a body corporate, any right or option in respect of any such debentures, stocks, shares, bonds or notes; (c) virtual and digital assets; (d) investment contracts; (e) commodities, futures, contracts, options and other derivatives; or (f) any other instrument deemed as securities which may be transferred by means of any electronic mode or which may be deposited, kept or stored with any depository or custodian.
Securities Account	means an Account to record Securities held by CSCS for the Participants or clients of the Participants (other than as the result of a Pledge)
Services	means the [list of services provided by CSCS], any reference to a Service includes all functions made available in respect of that Service
Signing Officer	means an individual designated by a Participant to perform the act(s) of executing and endorsing documents on its behalf
Trade	means buying and selling of securities, such as stocks, bonds, or derivatives, between two parties and this can occur on a registered exchange, over the counter (OTC), or through other trading venues.
Trade Alert	means a notification on shares transactions received by investors on their mobile phones or other devices emanating from an electronically driven device that monitors daily shares transaction on the floors of the exchanges or any licensed securities Trade point.
Uncertificated Securities	means Securities that are not evidenced by a certificate or written instrument and are transferable by Entry without a written instrument

1.6 Framework Statement

The leadership of CSCS is dedicated to complying with the regulatory requirements governing clearing and settlement operations for securities trading within the Nigerian Capital Market. Continuous enhancement of these operations remains a priority. The CSCS' leadership retains the authority to discipline any employee found in violation of this Framework. Furthermore, all access to critical processes will be closely monitored to ensure the effective and efficient clearing and settlement of securities in the Nigerian capital market.

2.0 FRAMEWORK PROVISIONS

2.1 CLEARING AND SETTLEMENT SERVICES

2.1.1 General Provisions

2.1.2 For Participants in CSCS, who are also members or Trading Lincense Holders of a trading platform, organized securities market, CSCS will render the services of determining, calculating, netting and facilitating the settlement of obligations, arising from securities transactions concluded on the respective trading platforms or organized securities market with book-entry transfer of securities in the participants' accounts and cash transfer (clearing and settlement services) in a manner, prescribed by this Section.

2.1.3 All trades executed on any trading platform or organized securities market for which CSCS acts as the CSD shall be subject to clearing and settlement through CSCS.

2.1.4 CSCS will undertake the multilateral netting of transactions for cash for each participant on Trade Date (TD) as a part of the clearing and settlement process for trades.

2.1.5 Netting procedure: Throughout the period from Trade date and up to the Cut-Off Time for DvP Validation, all debits and credits to the participant's daily balance shall be set-off on a continuous basis as to arrive at a net balance, known as a net debit or net credit balance. The final Net Debit Balance for the Settlement Day shall be referred to as the Net Debit Balance and the final net credit balance for that Settlement Day shall be referred to as the Net Credit Balance. On any Settlement Day, the Net Debit Balance shall be payable to the buyer, and the Net Credit Balance shall be credited to the seller in accordance with the concept of DvP.

2.1.6 CSCS shall settle all trades on the basis of a T+1 cycle or such other settlement basis as is communicated to Participants from time to time, where T is the day on which the transaction or trade is effected on any trading platform.

2.2 Clearing by multilateral netting system

2.2.1 All securities to be traded on, cleared and settled through CSCS must be deposited in the CSCS account of the selling investor prior to being eligible for trading. Electronic/Book-entry transfers of Securities would be effected on settlement day.

2.2.2 The securities to be dematerialized and lodged in the Depository shall be deposited in the manner provided in CSCS Rules, after which such Securities can be traded on registered exchange(s).

2.2.3 The securities to be delivered by CSCS to the accounts of securities holders or received by CSCS from the accounts of securities holders shall be fungible securities.

2.2.4 Electronic/Book-Entry transfers of securities on the accounts of securities holders, dealing members of any licensed exchange, Discount houses, Banks and others shall be effected on settlement day.

2.3 **Cash settlement**

2.3.1 Save for a broker dealer that is allowed to have two settlement accounts, all Securities Dealing Firms are permitted to open and operate only one Trading account with one designated settlement bank account per trading platform or organized securities market at any point in time.

2.3.2 The Trading Account opening forms to be executed by each dealing member shall, among others, appoint the Securities Dealing Firm's bank as attorney with authority to post such entries to the dealing members' account as are required by the instructions contained in the CSCS schedule.

2.3.3 The Settlement banks shall permit Trading Accounts to be operated only on the basis of written instructions issued by either the dealing member who maintains the Trading Account, or which are contained in the CSCS advice to Settlement banks.

2.3.4 The Settlement bank shall not permit Trading Accounts to be used for purposes other than that of effecting settlement for trades as advised by CSCS. They may make withdrawals to pay for sales made on behalf of their clients.

2.3.5 The Settlement banks shall not permit Trading Accounts to become overdrawn at any time.

2.3.6 The dealing member or Trading License Holder must ensure that the cash settlement account is funded before settlement. Where funds are not made available, the Trade Default Mechanism shall be initiated.

2.3.7 The primary mode by which the settlement banks shall effect the settlement of CSCS transactions shall be by means of interbank transfers effected through the NIBSS.

2.3.8 The settlement of cash shall be undertaken on a (simultaneous) DvP basis according to the transfer arrangements specified by CSCS.

2.4 **Transaction Timetable**

2.4.1 ***Day T+0***:

On Day T+0 (Transaction Day), CSCS shall send advice of Day T+0 Trading Participants' net financial obligations to their respective Settlement banks. This information is to alert the banks about their client's commitment on Day T + 1 (Settlement Day).

On Day T+0 (Transaction Day), CSCS shall send an irrevocable settlement advice to all market Participants at 05:00pm

2.4.2 ***Day T+1***:

At the latest by 02:30pm of Day T+1, Settlement banks shall alert CSCS about the possibility of any Securities Dealing Firm being unable to meet its financial obligations on Day T+1. The alert shall be by email OR CSCS designated communication portals.

Securities Dealing Firms shall verify, from their Settlement bank, their ability to meet their financial obligation of their Day T+0 transactions on day T+1.

At 05:00pm on Day T+1, CSCS shall forward Inter-bank settlement advice/instruction for Day T+0 transaction to NIBSS for processing.

NIBSS shall debit or credit CBN accounts of Trading Participant banks in accordance with the Inter-bank settlement instructions received from CSCS at 05:00pm. Simultaneously, stock settlement is effected on Day T+1. In effect, Delivery versus Payment (DvP) is assured at CSCS.

Payments by a Participant or drawn on a Participant are final and irrevocable. A Participant or CSCS cannot revoke, countermand, cancel, return through the payments clearing system or otherwise refuse to pay or attempt to prevent any payment.

2.5 **Securities Settlement**

For the transfer of securities on the settlement day, electronic/book-entry transfers of securities on the accounts of the securities holders shall be effected with the seller debited and the buyer credited simultaneously.

2.5.1 Record-entry settlement of securities effected by CSCS following securities transactions shall be final and irrevocable after the receipt of the funds by designated Trading Participants Banks.

2.5.2 A Participant's position in a security and the position in the central registry shall not be affected by any transaction for the purchase or sale of such security until the Settlement Day for such a transaction, which is one business day after the conclusion of the transaction.

2.5.3 A Participant's position in a Security shall be changed on each Business Day by settling the traded Security. Net settling of Purchases shall create or increase long value positions and net settling of Sales shall decrease long value positions.

2.5.4 The settlement of securities transactions that occur in any and all organized market and on any other platforms, shall be done in accordance with the clearing and settlement procedure prescribed by CSCS

2.5.5 The settlement of securities shall be undertaken on a (simultaneous) DvP basis according to the transfer arrangements specified by CSCS.

2.6 The procedure in case of a default in funding of a trading account shall be in accordance with the provisions of the Governance Policy of the Settlement Guarantee Fund.

Document Classification: CSC

3.0 FRAMEWORK REVIEW

3.1 This Framework shall be reviewed and updated to ensure effectiveness and continued application and relevance to the Company's business by the Head, Clearing and Settlement Operations with oversight by the Divisional Head, Business Services & Client Experience as business circumstances require and approved by EXCO.

4.0 FRAMEWORK EXCEPTIONS

4.1 A Framework exception represents a circumstance whereby permission has been granted to deviate from the requirements of this Framework due to business exigencies. All Framework exceptions must be approved by the CSCS Board of Directors.

A breach of this framework, on the other hand, is where a staff knowingly or unknowingly deviates from a requirement(s) of this Framework without prior approval. This shall be considered a misconduct and subject to disciplinary measures as stipulated in the company's employee handbook.

The Compliance Unit is responsible for identifying any areas of non-compliance under the Framework through continuous oversight and assessment performed at least annually. The Compliance Unit will track and report all Framework modifications to the MD/CEO and subsequently to the Board.

5.0 ESCALATION

All the provisions of this Framework shall be in force as approved by Management while all breaches must be escalated to the MD/CEO and subsequently to the Board.

6.0 RECORD RETENTION

All documentation and approvals should be maintained in accordance with CSCS Framework on Retention of Documents and Records.