

FAQs ON DIRECT CASH SETTLEMENT

1. Q. What is Direct Cash Settlement?

- A. Direct Cash Settlement (DCS) is the process where proceeds from trades executed by brokers on the Exchange settles directly into investors' bank account.

2. Q. How would investor accounts be made available for Direct Cash Settlement?

- A. Each client's bank account details shall be provided by its broker-dealer to Central Securities Clearing System Plc. (CSCS), which is the agent of The Exchange for the clearing and settlement of all securities traded on the Automated Trading System of The Exchange.

3. Q. How would this work?

A.

Settlement of each trade carried out on the Automated Trading System of The Exchange shall be done by direct payment into the client's account as provided to the CSCS.

Within three working days of receiving instructions from a client that settlement should be done by direct payment into such client's account a broker-dealer shall:

- i. Notify CSCS of the client's instructions; and
- ii. Provide the client's account details

4. Q. Is Direct Cash Settlement compulsory for all investors?

- A. No. Any client that declines direct cash payment into its account provided to CSCS shall notify it of that fact by completing a Direct Cash Settlement notification form in which the client shall make its preference known

5. Q. What would be the fate of investors who do not elect to come into the direct cash settlement scheme?

- A. Settlement of transactions carried out on behalf of any client whose account details are not provided to CSCS shall be done by payment into the account of the client's broker-dealer firm.

6. Q. What sanctions are applicable to brokers who having received requisite instruction from an investor and fails to honour the request to align to the direct settlement framework?

- A. Any broker-dealer that violates the provision of Rules and Regulations Governing Dealing members, Amendments and Additions (Part III) 93B (d) shall be liable to pay a fine of N250,000 in addition to any other sanction which The Exchange may impose.

7. Q. How would BVN affect the account opening process and KYC structure for brokers?

A. Brokers would need to incorporate BVN validation as part of the KYC requirement.

8. Q. What is the process of disengaging the Service?

A. The investor is expected to make a formal request through his/her broker to CSCS Plc.

9. Q. How do Brokers handle Managed Accounts under Direct Settlement

A. Brokers will continue to receive proceeds of sales arising from Managed Accounts

10. Q. How will Nominal transfers be treated under the Direct Settlement regime

A. Nominal transfers will be treated using the 'Off Market' window. Approval from NSE is forwarded to CSCS to effect the transfer once the administrative processes have been duly completed.

11. Q. How will foreign investors be treated in the DS regime

A. The Brokers' cash account will continue to receive the proceeds for onward transmission to the foreign investors unless they opt for Direct Cash Settlement by providing details of their local bank account.

12. Q. Explain how cross deals will be treated under DCS

A. Cross deals are like any other transaction, the proceed of sales will be credited to the Seller as per their DCS status.

13. Q. How will the Brokers' discounts to clients be handled

The broker will receive full Brokerage commission (currently 1.35%) and settle their client accounts with respect to any other additional discounts agreed with the client at T+3.

14. Q. In the event of earlier indebtedness to a Broker by a client, what happens?

The broker should communicate such indebtedness to the CSCS with proof and copy the client, with a request to route the proceeds of the sales up to the amount owed to the broker, to the broker's account.

15. Q. What is the process for account validation

A. The investor submits bank account details to their Broker with their BVN, the Broker validates the BVN through the NIBSS portal, then the Broker submits to CSCS the validated clients. CSCS then validates the bank account details with the respective banks or through NIBSS portal and update its database with the validated information.

16. Q. How will the investors know their obligations and rights under DCS

A. Such shall be made known through an awareness campaign spearheaded by the Securities and Exchanges Commission, The Nigerian Stock Exchange and the CSCS.

18. Q. When does DCS Commence?

A. DCS commenced on 4th January 2016. Clients who want to apply for DCS can contact their brokers and opt for DCS by completing a DCS Application Form

19. Q. When will the Exchange commence the application of Rule 93(A)

A. The Exchange recognizes that dealing firms will require time to come up to speed with the process and will commence the application of the rules by 1st March 2016.

20. Q. How would Brokers access the NIBSS Portal?

A. To access the NIBSS portal brokers are to send an email to bvnoperations@nibss-plc.com.ng indicating the identity of their two Systems Administrators and copying ofadairo@nibssplc.com.ng

21. Q. Is there any fee attached to accessing NIBSS portal? If yes, how much?

A. Yes. N50, per validation.

22. Q. Who is responsible for the payment in 21 above?

A. The investor whose BVN is being validated (Brokers will pay and debit Clients for it).

23. Q. How would the validation fee of N50 be remitted to NIBSS by the Broker?

A. The NIBSS validation portal has a window for input of Broker's Bank Account Number which would be debited for successful validation.

24. Q. It was stated in the rule that clients that are not interested should complete a Direct Cash Settlement notification form in which the client shall make his preference known. How can this form be accessed?

A. *The form, process flow and updated FAQs are accessible via the link below:*
<http://www.nse.com.ng/mediacenter/pressreleases/PublishingImages/Pages/SEC-NSE-Commence-Direct-Cash-Settlement/INVESTOR%27S%20BANK%20ACCOUNT%20UPDATE%20FORM.PDF>

Clients that are not interested can as well send notification letters to their Brokers or indicate “No” in the DCS form.

25. Q. In what format will Brokers submit validate clients to the CSCS?

A. Using the DCS Form. Please refer to the Form/Process flow (link in Q 24 above).

26. Q. How would the second level validation of Investor BVN and Bank Account Numbers received from Brokers be carried out by the CSCS?

A. Through a special link to be provided by NIBSS, exclusively for use by CSCS.

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