

THE NEW SECURITIES AND EXCHANGE COMMISSION RULE ON UNLISTED SECURITIES

On April 1, 2015, the Securities and Exchange Commission the apex regulatory body for securities in Nigeria issued a notice on the amendment to the rules and regulations made pursuant to Section 313(1) of the Investment and Securities Act.

This new amendments were made to address several aspect of the regulatory body's statutory function including the regulation of the sale and purchase of unlisted securities.

What are unlisted securities?

Neither the amendment nor the main rules itself defines **unlisted securities** and Nigerian case law is quite poor on an acceptable definition of the word.

Investopedia defines 'Unlisted Securities' as:

A financial instrument that is not traded on an exchange, but through the over-the-counter (OTC) market. Unlisted securities are also called OTC securities.

Businessdictionary.com defines Unlisted Securities as:

Ordinary shares (common stock) or other securities of a firm not listed (traded) on any official exchange. In the US, unlisted securities are traded in over the counter market, in the UK they are traded on the Alternative Investment Market. Such securities are issued usually by smaller or new firms who cannot or do not wish to comply with the listing requirements of an official exchange

It must be noted that the amendment limits the definition of unlisted securities to public companies in other words such company must be registered with the Corporate Affairs Commission as a public company.

The amendment now makes it compulsory for all unlisted securities to be traded on a SEC approved traded platform subject to such terms and condition that SEC may prescribe from time to time. The amendment further prohibits persons from dealing on unlisted securities other than on approved platform. While at the same time prescribing fines of at least =N=100,000 (One Hundred Thousand Naira) in the first instance and not more than =N=5,000

(Five Thousand Naira) for every day of default for persons involved in the trading of unlisted securities through any platform other than the platform approved by SEC.

This amendment has strengthened the OTC market in Nigeria notably the NASD. The reason for this assertion is that the rules of the NASD allows for the trading of securities whether listed or not provided they are registered. This new rule would also deepen the OTC market in Nigeria and it would allow for the registration of traded platforms it would also boost the ICT sector as it would allow for the creation of traded platforms in Nigeria.

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