

**NIGERIAN STOCK EXCHANGE – REACTION TO COMPLAINT BY MR ARNOLD O. EKPE AGAINST
PARTNERSHIP SECURITIES LIMITED AND MR VICTOR OGIEMWONYI**

On 17 October 2016, The Exchange received a complaint dated 16 October 2016 from Mr. Arnold O. Ekpe against Partnership Securities Limited (PSL). In his complaint, Mr. Ekpe alleged the PSL misappropriated the sum of ₦1,237,245,000, being part of the proceeds of sale of his shares (96,077,872 units of Ecobank Transnational Incorporated Plc) and dividends of US\$80,000.00. Specifically, Mr. Ekpe alleged that although he completed a form indicating that the proceeds of the share sales should settle into his bank account under the Direct Cash Settlement system, PSL elected to settle the proceeds into its own account and misappropriated the funds. Upon receipt of the complaint, The Exchange took a number of actions, including the following::

- i. On 17 October 2016, The Exchange suspended PSL from trading on all floors of The Exchange, effective 18 October 2016. PSL remains under suspension from trading on the floor of the Exchange.
- ii. On 17 October 2016, The Exchange requested the Central Securities Clearing System Plc. (CSCS) to request the settlement bank to place ₦42,499,761.20, being the proceeds from the sale of ETI shares for Mr. Ekpe made by PSL on 14 October but due to settle on 18 October 2016 into a special CSCS bank account in order to prevent the proceeds from settling into the account of PSL. Subsequently, the sum of ₦ 43,301,792.70 being the proceeds of sale less statutory charges was paid to Mr. Ekpe's Union Bank Plc. account on 3 November 2016 as a direct result of the steps undertaken by The Exchange immediately upon its receipt of Mr. Ekpe's complaint.
- iii. The Exchange on 19 October 2016 formally informed the Securities and Exchange Commission (SEC) of the complaint and requested for a joint examination of PSL and its associated companies. This formal notification was a follow up on an earlier oral notification to relevant personnel of the Commission shortly after receipt of the complaint on 17 October 2016.
- iv. The Exchange thereafter held a meeting with Mr. Ekpe, his solicitors McPherson Barristers & Solicitors (McPherson) and PSL on Monday 24 October 2016 to address the issue and take necessary steps towards recovery of the sums misappropriated and sanctioning of PSL upon conclusion of the matter.
- v. Pursuant to the Memorandum of Understanding between The Exchange and the Economic and Financial Crimes Commission (EFCC), on 31 October 2016, The Exchange filed a petition before the EFCC in respect of the complaint on the fraudulent misappropriation of the sum of ₦ 1,237,245,000 and US\$80,000.00 belonging to Mr. Ekpe. The matter is presently the subject of a criminal investigation by the EFCC.
- vi. The Exchange also sought the assistance and collaboration of the Central Bank of Nigeria (CBN) through the 'Other Financial Institutions Supervision Department' (OFISD) to conduct an examination of SBDC Microfinance Bank (SBDC), an associate company of PSL for the purpose of tracing and recovering the funds. This assistance is currently ongoing.
- vii. The Exchange and SEC conducted a joint examination on PSL (7 - 11 November 2016) to determine the extent of the financial exposure, protect clients' assets, and settle investor's complaints.

- viii. The Exchange has been cooperating with SEC and other relevant regulators and agencies on the matter.
- ix. The Exchange attended an all parties meeting convened by the SEC on 20 December 2016 between Mr Ekpe, his solicitors, and The Exchange and CSCS.

The Exchange has done a lot of work on the matter and continues to do so. However, it faces certain constraints, including the following:

- I. Unavailability of a key figure to provide relevant evidence. Mr. Ogiemwonyi was arrested by the EFCC (on the petition of Mr. Ekpe) after the meeting with The Exchange on 24 October 2016. His continued detention has also made it impractical for The Exchange to take him through the internal disciplinary process of The Exchange.
- II. Lapse of time. Mr. Ekpe complained on 16 October 2016, several months after the first trade occurred on 30 June 2016. This is despite the fact that he received 80 trade alerts regarding the transactions in his shares. However, he did not notify The Exchange that anything untoward was occurring on his account, i.e., that the proceeds of these transactions were not being paid into his account directly as he had directed PSL to do.
- III. Mr. Ekpe's recourse to other avenues for recovery, including self-help instead of exhausting The Exchange's internal dispute resolution process.

The Exchange has been notified of other instances of alleged regulatory infractions by Partnership Investment Company Plc (PICO) (a related company to PSL). The Exchange states that PICO is not a Dealing Member of the Exchange and is, therefore, not subject to the regulatory supervision or jurisdiction of The Exchange. Furthermore, the investment products offered by PICO are not under the supervisory jurisdiction of The Exchange.

The Exchange upon receipt of investor complaints against PICO, which as noted above is not a Dealing Member of The Exchange, followed its standard procedure to deal with those complaints. It responded to the aggrieved investors and advised them to refer their respective complaints to the SEC for resolution being the apex capital market regulator because The Exchange has no jurisdiction over the products or company.

The Exchange has a zero tolerance policy for infractions and treats all Dealing Members alike. Indeed Victor Ogiemwonyi was a former Council member of The Exchange; a former Vice Chair and Chairman of the Association of Issuing Houses, and a former member of the NSE Demutualization Committee. However as noted above, PSL was immediately suspended from trading in the wake of this complaint.

In addition, The Exchange took immediate steps to notify other affected entities such as SEC, CBN, AIHN, NASD Plc. Ministry of Health about the situation as Mr. Ogiemwonyi is exposed to some other sectors

The Exchange has spent a lot of energy on building the foundational aspect of the market in terms of transparency, orderliness, fairness, disclosure, and more importantly how we enforce our rules and regulations, strengthening our intermediaries. The initiatives we have introduced include X-Boss, X-Alert, Issuers portal, Compliance Status Indicator, Whistle blowing portal, launch of NSE Rule Book, etc.

We have millions of investors in our market and continue to deploy initiatives that ensure a level playing field. Across our various touch points, we aim to protect all investors and ensure players in our market including investors and brokers abide by our rules.

The Exchange has observed global practices in cases of this nature by ensuring full disclosure to relevant parties and taken measures to address the infraction. Importantly, we have suspended the company involved PSL.

We will continue to execute on our investors education and financial literacy to increase knowledge about the operations of the capital market.