



CENTRAL BANK OF NIGERIA, ABUJA

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PRESS RELEASE

FINANCIAL SERVICES REGULATION AND COORDINATING COMMITTEE

ISSUES NEW RULES ON MARGIN TRADING

The Financial Services Regulation Coordinating Committee (FSRCC) met on Friday May 21, 2010 with representatives of all member agencies in attendance. The Committee among other issues extensively discussed the need to issue clear-cut rules and guidelines on margin trading, to avert a repeat of the abuses and sharp practices that bedevilled margin trading in the run up to the capital market collapse. The Committee noted the fact that most operators that suffered losses in margin trading lacked the capacity, technology and framework to embark on margin trading, factors that contributed immensely to the fate they suffered and the spiral effect during the financial market melt down.

Consequently, the FSRCC in its determination to curb the abuses in margin trading and indeed strengthen it, have decided as follows:

- a) That banks aggregate exposure to margin lending shall not exceed 10% of total loans and advances. However, banks are advised to be more prudent by adopting lower exposure limits. Banks with exposures in excess of the 10% limit are required to submit to the CBN clear plan of how they intend to wind down their exposure in compliance with the prudential limit.
- b) That bank shares shall not be used in margin trading. For the avoidance of doubt and clarification, the shares of banks would continue to be used as collateral for bank lending. Thus, the restriction placed on bank shares are only in respect of margin trading.
- c) Operators who are interested in Margin trading are also required to build capacity for margin trading and in this regard are to put in place adequate technology and expertise that will facilitate on-line real-time trading, market surveillance and prompt rendition of regulatory reports.

- d) Operators are required to open dedicated margin trading account and are to observe at all times a maintenance margin limit of 120%. They are equally expected to put in place robust framework for margin trading, which should include definition of margin and internal rules and procedure for trading, consistent with regulatory requirements.
- e) Banks are also required to appoint Margin Compliance Officers
- f) All operators interested in margin trading are to apply to the Securities and Exchange Commission (SEC) for re-certification while in the case of banks and other financial institutions under the purview of the CBN, are to apply to the CBN for such re-certification.
- g) A comprehensive guideline is to be issued in due course and full compliance is expected on or before September 1, 2010.

(SIGNED)
M. M. ABDULLAHI
HEAD, CORPORATE COMMUNICATIONS

May 25, 2010