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To: ALL MARKET PARTICIPANTS OF FMDQ OTC SECURITIES EXCHANGE

From: MARKET REGULATION GROUP

REVISION OF FMDQ RULES AND REGULATION

This Market Bulletin serves as a notification to all Members of FMDQ OTC Securities Exchange (“FMDQ” or the “OTC Exchange”) and the investing public of the revisions to the following FMDQ Rules and Regulation:

1. Revised FMDQ Trading and Reporting Infractions & Penalties Guide

Following the launch of the FMDQ Q-ex Settlement System (the “System”), the *FMDQ Trading and Reporting Infractions & Penalties Guide – November 2017* has been revised in line with the introduction of the System. The revisions are as follows:

- a) Expansion of the scope of settlement infractions as outlined in Infraction 7 of the Guide
- b) Introduction of an Investigation Process as outlined in Appendix II of the Guide

2. Revised Commercial Paper (“CP”) Registration and Quotation Rules

In a bid to enhance the CP registration and quotation process, FMDQ has identified the need to revise the Rules to ensure that the process is standardised to foster compliance with disclosure and notification requirements as outlined in the Rules, and ultimately promote investor protection. The revisions are as follows:

- a) A maximum timeline for the Sponsor to satisfy the relevant quotation requirements after the issuance of a CP.
- b) A validity period for the OTC Exchange’s pre-issuance reviews - pre-issuance reviews shall ***be valid for a maximum period of three (3) months*** following which all pre-issuance documents must be represented for review ahead of opening the issue.
- c) Revision of language in the Rules to the effect that all Issuers must submit their Compliance Report every quarter regardless of whether their CPs have been quoted for up to three (3) months or not.

Click [here](#) for the Revised Rules and Regulation.

See Appendix I below for details on the above-mentioned revisions

3. The above-mentioned Regulation take effect **immediately**.

Please be guided accordingly.

Should you require any further clarification/information with respect to this Market Bulletin, please do not hesitate to contact the Market Regulation Group at mrq@fmdqotc.com.

APPENDIX I: REVISED RULES AND REGULATION

S/N	Previous Language	Revision
Revised FMDQ Trading and Reporting Infractions & Penalties Guide		
1.	<p><u>Infraction 7</u></p> <p>Effecting settlement of trades beyond two (2) business days of agreed settlement date.</p>	<p><u>Infraction 7</u></p> <p>Failure to effect settlement on the agreed settlement date. This includes the following:</p> <ul style="list-style-type: none"> ▪ Failure to match transactions ▪ Failure of settlement bank to confirm transactions initiated against it by counterparties ▪ Such other settlement infractions as may be prescribed from time to time
2.		<p><u>Investigation Process – Appendix II</u></p> <p>i. Where a trade is unsettled on the agreed settlement date, in order to the ascertain the Defaulting Party (“DP”), FMDQ shall conduct an investigation by requesting for information from the transaction counterparties.</p> <p>ii. The transaction counterparties shall be expected to provide responses (setting out all material facts with supporting evidence) within twenty-four (24) hours of the request by FMDQ (or such other timeframe as advised by the OTC Exchange).</p> <p>iii. Failure by either of the transaction counterparties to respond to requests for information within the stipulated timeframe shall attract such penalties as outlined in the Infractions & Penalties Guide.</p> <p>iv. Upon a thorough review of the information provided by transaction counterparties and subsequent determination of the DP, FMDQ shall penalise the DP in line with the penalties structure outlined in the Infractions & Penalties Guide.</p>
Revised Commercial Paper Registration and Quotation Rules		
1.	<p><u>Section 7.2</u></p> <p>The IPCA/IPA shall provide the applicable pricing supplements for each CP sought to be issued, no later than forty-eight (48) hours prior to the opening of the offer/presentation of the pricing supplement to prospective investors. The pricing supplements filed with the OTC Exchange shall include information on the size, tenor of the proposed CP issue, and such other information as may be required by FMDQ.</p>	<p><u>Section 7.2</u></p> <p>The IPCA/IPA shall provide the applicable pricing supplements for each CP sought to be issued, no later than forty-eight (48) hours prior to the opening of the offer/presentation of the pricing supplement to prospective investors. The pricing supplements filed with the OTC Exchange shall include information on the size, tenor of the proposed CP issue, and such other information as may be required by FMDQ. Upon finalisation of the review process, the OTC Exchange shall communicate its approval for the opening of the offer to prospective investors. The following conditions shall apply:</p> <p>(i) The Issue must be opened within three (3) months from receipt of FMDQ’s approval, failing which the</p>

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		<p>Issuer/IPCA/IPA shall be liable to refund all monies received from investors.</p> <p>(ii) In the event that the Issue is not opened within the timeframe stipulated in 7.2 (i) above, should the Issuer/IPCA/IPA wish to open the offer to prospective investors again, it shall be required to file the relevant pricing supplement to the OTC Exchange for review and pay all relevant fees.</p>
2.	<p><u>Section 7.3</u></p> <p>Prior to the Quotation, the Sponsor shall provide all pricing supplements and other relevant Offer Documents with respect to each Issue/series/tranche, containing details of the Issue and material changes, if any, in the information provided in the Information Memorandum.</p>	<p><u>Section 7.3</u></p> <p>Prior to the Quotation of the CP on the OTC Exchange, the Sponsor shall provide all the documentation outlined in Appendix XIII of the Rules. Where any of the documentation outlined in Appendix XIII has been previously filed with the OTC Exchange and same remains valid and subsisting, the Issuer shall file a Declaration of Prior Disclosure as outlined in Appendix IX of the CP Rules. The timeline for provision of the documentation requirements outlined in Appendix XIII shall be as follows:</p> <p>(i) For CPs of 15 days and up to 30 days, no later than five (5) days from Settlement Date of the Issue.</p> <p>(ii) For CPs above 30 days, ten (10) days from Settlement Date of the Issue.</p> <p><i>Note: Appendix XIII is a new inclusion to the CP Rules.</i></p>
3.	<p>In addition to the above, prior to the Quotation of any CP Issue or series issued under a registered CP Programme, the Sponsor shall be required to submit an Allotment Report in the manner prescribed in Appendix XII of these Rules within two (2) business days of settlement.</p>	<p>This provision has been deleted as the Allotment Report will be submitted within the timelines stipulated in Section 7.3 of the revised CP Rules.</p>
4.	<p>New Inclusion</p>	<p>Settlement Date shall be defined in the Rules as “the date on which payment is made to the Issuer for CPs sold to investors”.</p>
5.	<p><u>Section 8.2</u></p> <p>Where the tenor of the quoted CP exceeds three (3) months, the Issuer, through its Sponsor shall be required to file a quarterly Compliance Report in the manner prescribed in Appendix IV of these Rules.</p>	<p><u>Section 8.2</u></p> <p>The Issuer through its Sponsor shall be required to file a quarterly Compliance Report in the manner prescribed in Appendix IV of these Rules within ten (10) business days after each quarter.</p>