



Exposure of Amendments to the Rules on Digital Assets Issuance, Offering Platform, Exchange and Custody

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Legend:

Additions are underlined
Deletions are ~~struck through~~
Justifications are *italicized*

CONTENTS

These Rules shall cover:

PART A General

- 1.0 Preamble
- 2.0 Classification
- 3.0 Applicability
- 4.0 Related provisions
- 5.0 Definitions
- 6.0 Conditions for Exemption

PART B General Registration Requirements for Virtual Assets Service Providers (VASPs)

- 7.0 General Criteria for Registration
- 8.0 General Obligations of a VASP
- 9.0 Governance and General Obligations of the Board and Senior Management
- 10.0 Risk Management
- 11.0 Internal Audit
- 12.0 Outsourcing Arrangement
- 13.0 Conflict of Interest Management
- 14.0 Prohibition on Financial Assistance
- 15.0 Advertisement, Marketing and Promotion
- 16.0 Specific Requirements for Third-Party and Social Media Promotions
- 17.0 Disclosure of Paid Promotions by Finfluencers
- 18.0 Cessation of Business or Operations
- 19.0 Suspension/Cancellation
- 20.0 Withdrawal of Registration
- 21.0 Reporting Requirements



- 22.0 Power to Impose Conditions
- 23.0 Registrable Functions
- 24.0 Accelerated Regulatory Incubation Program (ARIP)
- 25.0 Application Filing
- 26.0 Financial Requirements
- 27.0 Miscellaneous
- 28.0 Fine/Penalty

PART C - Digital Assets Issuance

- 29.0 Requirement for Issuance of Digital Assets
- 30.0 Prohibited Virtual Assets
- 31.0 Moratorium on Equity Interest
- 32.0 Application to Raise Fund through DAOP
- 33.0 Limit of Funds to be Raised
- 34.0 Investment Limit
- 35.0 Cooling-off Right
- 36.0 Utilisation of Proceed
- 37.0 Material Changes
- 38.0 Hosting on another Platform
- 39.0 Publishing of Information
- 40.0 White Paper
- 41.0 Content of a White Paper
- 42.0 Filing of White Paper
- 43.0 Supplementary White Paper
- 44.0 Requirements for the Registration of Digital Asset as Securities
- 45.0 Exemptions from Registration of Digital Assets

PART D – Digital Assets Offering Platform (DAOP)

- 46.0 Additional Requirements Relating to a DAOP
- 47.0 Obligation of a DAOP
- 48.0 Operation of a Trust Account
- 49.0 Custody of Digital Assets
- 50.0 Publishing of Supplementary White Paper
- 51.0 Register of Initial Token Holders

PART E - Digital Assets Exchange (DAX)



- 52.0 Additional Requirements Relating to a DAX
- 53.0 Obligation of a DAX
- 54.0 Submission of Trading Rules
- 55.0 Operation of a Digital Broker Model
- 56.0 Trading of Digital/Virtual Assets
- 57.0 Delisting of Digital/Virtual Assets
- 58.0 Clients Asset Protection
- 59.0 Settlement and Custody
- 60.0 Market Integrity Provisions
- 61.0 Framework for Managing conflict of interest
- 62.0 Additional Requirements Relating to Over-the-Counter (OTC) Market for Trading of Digital Assets

PART F - Digital Assets Custodian (DAC)

- 63.0 Additional Requirements Relating to DAC
- 64.0 Obligations of a Digital Asset Custodian
- 65.0 Custody Operational Requirements

PART G - Digital Assets Intermediary (DAI)

- 66.0 Additional Requirements Relating to DAI
- 67.0 General Obligation of DAI
- 68.0 Execution of orders for Virtual Assets on behalf of Clients
- 69.0 Exchange of Virtual assets for funds or other Virtual assets
- 70.0 Reception and Transmission of orders for Virtual Assets on behalf of Clients
- 71.0 Placing and Distribution of Virtual Assets
- 72.0 Transfer of Virtual Assets on behalf of Clients
- 73.0 Portfolio Management of Virtual Assets
- 74.0 Investment Advisory Service on Virtual Assets
- 75.0 Trustee Service on Virtual Assets



PART A - General

1.0 Preamble

Digital assets provide alternative investment opportunities for the investing public; it is essential to ensure that these offerings operate in a manner that is consistent with investor protection, the interest of the public, market integrity, and transparency.

The general objective of regulation is not to hinder technology or stifle innovation, but to create standards that encourage ethical practices that ultimately make for a fair and efficient market.

Section 13 of the Investment and Securities Act, 2007 confer powers on the Commission as the apex Regulator of the Nigerian capital market to regulate investments and securities business in Nigeria. In line with these powers, the SEC has adopted a three-pronged objective to regulate innovation, hinged on safety, market deepening, and providing solutions to problems. This guides its strategy, regulations, and interaction with innovators seeking legitimacy and relevance.

Consequently, the Commission is mandated to regulate digital/crypto-token investments that qualifies as securities and investment transactions in Nigeria.

2.0 Classification and Treatment of Digital Assets

2.1 The SEC "Statement on Digital Assets and their Classification and Treatment" issued on September 12, 2020, clearly stipulates the policy direction regarding digital assets regulation.

2.2 The circular states that the Commission shall "regulate crypto-token or crypto-coin investments when the character of the investments qualifies as securities transactions", and categorizes the following digital/crypto assets or instruments as:

S/N	<u>Classification</u>
1.	<u>Virtual Assets or Crypto-tokens (non-fiat tokens including cryptocurrencies and stablecoins).</u>
2.	<u>Digital tokens that have the features and characteristics of a security and /or represent real-world assets or underlying</u>



	<u>company or earnings streams, or an entitlement to dividends or interest payments (digital securities).</u>
	<u>In terms of their economic function, the tokens are analogous to equities, bonds, etc.</u>
3.	<u>Virtual assets other than digital tokens, asset-referenced tokens and e-money tokens. These shall include stablecoins and utility tokens listed and traded on a DAX.</u>
4.	<u>Derivatives and Collective Investment Funds of virtual assets, Security Tokens and Utility Tokens</u>

3.0 **Applicability**

3.1 **What shall be Regulated?** The Rules shall apply to:

- a) Digital Assets Token Offerings (DATOs), Initial Coin Offerings (ICOs), Security Token Offerings (STO), and other DLT/Blockchain-based offers of digital assets within Nigeria or by Nigerian issuers or sponsors or foreign issuers targeting Nigerian investors;
- b) Virtual/crypto-assets issued as an investment instrument referencing either one official currency or a basket of official currencies or assets;
- c) Asset-referenced tokens issued as an investment instrument referencing another value or right, or combination thereof, including one or several official currencies or real world assets;
- d) Virtual/crypto-assets issued as an investment instrument other than asset-referenced tokens and e-money tokens, and covers a wide variety of any other digital assets;
- e) All investment services activities relating to digital assets, including custody, brokerage, portfolio management, advisory and other crypto investment related services.

3.2 **Who shall be Regulated?** The Rules shall apply to:

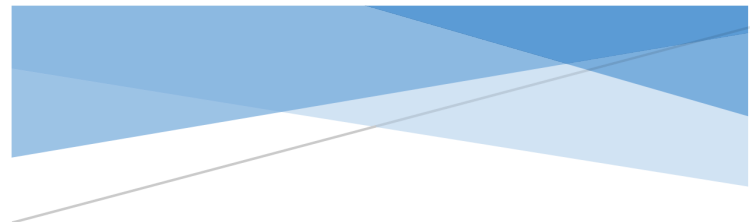
- b) Any persons, (individual or corporate) whose activity involves any Blockchain Investment-based activity or services in the Nigerian



Capital market. Any Virtual Asset Service Provider that carries out investments and securities business activities in Nigeria or offers such services to Nigerian consumers including:

- i. Operation of platforms that facilitate offering, admission, trading, exchange transfer, and custody of digital assets;
 - ii. Raising funds through issuance of digital assets to the public;
 - iii. Any person who as an organizer/sponsor, issuer, founder, purchaser or investor participates in the formation, promotion, maintenance, organization, sale or redemption of digital asset offering;
 - iv. any person carrying on and providing virtual asset services (as indicated in i-iii above) to Nigerians irrespective of the physical location from which the activity is carried out;
 - v. any person, (individual or corporate) whose activities involve any aspect of Distributed Ledger Technology (DLT)-related digital assets services; such services include, but not limited to reception, transmission and execution of orders on behalf of other persons, distribution, dealers on own account, portfolio management, investment advisory, trustee, custodial or nominee services, etc.;
 - vi. all persons intending to operate any digital asset investment platform;
- c) Foreign or non- residential issuers or sponsors of digital assets;
- d) Foreign or non-residential operators that actively target Nigerian investors directly or through their subsidiaries, agents/intermediaries, through promotions, publications in Nigeria or direct e-mails to Nigerian addresses;

Justification: To provide more details and clarity to the market in respect of Digital assets regulation in Nigeria.



3.3 These Rules do not apply to:

- i. a technology service provider who merely provides the infrastructure, software or the system to a VASP;
- ii. an operator of a communication infrastructure that merely enables orders to be routed to an exchange or trading platform;
- iii. an operator of a financial portal that aggregates content and provides links to financial sites of service and information provider;

4.0 Related provisions

- 4.1 These Rules shall be read in conjunction with all relevant and applicable laws and the Rules and Regulations of the Commission.
- 4.2 This Rules supersede the SEC "Statement on Digital Assets and their Classification and Treatment" issued on September 12, 2020.

5.0 Definitions

- 5.1 Unless otherwise defined, all words used in these Rules shall have the same meaning as defined in the Investments and Securities Act, 2007 (ISA) and the SEC Rules & Regulations.

Accelerated Regulatory Incubation Program

means a provisional regulatory framework that facilitates an approval-in-principle registration of potential capital market operators (CMOs). The ARIP is aimed at evaluating the feasibility, performance, and effectiveness of virtual asset-related concepts, approaches, technologies, or services (including due diligence of service providers) before granting full registration.

Airdrop

means the distribution of a cryptocurrency or token to multiple wallet addresses, often for free, as part of a



promotional strategy, reward system or foundational activity within a decentralized digital ecosystem.

Angel Investor

refers to an individual:

- (a) who is a tax resident in Nigeria; and
- (b) whose total net personal assets exceed ₦500 million or its equivalent in foreign currencies; or
- (c) whose gross total annual income is not less than ₦50 million or its equivalent in foreign currencies in the preceding 12 months; or
- (d) who, jointly with their spouse, has a gross total annual income exceeding ₦100 million or its equivalent in foreign currencies in the preceding 12 months;

Asset-referenced token

means a token that represents a claim against the issuer which:

- (a) is intended to represent an asset and is embedded with underlying assets;
- (b) derives its value by reference to an underlying asset;
- (c) is secured by an underlying asset; or
- (d) is backed up by assets held as collateral for the primary purpose of encouraging price stability.

Asset Tokenization

means the process of converting rights, a unit of a real world asset ownership, debt, physical asset or even digital assets into digital tokens on a blockchain or distributed ledger.

Board

means board of directors;

Blockchain

means a system of recording information in a shared digital register which is duplicated and distributed across the whole network of computer systems within the business network;

CAC

means Corporate Affairs Commission

Consensus mechanism

means the rules and procedures by which an agreement is reached, among DLT network nodes, that



a transaction is validated;

Crypto token means cryptographically secured digital representations of value or contractual rights that use some type of distributed ledger technology (DLT) and can be transferred, stored or traded electronically;

Custodial Wallet Provider means the provider of services involving the storage or maintenance of virtual assets or a virtual wallet on behalf of a client;

Custodial Wallet (Hosted Wallet) means a service in which digital assets are held by a service provider. A user interacts with the service provider to manage the user's digital assets. i.e an online digital asset wallet responsible for storing and holding digital assets on behalf of a digital asset owner, without granting full control over those virtual assets to the custodial wallet provider.

Digital Asset means a digital token or crypto token as the case may be;

Digital Assets Exchange (DAX) means an electronic or digital platform which facilitates the trading of a virtual asset or digital asset;

Digital Assets Custodian (DAC) means an electronic vault that facilitates the safekeeping or holding in custody and/or administration of virtual assets or instruments enabling control over virtual assets

Digital Assets Intermediary (DAI) means an entity organized and registered as a corporation to facilitate transactions involving virtual assets including:

- a. execution of orders for virtual assets on behalf of clients;
- b. acceptance and transmission of orders for virtual assets on behalf of clients;
- c. placing of virtual assets;
- d. providing advice on virtual assets investment;
- e. providing financial portfolio



- management on virtual assets;
- f. providing transfer services for virtual assets on behalf of clients;

Digital Asset Offering Platform means an electronic platform that utilizes DLT to facilitate fund raising through a digital asset offering;

Digital Token means a digital representation of assets such as a debt or equity claim on the issuer and recorded on a distributed digital ledger whether cryptographically-secured or otherwise;

Digital Broker model means DAX that acts as the counterparty to an investor for every buy or sell order on or through its platform;

DAX Operator means a person who operates a DAX;

Depository has the same meaning as provided in the SEC Rules and Regulations;

Distributed ledger means an information repository that keeps records of transactions and that is shared across a network of multiple nodes and synchronized between, a set of DLT network nodes using a consensus mechanism;

Distributed ledger technology(DLT) means a technology that enables the operation and use of distributed ledgers;

Electronic money token (e-money token) means a type of crypto-asset that purports to maintain a stable value by referencing the value of one official currency;

Fiat Currency means official currency issued by the relevant body in a Country or by a Government that is designated as legal tender in its Country of issuance through amongst other things, Government Decree, Regulation, or Law;



- (a) means a banknote or coin that is in circulation as a medium of exchange; and
- (b) includes a digital currency issued by the Central Bank of Nigeria (CBN) or the Central Bank of a foreign jurisdiction.

Fiat-referenced Stablecoin Means a stablecoin that aims to maintain a stable value with reference to one or several fiat currencies and has the potential to be used as a means of payment and/or store of value;

Financial Influencer (FinFluencer) means a person who promotes any digital assets product or service or share any financial investment opportunity on social media, or through any other medium of communication including unstructured supplementary service data (USSD), radio and television;

Fit and proper means criteria as set out in the SEC Rules and Regulations;

Hard cap means the maximum amount of capital intended to be raised for the ICO projects;

Initial Coin offering (ICO) means a distributed ledger technology capital-raising involving the issuance of tokens to the general public in return for cash, crypto-currencies or other assets;

ICO Project means the underlying business or project referred to in a white paper for which the issuer seeks to raise capital through an initial digital asset offering;

Initial Token offerings (ITO) means an offer for sale to the public of a virtual token by an issuer through a digital asset offering platform, in exchange for fiat currency or another virtual asset.

Investment Advisory on Virtual Assets means offering, giving or agreeing to give personalized recommendations to a client, either at the client's request or on the initiative of the VASP providing the advice, in respect of one or more transactions relating



to virtual assets or virtual assets service;

Lock up Period

means a period of time within which investors and/or issuers are not allowed to redeem, trade or sell their tokens;

Non-Custodial Wallet (Unhosted Wallet)

means software or hardware that stores cryptographic keys for a user, making the user's crypto-assets accessible only to the user, and allowing the user to interact directly with the blockchain and the blockchain-based finance applications. i.e a virtual asset wallet that stores private keys and empowers virtual assets owners with complete control over their Virtual Assets.

Node

means a device or process that is part of a DLT network and that holds a complete or partial replica of records of all transactions on a distributed ledger;

Non-fungible Token (NFT)

means unique digital assets created for specific applications and cannot be divided or exchanged on a one-to-one basis with others. Each NFT is a distinct and irreplaceable digital identifier recorded on a blockchain, providing a secure and transparent way to verify ownership and authenticity of a particular digital asset, such as artwork, music, or other digital content.

Offer

means a document, notice, circular, advertisement, prospectus or whitepaper issued to the public or accessible electronically:

- (a) inviting applications or offers to subscribe for or purchase virtual assets; or
- (b) offering virtual assets for subscription or purchase.

Offeror

means a person (individual or corporate) or an issuer, who offers digital assets to the public;

Off-ramp

means the process that enables individuals to convert or exchange their virtual assets into traditional fiat currency or other tangible assets.



On-ramp means the process that enables individuals to convert or exchange their fiat currencies into virtual assets.

Over-the-counter (OTC) Trading of Virtual Assets means the direct exchange of large volume of virtual assets between two parties within a closed virtual asset market;

Person means individual or body corporate;

“Placing” of Virtual Assets means sale or placement of virtual assets, as well as any marketing or distribution for them. This shall include any marketing conducted by a VASP for or on behalf of the Issuer of the virtual assets as well as the actual sale or placement of any Virtual Assets.

Portfolio (Digital Assets) Management means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more crypto-assets;

Pre-offer Period shall have the meaning as provided in the Commission’s Rules;

Principal Officers Shall include the Chief Executive Officer (CEO), Risk Officer (RO), Compliance Officer (CO) and Chief Operating Officer (COO);

Qualified Institutional Investor has the same meaning as provided in the SEC Rules and Regulations;;

Real World Asset means movable and immovable property of any nature, whether tangible and intangible including but not limited to real estate, securities, commodities, treasury bonds, etc.

Real-world-asset (RWA) Token means a digital representation, stored on a blockchain or utilising distributed ledger technology, that signifies an ownership interest, claim, or stake in a tangible or intangible asset existing off-chain in the physical world. The real world asset token may confer rights,



obligations, or benefits associated with the underlying real-world asset, which could include but is not limited to property, securities, commodities, or any other item of economic value.

Registration

has the same meaning as provided in the SEC Rules and Regulations

Reserve of assets

means the basket of reserve assets securing the claim against the issuer;

Securities Exchange Platform

has the same meaning as "Securities Exchange" as defined in the ISA 2007;

SEC ePortal

Refers to the Commission's electronic registration Portal (ePortal);

Security Token

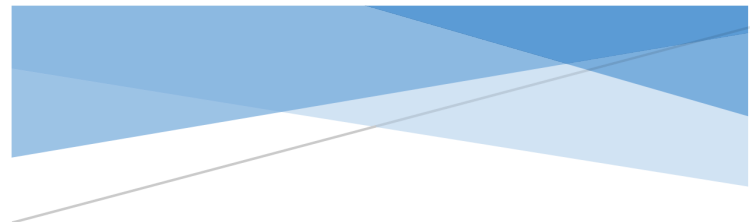
means transferable securities; money-market instruments; units in collective investment undertakings; options, futures, swaps, and other derivatives linked to securities, currencies, interest rates, emission allowances, or financial indices; derivative contracts linked to commodities, whether settled physically or in cash; derivative contracts tied to commodities traded on regulated markets, financial contracts for differences; derivative instruments for transferring credit risk; derivative contracts involving climatic variables, freight rates, or inflation rates; and emission allowances conforming to the requirements of the ISA, 2007 and other applicable Laws.

Securities Token Offering (STO)

means any offering and sale of digital tokens that are considered securities.

Smart contract

means code deployed in a distributed ledger technology environment that is self-executing and can be used to automate the performance of agreement between entities. The execution of a smart contract is triggered when that smart contract is "called" by a transaction on the blockchain. If triggered, the smart



contract will be executed through the blockchain's network of computers and will produce a change in the blockchain's "state" (for example, ownership of a digital asset will transfer between market participants)

Soft Cap means the minimum amount of funds needed and aimed by the project to proceed as planned;

Stablecoin means a virtual asset that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets, including one or more official currencies.

Staking Token means an instrument issued to the owner of a native crypto asset who "commits or locks up crypto assets in smart contracts to permit the owner or the owner's agent to act as a validator for a particular proof-of-stake consensus algorithm blockchain".

Token Issuer means an entity, person, or other structure that creates new digital assets;

Utility Token means a type of virtual-asset that is only intended to provide access to a good or a service supplied by its issuer.

Virtual Asset means a digital representation of value that can be transferred, digitally traded and can be used for payment or investment purposes.

It shall not include digital representations of fiat currencies, securities and other financial assets that are regulated under the ISA, 2007;

Virtual Assets Service (VAS) means any of the following services and activities relating to any virtual asset:

- i. operation of a trading platform for virtual assets;
- ii. exchange of virtual assets for other virtual;
- iii. exchange between virtual assets and fiat currencies;



- iv. exchange between one or more forms of virtual assets;
- v. providing custody and administration of virtual assets on behalf of clients;
- vi. issuing, listing, buying and selling of virtual assets;
- vii. execution of orders for virtual assets on behalf of clients;
- viii. placing of virtual assets;
- ix. reception and transmission of orders for virtual on behalf of clients;
- x. providing advice on virtual assets;
- xi. providing portfolio management on virtual assets;
- xii. providing transfer services for virtual assets on behalf of clients;

Virtual Asset Market

means any place or system that provides buyers and sellers the means to trade crypto-assets and the associated instruments, including lending, structured investment products, and derivatives.

Virtual asset markets facilitate the interaction between those who wish to offer and sell and those who wish to invest.

Virtual Assets Service Provider

means any person (individual or corporate) who is registered to perform any function relating to virtual assets services;

Virtual Asset Wallet Providers

means providers, who offer storage for virtual assets include custodial, and non-custodial wallets.

Wallet

means an application or device for storing the cryptographic keys providing access to digital.

A hot wallet is connected to the internet and usually takes the form of software for the user, while a cold wallet is a hardware that is not connected to the internet and stores the cryptographic keys.



White Paper means a document that states the technology behind a project, including a detailed description of the system architecture and interaction with the users, description of the project and use of proceeds, information on the market capitalization, anticipated growth, other technical details and the team and advisors behind the project. This includes any informational document, issued by a company to promote or highlight the features of a solution, product, or service.

6.0 Conditions for Exemption

- 6.1 The Commission may, upon application, grant an exemption from or a variation to the requirements of these Rules, if the Commission is satisfied that:
- a) such variation is not contrary to the intended purpose of the relevant requirements in these Rules;
 - b) or there are mitigating factors, which justify the said exemption or variation.

PART B – General Registration Requirements for Virtual Assets Service Providers (VASPs)

7.0 General Criteria for Registration

- 7.1 No person or entity shall provide any virtual assets service in the Nigeria Capital Market except it is registered by the Commission.
- 7.2 A Company seeking to operate as a VASP in the Nigerian Capital Market shall be incorporated in Nigeria and shall have an office located in Nigeria. Its principal officers shall be resident in Nigeria.
- 7.3 The Commission may register a foreign VASP such as a DAC, and accord a recognition status to such operator where its primary jurisdiction is a member of the International Organization of Securities Commissions (IOSCO), West Africa Regulators Association (WASRA) or where a reciprocal agreement exists between Nigeria and the jurisdiction of such VASP subject to the following:



- a) the VASP is registered to operate or authorised to carry on activity of a similar business in the foreign jurisdiction; or
- b) the VASP is from a comparable jurisdiction with whom the Commission has regulatory arrangements on enforcement and supervision; or
- c) it is in the best interest of Nigeria to register the foreign VASP. In determining the best interest of Nigeria, the Commission shall give regard to any one or more of the following:
 - i. the area of specialization and level of expertise that can be offered to the capital market including the effect on productivity, transference of skills and efficiency and quality of capital market services;
 - ii. The risk posed on the systemic stability of the capital market including activities and conduct that will likely impact the orderly functioning of the capital market;
 - iii. The contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;
 - iv. the ability in developing strategic or nascent sectors in the capital market; or
 - v. the degree and significance of participation of Nigerians in the capital market.

Justification: To provide for certain critical services that may not be available and to encourages transfer of expertise/skills and enhance cross border collaboration.

7.4 An entity seeking registration shall comply with the requirements set out in these Rules and in addition, it shall file a sworn undertaking that:

- (a) the applicant will be able to carry out its obligations as set out under these Rules;
- (b) the information or document that is furnished by the applicant to the Commission is not false or misleading nor does it contain any material omission;
- (c) the applicant is not in the course of being wound up or otherwise dissolved;



- (d) no receiver manager or an equivalent person has been appointed within or outside Nigeria, or in respect of any property of the applicant;
- (e) the applicant has not, whether within or outside Nigeria, entered into a compromise or scheme of arrangement with its creditors, being a compromise or scheme of arrangement that is still in operation;
- (f) the applicant's directors, chief executive, controller, and any person who is primarily responsible for its operations or financial management are fit and proper, taking into account the fit and proper criteria as provided in the SEC Rules and Regulations;
- (g) the applicant will be able to take appropriate action against a person in breach including directing the person in breach to take any necessary remedial measure;
- (h) the applicant will be able to manage risks associated with its business and operation including demonstrating the processes and contingency arrangement in the event the applicant is unable to carry out its operations;
- (i) the applicant has sufficient financial, human and other resources for its operation, at all times;
- (j) the applicant has appropriate security arrangements which include maintaining a secured environment pursuant to the Commission's Rules on Technology Risk Management; and
- (k) there are no other circumstances which are likely to:
 - i lead to the improper conduct of operations by the applicant or by any of its directors, chief executive, controller or any person who is primarily responsible for the operations or financial management of the applicant; or
 - ii reflect discredit in the manner it operates its business;

7.5 Submit a business model which has a clear or unique value proposition or will contribute to the overall development of the capital market;

7.6 Where applicable, submit the rules of the entity it seeks to operate and make satisfactory provisions:



- (i) for the protection of investors and public interest;
- (ii) to ensure proper functioning of the entity; to promote fairness and transparency;
- (iii) to manage any conflict of interest that may arise;
- (iv) to promote fair treatment of its users or any person who subscribes for its services;
- (v) to promote fair treatment of any person who is hosted, or applies to be hosted, on its platform;
- (vi) to ensure proper regulation and supervision of its users, or any person utilizing or accessing its platform, including suspension and expulsion of such users or persons; and
- (vii) to provide an avenue of appeal against the decision of the VASP;

- 7.7 Where an applicant is regulated by another primary regulator, the applicant shall submit to the Commission a "no objection" or approval letter from the relevant primary regulator when making an application.
- 7.8 Existing CMOs aspiring to carry on any digital assets service under these Rules shall seek a no-objection approval from the Commission.
- 7.9 Depending on the nature of the service, a CMO may be required to establish a subsidiary or separate entity to carry on the aspired digital assets related function;
- 7.10 Where an entity is permitted to undertake multiple functions, it shall meet the registration requirements for each function in full and shall maintain compliance of all requirements at all times.

8.0 General Obligations of a VASP

8.1 A VASP shall:

- a) monitor and ensure compliance of its rules where applicable;



- b) ensure fair treatment of its users/clients;
- c) ensure that all disclosures are fair, accurate, clear and not misleading;
- d) obtain and retain self-declared risk acknowledgement forms from its users prior to them investing;
- e) provide prior disclosure to investors that any loss resulting from the investors' trading in digital assets or investment through a VASP is not covered by the National Investor Protection Fund;
- f) ensure that all fees and charges payable are fair, reasonable and transparent;
- g) ensure that it does not engage in any business practices appearing to the Commission to be deceitful, oppressive or improper (whether unlawful or not) or which otherwise reflect discredit on his method of conducting business;
- h) carry out continuous awareness and education programmes;
- i) have in place processes to monitor anti-money laundering, counter terrorism financing and counter proliferation financing requirements, including having adequate investor on-boarding arrangements and processes;
- j) disclose and display prominently on its platform, any relevant information relating to digital assets including:
 - i. all necessary risk warning statements, including all risk factors that users may require in making a decision to participate on the platform;
 - ii. information on rights of investors relating to investing or trading digital assets;
 - iii. criteria for access to digital assets;
 - iv. educational materials, including comparative information where necessary;
 - v. fees, charges and other expenses that it may charge, impose on its users;



- vi. information about complaints handling or dispute resolution and its procedures;
- vii. information on processes and contingency arrangement in the event the VASP is unable to carry out its operations or cessation of business; and
- viii. any other information as may be specified by the Commission;

8.2 A VASP shall provide to the Commission access to any register required to be maintained under these Rules and disclose any other information as the Commission may require;

8.3 A VASP shall notify the Commission of the occurrence of any event which would trigger the activation or execution of the business continuity plan, in such form and manner as may be specified by the Commission; and

a) in the event of any systems error, failure or malfunction:

- i. take all necessary and immediate appropriate actions to mitigate any potential losses; and
- ii. immediately notify the Commission of the systems error, failure or malfunction.

b) establish, implement and maintain processes and contingency arrangements to protect client funds and assets in the event the VASP is unable to carry out its operations or ceases its business;

c) conduct an audit at least once every three years to assess the VASP's compliance to the provisions of these Rules and ensure that the audit findings and necessary corrective measures to be undertaken are tabled to the board;

8.4 A VASP shall establish controls and appropriate approval processes in relation to amendments or changes made to the VASP's operating systems including web and mobile applications and ensure that all changes and amendments are properly documented and the necessary internal approvals are obtained prior to deploying any such changes;



8.5 A VASP shall:

- a) deal with clients' complaints and disputes in a fair, transparent, timely and efficient manner which shall include ensuring that:
 - i. the clients are kept abreast of the review of a complaint regularly; and
 - ii. records of all complaints received and the outcome of the review of such complaints are complete and properly maintained;
- b) communicate with the Commission and other relevant regulators in an open and professional manner;
- c) provide the Commission with documents and information when requested and within the time limits prescribed, or where such time limit is not prescribed, within a reasonable time;
- d) carry on its activities with proper safeguards in place to protect clients' assets and information; and
- e) establish, maintain and consistently review the effectiveness and relevancy of the controls, policies and procedures to ensure compliance with these Rules.

8.6 A VASP shall obtain the Commission's prior approval for any proposed direct or indirect change in its shareholding.

8.7 A VASP shall notify the Commission at least 14 business days before:

- a) establishing or acquiring any new business;
- b) ceasing or disposing any existing business; or
- c) acquiring new interests or shares or disposing any existing interests or shares, within or outside Nigeria.

9.0 Governance, and General obligations of the Board and Senior Management

9.1 Governance



- a) A VASP shall comply with the Nigerian Code of Corporate Governance, SEC Guidelines on Corporate Governance and shall have:
 - i. a charter for the Board and Management that clearly stipulates responsibilities
 - ii. rules that support financial stability, safety and efficiency of its activities;
 - iii. policies and procedures that stipulate its entire business processes and operations and shall be duly approved by the board;
 - iv. processes to identify, assess and manage potential conflicts of interest of members of the Board, principal officers, employees or any person directly or indirectly linked to the Board;

9.2 The Board

- a) A VASP shall have a Board, whose membership shall be a minimum of Five (5), and whose members shall be subject to approval of the Commission before registration at the CAC.
- b) 60% of the Board members shall be of Nigerian origin;
- c) The Board Chairman shall be a Non-Executive Director;
- d) Majority of the Board members shall be Non-Executive Directors;
- e) There shall be at least one Independent Non-Executive Director;
- f) At least one Executive Director shall have relevant financial technology background;
- g) The Board shall have Committees responsible for Nomination and Governance, Remuneration, Audit and Risk Management;
- h) The Board shall have the appropriate mix of knowledge, skills and experience, including the business operations and financial industry experience needed to discharge its roles and responsibilities to the stakeholders.



9.3 Chief Executive Officer and Principal Officers

- a) A VASP shall have a Chief Executive Officer who shall hold office for a period of five (5) years in the first instance and may be re-appointed for a further period of five (5) years and no more;
- b) The appointment of a Chief Executive Officer and Principal Officers of a VASP shall be subject to the prior approval of the Commission;
- c) A VASP shall have a dedicated compliance officer on a full-time basis, to carry out compliance function on all matters provided in these Rules and its own internal policies and procedures;
- d) The Chief Executive Officer and other Principal Officers of a VASP shall:
 - i be registered by the Commission as Sponsored Individuals;
 - ii be persons of proven integrity with no record of criminal conviction;
 - iii hold at least a university degree or its equivalent;
 - iv have at least five (5) years cognate experience;
 - v not have been found complicit in the operation of an institution that has failed or been declared bankrupt or has had its operating license revoked as a result of mismanagement or corporate governance abuses;
 - vi not have been found liable for financial impropriety or any other misdemeanor by any court, panel, regulatory agency or any professional body or previous employer;
 - vii comply with any other criteria which the Commission may, in the public interest, determine from time to time.

9.4 General Obligations of the Board

- a) A VASP board shall:
 - i. ensure that the VASP complies with all the requirements under these Rules including any direction issued or any term or condition imposed by the Commission;
 - ii. ensure the senior management carry out their responsibilities and duties;
 - iii. ensure the identification and management of risks associated



with the business and operations of the VASP, including having in place an effective business continuity plan and conducting business impact assessments;

- b) ensure the establishment and maintenance of controls, policies and procedures to:
 - i. effectively and efficiently manage actual and potential conflicts of interest;
 - ii. implement anti-corruption and whistleblowing measures that are appropriate to the nature, scale and complexity of its business;
 - iii. monitor trading and other market activity to detect non-compliance with the ISA and the Rules and Regulations of the Commission;
 - iv. deal with complaints relating to the operations of its market or the conduct of its participants; and
 - v. ensure compliance with all relevant laws, Rules and Regulations including the Nigeria Data Protection Act, 2023;
- c) immediately notify the Commission:
 - i. of any irregularity or breach of any provision of the ISA, these Rules or its rules, including any alleged or suspected violations of any law or guidelines in relation to anti-money laundering, terrorism financing and proliferation financing by its participants;
 - ii. of any material change in the information submitted to the Commission; or
 - iii. if it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligations or to carry out its functions under these Rules.

9.5 **General obligations of the Senior Management**

- a) A VASP's Senior Management shall:



- i. implement and adhere to the controls, policies and procedures approved by the board;
- ii. manage risks associated with the business and operations of the VASP, including having in place an effective business continuity plan and conduct business impact assessments;
- iii. frequently and adequately apprise the board on the operations of the VASP and ensuring that the VASP complies with all the requirements under these Rules including any direction issued or any term or condition imposed by the Commission;
- iv. ensure records maintained are accurate and properly secured; and
- v. comply with the reporting requirements and submit accurate information to the Commission in a timely manner.

10.0 Risk Management

10.1 Risk Management

- a) A VASP shall establish a risk management framework to identify, assess, monitor, control and report all material risks to which the VASP could be exposed to.
- b) The risk management framework shall include:
 - i strategies developed to identify, assess, monitor and mitigate all material risks;
 - ii policies and protocols relating to management and controls of all material risks;
 - iii methodology to assess all material risks; and
 - iv reporting system for all material risks to senior management and Board.
- c) A VASP shall:
 - i Comply with the Commission's Technology Risk Management Framework;



- ii carry out periodic reviews, audits and testing on systems, operational policies, procedures, and controls relating to risk management and its business continuity plan;
- iii identify and manage any risks associated with its business and operations, including any possible sources of operational risk, both internal and external, and mitigate their impact through the use of appropriate systems, policies, procedures, and controls’;
- iv have a business continuity plan that addresses events posing a significant risk of disrupting operations, including events that could cause a wide-scale or major disruption. The business continuity plan shall incorporate the use of a secondary site and shall be designed to ensure that critical information technology systems can resume operations within reasonable recovery time objectives (RTO) as well as recovery point objectives (RPO) following disruptive events.

11.0 Internal Audit

- 11.1 A VASP shall establish an internal audit function to develop, implement and maintain an appropriate internal audit framework which commensurate with its business and operations.
- 11.2 The internal audit framework shall be approved by the Board;
- 11.3 The Board shall ensure that the internal audit framework includes:
 - a) clearly defined terms of the internal audit framework which sets out the scope, objectives, approach and reporting requirements;
 - b) adequate planning, controlling and recording all audit work performed, and record the findings, conclusions and if any, recommendations made;
 - c) issuance of an internal audit report at the conclusion of each internal audit performed; and
 - d) ensuring matters highlighted in the internal audit report are satisfactorily resolved in a timely manner and does not jeopardize or prejudice the clients’ interest.



- 11.4 A VASP shall perform internal audit checks on its operations regularly.
- 11.5 The person responsible for the internal audit function shall report directly to the Board on the adequacy, effectiveness and efficiency of the management, operations, risk management and internal controls.

12.0 Outsourcing Arrangements

- 12.1 A VASP's board remains accountable for all outsourced functions and shall ensure the establishment of effective policies and procedures for its outsourcing arrangement including a monitoring framework to monitor the service delivery and performance reliability of the service provider.
- 12.2 A VASP shall:
- a) ensure that the service provider has adequate policies and procedures to monitor the conduct of any appointed sub-contractor.
 - b) perform an assessment on a service provider on a periodic basis, as part of its monitoring mechanism and submit a report of the assessment to its board and senior management.
 - c) A letter of undertaking is also required from the service provider or sub-contractor stating that the Commission shall have access to all information, records and documents relating to all material outsourced arrangements.
 - d) notify the Commission of any adverse development arising in the outsourcing arrangement of any outsourced function that could significantly affect the VASP, within two weeks from the occurrence of the event.
- 12.3 Except for the functions set out under (12.4) below, all other functions of a VASP, i.e. back office processes, services or activities can be outsourced subject to the requirements in these Rules.
- 12.4 A VASP shall not outsource any function that involves:
- a) the decision making functions of the VASP; or
 - b) any interaction or direct contact with its clients and investors.
- 12.5 A VASP shall select an appropriate and efficient service provider for its outsourcing arrangement, and monitor the outsourcing arrangement on a continuous basis to



ensure that it does not lead to any business disruption and negative consequences to clients.

- 12.6 The service provider shall avoid any conflict of interest. Where a conflict cannot be avoided, the Commission shall be duly notified, and appropriate safeguards shall be put in place to protect the interests of the clients.
- 12.7 The outsourcing of functions in the subparagraphs (a to c) below are considered as material outsourcing arrangement and shall only be outsourced by the VASP to the following service providers:
- a) internal audit function to the VASP's auditor or an external auditor, where applicable;
 - b) compliance function to the VASP's Holding Company, where applicable; or
 - c) risk management function to the VASP group of companies or an external service provider in the area of risk management.
- 12.8 provided that where functions are outsourced to a Holding Company, the Holding Company shall be incorporated in Nigeria and registered with the Commission as a Capital Market Holding Company
- 12.9 Other than the material functions set out in paragraph (12.4), other Outsourcing arrangements shall also be considered as material outsourcing arrangement where:
- a) there may be a financial, reputational or operational impact on the VASP in the event of a default or failure of the service provider;
 - b) the VASP's services or support rendered to its clients/investors may be potentially impacted by the outsourcing arrangement;
 - c) the VASP's ability and capacity to comply with regulatory requirements may be impacted by the outsourcing arrangement; and
 - d) if the appointed service provider may not be able to perform the outsourced function, there is a degree of difficulty and time required for the VASP to select an alternative service provider, or to bring the outsourced function in-house.
- 12.10 The internal audit and risk management functions, where outsourced, cannot be



further sub-contracted.

12.11 Where a service provider or a sub-contractor is located outside Nigeria, the VASP shall:

- a) analyze the economic, legal and political conditions of the country that the service provider and the sub-contractor are operating from, which may impact the undertaking of any outsourced functions;
- b) refrain from outsourcing to jurisdictions where the Commission is hindered from having prompt access to information;
- c) commit to retrieve information readily available from the service provider and the sub-contractor should the Commission request for such information; and
- d) inform the Commission if any foreign authority were to seek access to its clients' information, and shall comply with the provisions of the Nigerian Data Protection Regulation.

13.0 Conflict of Interest Management

13.1 Conflict of interest issues shall be assessed on a case by case basis

13.2 A VASP shall use its best endeavours to identify and avoid any actual or potential conflict of interest.

13.3 Where a conflict of interest cannot be avoided, a VASP shall have a framework in place to effectively manage or mitigate the conflict of interest.

13.4 A VASP's conflict of interest framework shall include policies and procedures relating to operations of Digital Assets, among others:

- a) timely and accurate disclosure of any conflict of interest to a potential or existing investor or any material interest, including any fees, commission or benefit received by a VASP, which may affect the fair treatment of such investor;
- b) dealing in any Digital Asset by its officers on its own or other platforms; and
- c) the management of non-public material information.



14.0 Prohibition on Financial Assistance

- 14.1 A VASP is prohibited from providing direct or indirect financial assistance to investors, including its officers, to invest or trade in any digital/virtual asset on its platform.

15.0 Advertisement, Marketing and Promotion

15.1 In addition to the existing requirements under the Commission's Rules on Advertisement, the following provisions shall specifically apply to the promotion, marketing and advertisement of digital asset products and services or the sharing of any unauthorised financial investment opportunity on social media, or through any other medium of communication including unstructured supplementary service data (USSD), radio and television:

- a) Advertisements, marketing or promotions relating to digital asset offers or invitations to subscribe shall also receive the Commission's prior approval before publication.
- b) A VASP shall ensure that testimonials or endorsements in advertisements shall originate from individuals who have either invested in the advertised product or used the advertised service. Such endorsements shall clearly state if the endorsing individual is compensated by the advertiser.
- c) Any mention of awards received by a Virtual Asset Service Provider (VASP) in advertisements shall first be submitted to the Commission for verification and clearance.
- d) An Advertisement, marketing or promotions for digital assets shall be accurate and clear, avoiding any elements that could mislead investors. Specifically, an advertisement shall be considered misleading if it contains:



- i. statements exaggerating asset performance or omitting necessary explanatory or qualifying notes;
 - ii. Misrepresentation of past performance or implying that past gains will be repeated in the future.
 - iii. Ambiguous and high sounding words, slogans and terminologies such as “**invest and secure your future**”, “**top offer**”, “**superior offer**”, “**brighter future**”, “**double your earnings now**” etc.
 - iv. Statements promising or guaranteeing rapid returns or increase in profits.
- e) Advertisements shall use simple, clear language and avoid unnecessary technical jargon or excessive details that could confuse or distract investors.

15.2 Restrictions on Endorsers:

- a) Celebrities, fictional characters, financial influencers (“finfluencers”), landmarks, or similar figures is prohibited and shall not form part of advertisements.

16.0 Specific Requirements for Third-Party and Social Media Promotions

16.1 Third-Party Engagements:

- a) A VASP engaging third parties for promotion of digital asset products or services shall obtain prior approval from the Commission;
- b) The VASP shall ensure that the third party adhere to the provisions set out in these Rules.

16.2 Social Media Influencers:

- a) A VASP who engages a social media influencer (paid or unpaid) on promotion of any digital asset products or services to its followers on any social media platform or through any other medium of communication including unstructured supplementary service data (USSD), radio and television, shall obtain a no-objection authorization from the Commission prior to the engagement.



- b) Finfluencers shall before engaging in any promotional activities verify that both the VASPs, products and services they intend to promote are licensed or approved by the Commission.

17.0 Disclosure of Paid Promotions by Finfluencers

17.1 Finfluencers who receive compensation to promote digital asset products or services shall disclose this arrangement to their followers. Failure to do so will result in a penalty of not less than ₦10million, imprisonment for up to three years, or both.

17.2 Others:

- a) The Commission shall actively monitor advertisement, marketing or promotions relating to digital asset products or services to ensure adherence to these Rules.
- b) Any Violations or suspected act of misleading advertisement, marketing or promotion shall result in strict enforcement actions, including financial penalties and public sanctions.

17.3 Periodic Reviews:

- a) The Commission shall periodically review these Rules to ensure they remain relevant to emerging trends in digital assets market and financial technology.

Justification: This is to curb the menace and address the growing popularity of financial influencers (Finfluencers) promoting digital asset products and services or sharing of any unauthorized financial investment opportunity on social media, or through any other medium of communication including unstructured supplementary service data (USSD), radio and television, as well as to create greater public awareness.



18.0 Cessation of Business or Operations

- 18.1 A VASP shall not cease its business or operations without prior engagement with the Commission.
- 18.2 The Commission may issue a direction or impose any term or condition for the purposes of ensuring the orderly cessation of the business or operations of a VASP.
- 18.3 The cessation of business or operations of a VASP shall not take effect until the Commission is satisfied that all the requirements stated in the ISA, 2007, these Rules, relevant guidelines issued by the Commission and any other relevant laws or requirements, have been fulfilled.

19.0 Suspension/Cancellation

19.1 Suspension/Cancellation

- 19.2 The Commission may suspend or cancel the registration of a VASP as prescribed in the SEC Rules and Regulations on cancellation of registration and if:
 - a) the Commission finds that, at any time, the VASP has submitted to the Commission any false or misleading information or there is material omission of information;
 - b) VASP fails to meet the requirements as provided in ISA, SEC Rules and Regulations, any other relevant laws or guidelines or any direction issued by the Commission on the VASP;
 - c) VASP fails or ceases to carry on the business or activities for which it was registered for a consecutive period of six (6) months;
 - d) VASP contravenes any obligation, condition or restriction imposed under the Rules; or
 - e) fails to pay any fee prescribed by the Commission.



20.0 Withdrawal of Registration

- a) A VASP may by notice in writing, apply to the Commission to withdraw its registration and provide reasons for its withdrawal as prescribed in the SEC Rules and Regulations on withdrawal of registration.
- b) The withdrawal of registration of a VASP shall not take effect until the Commission is satisfied that adequate arrangements have been made to meet all the liabilities and obligations of the VASP that are outstanding at the time when the notice of the withdrawal is given; and operate so as to:
 - i. avoid or affect any agreement, transaction or arrangement entered into by the VASP, whether the agreement, transaction or arrangement was entered into before or after the withdrawal of the registration; or
 - ii. affect any right, obligation or liability arising under any such agreement, transaction or arrangement.

21.0 Reporting Requirements

- 21.1 A VASP shall submit to the Commission the following:
- a) Daily, weekly and monthly trading statistics (where applicable), and all other reporting requirements.
 - b) Quarterly compliance reports to demonstrate its compliance with any conditions imposed by the Commission pursuant to registration as a VASP;
 - c) An annual compliance report to demonstrate the VASP's compliance with any conditions imposed by the Commission pursuant to the registration of the VASP;
 - d) Its latest audited financial statements, within three months after the close of each financial year or such period as the Commission may allow; and
 - e) Any information required by the Commission for the purpose of administering securities laws in the form and manner as may be specified



by the Commission.

21.2 A VASP shall comply with all reporting obligations and submit accurate reporting to the Commission in a timely manner.

22.0 Power to Impose Conditions

22.1 The Commission may at any time vary, add or remove any requirements or terms and conditions on a VASP that commensurate with the nature, operations and risks posed by the VASP.

22.2 The Commission may issue a direction to a VASP, its Board, any of its directors, any of its principal officers or any other person if the Commission is satisfied that it is necessary or expedient for the:

- a) purposes of ensuring fair and orderly markets; or
- b) protection of the token holders, or in the public interest; or
- c) is of the opinion that the VASP is no longer viable or sustainable.

23.0 Registrable Functions

23.1 All functions under this Rules shall be standalone and cannot be combined.

23.2 A virtual asset service provider may apply to the Commission for registration under any of the following functions:

- a) **Digital Assets Offering Platform (DAOP):** an electronic platform that utilizes DLT to facilitate fund raising through a digital asset offering;
- b) **Digital (Virtual) Assets Exchange (DAX):** an electronic platform that utilizes DLT to facilitate the trading of digital assets;
- c) **Digital Assets Custodian (DAC):** an electronic vault that facilitates the safekeeping or holding in custody and/or administration of virtual assets or instruments enabling control over virtual assets;
- d) **Digital Assets Intermediary (DAI):** other than digital assets offering,



exchange and custody, any person or entity who facilitates digital asset transactions on behalf of a client.

24.0 Accelerated Regulatory Incubation Program (ARIP)

- 24.1 All VASP seeking the Commission's registration under this Rules shall first complete and submit an ARIP initial assessment form via the SEC ePortal;
- 24.2 Eligible applicants shall be granted approval to operate within the confines of ARIP;
- 24.3 Approval granted under the ARIP provision, shall have the following characteristics:
- a) It shall be an approval-in-principle (AIP) registration valid for a specified period, not exceeding 12 calendar months.
 - b) Qualified VASPs at the expiration of the AIP period shall be transitioned to registration for regularization after complying with all applicable registration requirements or any other provisions as may be prescribed by the Commission from time to time.

Justification: ARIP Program is a risk mitigating measure that enables the Commission to further assess digital asset business models to ensure that they are properly structured including adequate provisions to address risks and issues surrounding market integrity, investor protection and money laundering before introducing the models to the market to operate at full capacity.

25.0 Application Filing

- 25.1 Applicants who are successful in the Accelerated Regulatory Incubation Program shall file an application for regularization of registration via the SEC ePortal.
- 25.2 The application shall be accompanied with a request for registration of potential sponsored individuals/compliance officer who shall include the principal officers (i.e. CEO, COO, RO and CO) as well as the following corporate documents:
- a) Certificate of Incorporation (original to be sighted);



- b) Memorandum and Articles of Association which shall include the power to perform the specified function (with the object clause clearly stipulating the intended capital market activity (ies) and/or ancillary activities);
- c) Company’s CAC status report showing statement of share capital, return of allotment, and particulars of directors;
- d) Latest audited accounts (or audited statement of affairs of the company in the case of a new company);
- e) Tax identification number (TIN) and clearance certificate;
- f) The Commission may request such other documents as it considers necessary for registration.

25.3 All applications shall be accompanied with the prescribed fees; otherwise the application shall be considered incomplete.

26.0 Financial Requirements

26.1 Minimum Capital, processing and registration fees for each function shall apply as follows:

S/N	<u>Function</u>	<u>Minimum Capital</u>	<u>Registration Fees</u>	<u>Processing Fees</u>
		<u>₦</u>	<u>₦</u>	<u>₦</u>
i.	<u>Digital Assets Offering Platform (DAOP)</u>	<u>500million</u>	<u>50 Million</u>	<u>5 Million</u>
ii.	<u>Digital Assets Exchange (DAX);</u>	<u>1billion</u>	<u>100 Million</u>	<u>10 Million</u>
	a) <u>DA OTC</u>			



	Exchange	<u>1billion</u>	<u>100Million</u>	<u>10Million</u>
	b) Digital Broker Model	<u>1billion</u>	<u>1billion</u>	<u>1billion</u>
iii.	Digital Assets Custodian (DAC)	<u>1billion</u>	<u>100 Million</u>	<u>10 Million</u>
iv.	Digital Assets Intermediary (DAI)			
	a) <u>Broker/dealer</u>	<u>500million</u>	<u>50 Million</u>	<u>5 Million</u>
	b) <u>Portfolio Manager</u>	<u>300 Million</u>	<u>30 Million</u>	<u>3 Million</u>
	c) <u>Trustee</u>	<u>200 Million</u>	<u>10 Million</u>	<u>3 Million</u>
	d) <u>Investment Adviser</u>	<u>100 Million</u>	<u>10 Million</u>	<u>3 Million</u>
26.2	Accelerated Regulatory Incubation Program (ARIP)	Show evidence of required minimum capital for the aspired function.	<u>10 Million</u>	<u>2 Million</u>
26.3	Digital Assets Issuers	Issuers of digital securities and asset referenced tokens shall have a minimum capital of ₦500,000,000 maintained at all times.		
26.4	<u>Required Minimum capital shall encompass Bank balances, fixed asset or Investment in quoted Securities; And shall comply with the Commission's consolidated Rules 57 on Net Capital Requirement.</u>			
26.5	<u>Current Fidelity Bond covering at least 25% of the minimum capital.</u>			
26.6	<u>A minimum of three (3) Sponsored Individuals (i.e the CEO and other Principal Officers) who shall pay a fee of ₦500,000 (Five Hundred Thousand Naira) each.</u>			
26.7	<u>A VASP shall immediately notify the Commission in writing of a potential or an actual breach of the minimum capital requirement and the corrective measures intended to be taken to address the potential or actual breach.</u>			

Justification: To provide clarification on financials and to harmonize registration requirements that are applicable to all VASPs while providing additional requirements under specific applicable functions.



26.8 S.E.C. Fees on Market Deals

- a) Payment to the Commission by DAX Companies on every digital asset traded shall be a 0.3% of market value of the Digital Assets traded and shall be payable on daily basis;
- b) The calculation of average daily value of Digital Assets traded shall occur at 12.00 a.m. Lagos NG time (+1hr GMT).

27.0 Miscellaneous

- 27.1 Every person registered to perform any function in the market shall be a member of an SRO or a trade association relevant to its function.

28.0 Fine/Penalty

- 28.1 Contravention of these rules and regulations shall attract one or more of the following sanctions:
 - a) Minimum penalty of ₦5million; and the sum of ₦20,000.00 (Twenty Thousand Naira) only, for every day the violation continues, and shall in addition be liable for any loss of investor funds arising due to the VASP's failure to comply with its obligations under these Rules;
 - b) Disgorgement of proceeds of the transaction and payment of funds three (3) times the profit realized;
 - c) Suspension or withdrawal of license of offending party; and
 - d) Referral for criminal prosecution where this is established.

Part C - Digital Assets Issuance

29.0 Requirement for Issuance of Digital Assets (Digital Securities, crypto tokens



and Asset-referenced Tokens)

29.1 General Requirements for Issuers

- a) An Issuer of digital securities and asset-referenced tokens shall:
 - i. be a Nigerian-incorporated company;
 - ii. have its main business operations carried on in Nigeria; and
 - iii. only raise funds through a DAOP.
 - iv. maintain at all times a minimum capital of ₦500,000,000

Justification: Only credible issuers with good track records and sound financials can issue digital assets. And to provide credibility and ensure that only fit and proper entities can offer/operate in the market.

- b) An Issuer of digital tokens that aims to maintain a stable value in relation to an official currency, or in relation to one or several assets shall:
 - i. be a financial institution;
 - ii. obtain a no-objection approval from the Central Bank of Nigeria (CBN);
 - iii. establish and maintain with a registered custodian bank a trust account designated for reserve of funds equivalent to the value of tokens minted and in circulation; and
 - iv. ensure that the reserved funds in the trust accounts is at par with the value of digital tokens in circulation at all times.
- c) No entity or person shall issue any Crypto tokens or cryptocurrencies unless a prior approval has been obtained from the Commission to carry out such issuance;
- d) An application for a no-objection of the Commission shall be filed, providing the following information:
 - i. the purpose and/or use of the crypto token;
 - ii. the nature of the business and/or activities for which the crypto token will be used;



- iii. the Whitepaper;
 - iv. the identity, full details and, if applicable, ownership of the Issuer, including a description of its experience and whether it, or its relevant individuals, have been the subject of any claims in the past ten (10) years involving dishonesty, fraud, financial crime or an offence under laws relating to companies, banking, insolvency, money laundering, insider trading or terrorism financing;
 - v. the financing of the Issuer's business (including financial statements, if any);
 - vi. whether issuing the Virtual Asset will be the basis for funding any business or other venture;
 - vii. how will any proceeds or other consideration (whether monetary or value in kind) received from issuing the crypto token be used;
 - viii. who will receive any proceeds or other consideration, what proportion they will receive and how much of that will be directly attributable for the facilitation of the purpose ascribed in (vii) above;
 - ix. the risks related to the business and/or activities in relation to which the Virtual Asset will be issued; and
 - x. the governance structure, or quality control plan for the business and/or activities, and the Entities involved.
- e) Issuers of Real estate asset-backed tokens shall comply with the requirements for real estate investment schemes (REISs) in addition to the provisions of these Rules.

30.0 Prohibited Virtual Assets

- 30.1 Issuance of Anonymity-Enhanced Cryptocurrencies and all virtual asset activity(ies) related to them are prohibited.

31.0 Moratorium on Equity Interest



- 31.1 Issuer's directors and senior management shall, in aggregate, own at least 50% equity holding in the issuer on the date of the issuance of the digital assets.
- 31.2 Post issuance of the digital assets, the issuer's directors and senior management may sell, transfer or assign not more than 50% of their respective equity holding until completion of initial digital asset offering project. Directors and senior management shall include those who are subsequently appointed as a director or senior management pursuant to their purchase of any equity in the issuer post issuance of the digital.

32.0 Application to Raise fund through DAOP

- 32.1 An issuer shall not offer any digital tokens to any person before the DAOP obtains a no-objection for the application from the Commission.
- 32.2 An issuer shall submit its application to raise fund through a digital assets offering to a DAOP for consideration in the form and manner as may be specified by the DAOP (Application).
- 32.3 A DAOP shall obtain a no-objection from the Commission before granting approval to an issuer's application for the digital assets offering.
- 32.4 An issuer's application shall include:
 - a) a fit and proper declaration of all the issuer's directors and senior management; and
 - b) the white paper which shall contain information as specified in paragraphs 40.2 of these Rules.
- 32.5 In its application, the issuer shall also demonstrate to the DAOP that the digital assets offering project provides an innovative solution or a meaningful digital value proposition for Nigeria.
- 32.6 An issuer shall:
 - a) comply with the requirements of these Rules at all times;
 - b) ensure that it does not submit or provide any document or information that is false or misleading, or from which there is material omission;
 - c) in relation to the requirement under paragraph 32.4 above, submit to the DAOP a fit and proper declaration of its directors and senior management



within three (3) business days from the appointment or reappointment of the director or senior management; and

- d) immediately notify the DAOP and the Commission of any failure to comply with any requirement of these Rules.
- e) retain all relevant documents and agreements related to the digital assets offering for a period of seven (7) years from the date the issuance is approved.
- f) An issuer shall provide to the Commission any information or assistance relating to the digital tokens as the Commission deems necessary.

33.0 Limit of Funds to be Raised

33.1 An issuer may only raise funds subject to the following limit:

- a) Twenty (20) times the issuer's shareholders' funds i.e., the maximum quantum of funds permitted to be raised within any continuous 12-month period.
- b) Notwithstanding (a) above, the Commission may approve higher amounts for Government, Supranational and other eligible issuers.
- c) The issuer shall demonstrate that the proceeds to be raised from the digital asset offering would be sufficient to undertake the project as proposed in the white paper.
- d) In the event that the amount raised is below the soft-cap, the Issuer shall refund all monies collected from the token holders within five (5) business days from the offer closing date.

34.0 Investment Limits

34.1 A person may invest in an initial digital asset offering subject to the following limits:

- a) For qualified institutional and high net worth investors, no restriction on investment amount;



- b) For angel investors, a maximum of ₦50million per issuer within a 12-month period; and
- c) For retail investors, a maximum of ₦1million per issuer with a total investment limit not exceeding ₦10million within a 12-month period.

35.0 Cooling-off Right

- 35.1 A cooling-off right shall be given to an applicant who is applying to subscribe a digital token in a DAO, except for where such applicant is a staff of the issuer.
- 35.2 The cooling-off period shall be no fewer than five (5) business days commencing from the closing date of the offer period.
- 35.3 An applicant exercising their cooling-off right pursuant to sub-paragraph (35.2) above shall be entitled to a refund amounting to the sum equivalent of:
 - a) the purchase price paid for the digital token; and
 - b) any other charges imposed on the day the digital token was purchased.
- 35.4 When an investor notifies the DAOP of his intention to exercise his cooling-off right, the DAOP shall refund to the investor the quantum in sub-paragraph (35.3) above within five (5) business days of receiving such notification.

36.0 Utilisation of Proceeds

- 36.1 A DAOP shall:
 - a) provide a confirmation to the Commission that the drawdowns have been utilised for the purposes stated in the white paper in such form and manner as the Commission may specify.
 - b) Changes to the utilization of proceeds post issuance of the digital tokens can only be effected in accordance with the provisions of the Trust Deed and approval of the Commission.

37.0 Material Changes



- 37.1 Where a material change occurs affecting the DAOP, the digital offering project or the issuer, the issuer shall, immediately upon knowing or becoming aware of the event, inform the DAOP of such change for purposes of announcement on the platform.
- 37.2 In addition to the requirement in paragraph (36.1b) above, post issuance of the digital tokens, the issuer shall also immediately notify the DAOP and the Commission of any sale, transfer or assignment involving five (5) per centum or more shareholding in the issuer.

38.0 Hosting on other Platforms

- 38.1 An Issuance shall not be hosted concurrently on multiple DAOP or on an equity crowdfunding platform.

39.0 Publishing of Information

- 39.1 An issuer shall prepare and cause to be published, on the DAO platform, an annual report and semi-annual report which contain necessary information to enable token holders evaluate the performance of the issuer.
- 39.2 The issuer's reports shall contain information on the performance of the underlying business or project, including:
- a) the total amount of digital tokens issued and in circulation;
 - b) the status of the utilisation of the digital token's proceeds by the issuer;
 - c) the status of the digital asset offering project; and
 - d) audited financial statements for the latest financial year.
- 39.3 An issuer shall ensure that all information disseminated for marketing or promotion is consistent with the contents of its white paper and are appropriately displayed in all marketing and promotional materials including on its website.
- 39.4 An issuer shall not engage any third-party individual(s) or entity, other than a DAOP, to endorse or represent the issuer with the intended purpose of marketing,



promoting, gaining publicity or soliciting funds for its digital asset offering.

40.0 White Paper

40.1 Submission

- a) An issuer shall not offer a digital token to any person unless the offer is accompanied by a white paper that has been approved by the Commission;
- b) Except in cases of follow-on offerings, all promoters, entities or businesses proposing to conduct initial digital asset offerings within Nigeria or targeting Nigerians, shall submit its white paper for an initial assessment and a no-objection approval from the Commission;
- c) The white paper shall be made available in a machine-readable format.

41.0 Content of a White Paper

- a) A DAOP shall ensure that the issuer's white paper contain such information that would enable an investor to make an informed assessment of the digital token before subscribing to the digital token;
- b) The white paper shall contain relevant, complete and current information regarding the initial digital asset offering projects, business plan of the issuer feasibility study, and shall include the following:
 - i. The white paper shall contain the date of its announcement and a table of contents.
 - ii. Clear description of the business of the issuer;
 - iii. Clear description of the issuer's directors, senior management, key personnel and advisers including name, designation, nationality, address, professional qualifications and related experience;
 - iv. Comprehensive information on how the proposed initial digital asset offering project will benefit investors and deepen the



market, sustainability, and scalability of the digital asset offering project;

- v. The objective or purpose of the digital asset offering, including detailed information on the digital asset offering project to be managed and operated by the issuer;
- vi. The key characteristics of the digital tokens to be issued;
- vii. Clear description of the initial digital asset offering, the distributed ledger technology, value of each token, lock-up period (if any), returns, profits, bonuses, rights, and/or other privileges (monetary and non-monetary) to the buyer of the token;
- viii. The targeted amount to be raised through the digital assets offering, and subsequent use and application of the proceeds including percentage allocation to each use category, thereafter illustrated in a scheduled timeline for drawdown and utilization of proceeds (schedule of proceeds);
- ix. Any rights, conditions, or functions attached to digital tokens including any specific rights attributed to a token holder;
- x. Timeline for the completion of the project to be financed with the proceeds of the offering;
- xi. Discussion on the determination of the accounting and the valuation treatments for the digital assets including all valuation methodology and reasonable presumptions adopted in such calculation;
- xii. Target market;
- xiii. Currency or other assets that will be received as payment for the tokens;
- xiv. Proposed offer period;
- xv. Soft cap and hard cap for each kind of token;



- xvi. Price per token, including amounts of discounts and/or premiums;
- xvii. Information in relation to the distribution of the digital tokens, medium of distribution (including airdrop and placing) and where applicable, the distribution policy of the issuer;
- xviii. Information on staking token where applicable;
- xix. Information on the risks in investing in the tokens including the associated challenges and the mitigating measures thereof;
- xx. information on the principal adverse impacts on the climate and other environment-related adverse impacts of the consensus mechanism used to issue the digital tokens;
- xxi. Information on the underlying technology, technical description of the protocol, platform or application of the digital token, as the case may be, and the associated benefits of the technology;
- xxii. For existing projects, details of the system architecture, documentation including detailed flowcharts of the process;
- xxiii. For projects that will commence at a later date, detailed flowcharts showing how the project will operate and time frames for each process;
- xxiv. Audited financial statements of the issuer.

c) In the case of whitepapers of initial digital asset offering projects, pending a no-objection approval from the Commission, a disclaimer that the whitepaper does not represent an offer to sell, and a statement in bold letters that:

"THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THIS TOKEN OR DETERMINED IF THE TOKEN IS A



SECURITY AND THUS REGISTRABLE, OR THAT THE CONTENT OF THE WHITEPAPER ARE ACCURATE AND COMPLETE. ANY FALSE OR MISLEADING REPRESENTATION IS A CRIMINAL OFFENCE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION”

42.0 Filing of White Paper

- 42.1 Whitepapers shall be filed for every proposed digital asset offering;
- 42.2 Legal opinion on the type of tokens are to be issued and sold through the initial digital asset offering sufficient justifications;
- 42.3 The Commission shall, after it receives a complete initial assessment filing of the whitepaper, review same within 14 business days from receipt to determine whether the digital asset proposed to be offered, constitutes a “security” under the Investment and Securities Act 2007. The determination of the Commission shall be communicated in writing to the issuer within 7 business days from the conclusion of the review.
- 42.4 The issuer may revise the contents of a whitepaper or other documents submitted during the initial assessment, at any time before the Commission determines whether the digital assets are securities. A revision of the contents of a whitepaper or other documents by the issuer shall renew the 14 business day period for review;
- 42.5 Any revision of whitepaper or other documents made after the determination of the Commission shall be subject to prior review and clearance of the Commission, and it shall be accompanied by evidence of payment of a revision fee as stipulated in the SEC Rules;
- 42.6 Where the digital asset to be issued is determined to be a security, the issuer shall apply to register the said securities and comply with the requirements for registration of securities as prescribed in the Rules and Regulation of the



Commission.

42.7 The under-listed shall thereafter be encrypted on the approved white paper:

THE SECURITIES AND EXCHANGE COMMISSION HAS DEEMED THIS DIGITAL ASSET TO BE A SECURITY AND HAS REGISTERED IT ACCORDINGLY. THE CONTENT OF THE WHITEPAPER ARE NOT DEEMED INACCURATE OR INCOMPLETE. ANY FALSE OR MISLEADING REPRESENTATION SUBSEQUENTLY DISCOVERED IS A CRIMINAL OFFENCE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION’.

43.0 Filing of Supplementary White Paper

43.1 Where a white paper has been furnished to the DAOP and the Commission, but before the closing of the offer period, the issuer becomes aware that:

- a) a matter has arisen and information in respect of that matter would have been required by the Rules to be disclosed in the white paper if the matter has arisen at the time the White paper was prepared;
- b) there has been a material change affecting a matter disclosed in the white paper; or
- c) the white paper contains a statement or information that is false or misleading, or from which there is a material omission,

43.2 the issuer shall notify the DAOP and, as soon as practicable, furnish the supplementary white paper to the DAOP operator and the Commission.

44.0 Requirements for the Registration of Digital Asset Considered Securities

44.1 Upon the Commission’s determination that the proposed digital assets to be offered are securities, the issuer shall file an application to register the tokens which, in addition to the Commission’s minimum disclosure requirements for public offers, shall include:



- a. A registration statement of the digital assets which shall include:
 - i. the name and ticker of the tokens;
 - ii. the amount to be registered;
 - iii. the price per token;
 - iv. the number of tokens to be sold;
 - b. KYC procedures, disaster recovery plans and risk management protocol;
 - c. Security protocols including platform architecture and technology;
 - d. Solicitor's opinion confirming that all applicable permits and licenses for the issuance and transfer of the securities, after the offer, have been obtained;
 - e. Copy of the escrow agreement with an independent Trustee registered with the Commission;
 - f. Corporate governance disclosures;
 - g. Evidence of payment of the applicable fees;
 - h. Any other information to be determined by the Commission from time to time.
- 44.2 Where the issuer complies with all registration requirements, the Commission may grant registration to the digital assets.
- 44.3 The Commission may reject an application for registration of digital assets if in its opinion, the proposed activity infringes public policy, is injurious to investors or violates any of the laws, rules and regulations implemented by the Commission.

45.0 Exemptions from Registration of Digital Assets

- 45.1 Securities structured to be exclusively offered through a SEC-registered crowdfunding portal or intermediary;
- 45.2 A judicial sale or sale by an executor, administrator or receiver in insolvency or bankruptcy;

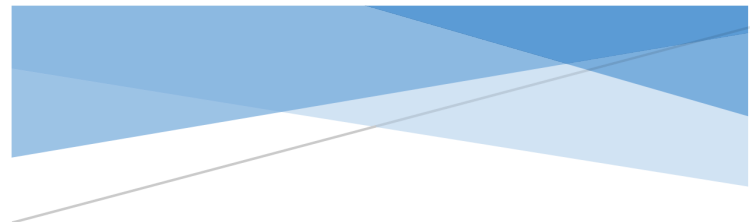


- 45.3 Where the sale is by a pledged holder or mortgagee, selling to liquidate a bona fide debt and not for the purposes of avoiding the provision of these rules;
- 45.4 An isolated transaction in which any digital token is sold for the owner's account and such sale or offer for sale is not made in the course of repeated and successive transactions of like manner by such owner.

PART D - Digital Assets Offering Platform (DAOP)

46.0 Additional Requirements Relating to a Digital Assets Offering Platform (DAOP)

- 46.1 In addition to the general registration requirements for VASPs, an applicant seeking to be registered to operate a DAOP shall comply with the following requirements;
- 46.2 A VASP shall file:
 - a) copy of draft rules of the DAOP which shall include:
 - i. the text of the proposed rules;
 - ii. an explanation of the purpose of the proposed rules; and
 - iii. the VASP's board resolution approving the proposed rules.
 - b) A sworn undertaking:
 - i. to promptly furnish the Commission with copies of any amendments to the rules of the DAOP;
 - ii. to keep proper records and render returns as may be specified by the Commission from time to time signed by a director or the company secretary;
 - iii. to abide by SEC Rules and Regulations and Investments and Securities Act No.29 of 2007 as may be amended from time to time;
 - c) information on the company, including structure and profile of members of



its board as well as policies and procedures;

47.0 Obligations of A DAOP

47.1 A DAOP shall:

- a) Manage all risks associated with its business and operation;
- b) Have sufficient financial, human, technical and other resources for its operation at all times;
- c) Ensure appropriate security arrangement, taking into account the scale of its business operations and risks;
- d) Maintain and comply with the enterprise and technology risk management frameworks.

47.2 A DAOP, in determining whether or not to consider a digital asset offering, shall:

- a) carry out due diligence and critical assessment on an Issuer including:
 - i. understanding and verifying the business of the Issuer to ensure that the Issuer does not engage in any business practices appearing to be deceitful, oppressive or improper, whether unlawful or not;
 - ii. assess the fitness and propriety of the Issuer's directors and senior management; and
 - iii. understand the features of the digital assets to be issued by the Issuer and the rights attached to it;
- b) exercise its own judgment and carry out critical assessment on the Issuer's compliance with the requirements in these Rules including as to whether the Issuer will be able to satisfy the requirement to provide an innovative solution or a meaningful digital value proposition for the Nigerian capital market; and
- c) assess the Issuer's white paper furnished to the DAOP. In considering the Issuer's white paper, the DAOP shall ensure that the contents of the white paper include the information required under these Rules and that its contents are not false or misleading, or containing any



material omission.

47.3 In addition to the obligations set out in paragraph 47.2 (c) above, a DAOP shall:

- a) ensure that the white paper is accessible to Investors through its platform;
- b) ensure that all relevant information relating to an Issuer, including any material changes that are affecting the DAO project or the Issuer and the Issuer's annual and semi-annual report, are available through its platform;
- c) take reasonable steps in monitoring the drawdowns by Issuer and that it has been utilized for the purposes stated in the white paper;
- d) ensure that its platform is operating in an orderly, fair and transparent manner;
- e) have in place rules and procedures for Digital Asset Offering on its platform;
- f) ensure that all fees and charges payable are fair, reasonable and transparent;
- g) carry out continuous awareness and education programmes;
- h) take all reasonable measures to avoid situations that are likely to involve a conflict of interest with the Issuer;
- i) disclose any information or provide any document to the Commission as may be required;
- j) ensure that all disclosures are not false or misleading, or containing any material omission;
- k) obtain and retain self-declared risk acknowledgement forms from its users prior to them participating on a digital asset offering;
- l) provide prior disclosure to investors that any loss resulting from



the investors investing in a Digital Asset Offering is not covered by any Investor Protection Fund;

- m) disclose and display prominently on its platform, any relevant information including:
 - i. all necessary risk warning statements, including all risk factors that users may require in making a decision to participate on the platform;
 - ii. information on rights of Investors to investing through such platforms;
 - iii. criteria for access to the platform;
 - iv. education materials, including comparative information where necessary;
 - v. fees, charges and other expenses that it may charge, or impose on its users;
 - vi. information about complaints handling or dispute resolution and its procedures;
 - vii. information on processes and contingency arrangement upon cessation of business, or in the event that it is unable to carry out its operations; and
 - viii. any other information as may be specified by the Commission from time to time;
- n) establish and maintain policies and procedures to:
 - i. provide clear line of reporting, authorization and proper segregation of function;
 - ii. implement whistleblowing measures that are appropriate to the operations of the platform;



- iii. identify, monitor, manage and mitigate cyber risks in its operating environment;
 - iv. effectively and efficiently identify, monitor, mitigate and manage situations, and other circumstances which may give rise to conflict of interest; and
 - v. ensure compliance with all relevant laws, rules and regulations;
- o) ensure that its processes and practices are continuously aligned to industry practices in relation to virtual assets/digital tokens;
 - p) take all reasonable steps to ensure fair treatment of clients;
 - q) identify and manage potential vulnerabilities and cyber threats in its operating environment;
 - r) in the event of any systems error, failure or malfunction, take all necessary and immediate appropriate actions to mitigate any potential losses;
 - s) carry out any other duties or responsibilities as may be specified by the Commission; and
 - t) immediately notify the Commission:
 - i. of any breach of the terms and conditions imposed by the provisions of the ISA 2007, guidelines or its Rules,
 - ii. when it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligations or to carry out its functions under these Rules;
 - iii. of any material change to the DAOP, the DAO project or the Issuer including any of the following matters:
 - A. The discovery of a false or misleading statement in any disclosures in relation to the DAOP, the DAO



project or the Issuer;

- B. The discovery of any material omission of information that may affect token holders;
- C. Any material development in the circumstances relating to the DAOP, the DAO project or the Issuer

iv. of the occurrence of any event which would trigger the activation or execution of the business continuity plan, in such form and manner as may be specified by the Commission;

- u) maintain proper records of all transactions and activities executed on its platform in a form and manner to be determined by the Commission from time to time.
- v) provide the Commission access to the platform and any register required to be maintained under these Rules and disclose any other information as the Commission may require.

47.4 Notwithstanding subparagraph 47.3 (e), any proposed rules of a DAOP or any proposed amendments to its existing rules shall not have effect unless it has been approved by the Commission.

47.5 A DAOP, including all its directors and shareholders, shall disclose to the public on its platform if:

- a) it holds any shares in any of the issuers or digital assets issued by any issuer hosted on its platform; or
- b) it pays any referrer or introducer, or receives payment in whatever form, including payment in the form of shares, in connection with an Issuer hosted on its platform.

47.6 Notwithstanding paragraph 47.5 (a) above, a DAOP's shareholding in any of the issues hosted on its platform shall not exceed thirty (30) percent, subject to the approval of the Commission.

47.7 A DAOP is prohibited from providing direct or indirect financial assistance to



investors to invest in the digital tokens of an issuer hosted on its platform.

48.0 Operation of Trust Account

48.1 A DAOP shall:

- a) establish and maintain with a registered Receiving Bank one or more trust accounts, designated for the monies received from investors;
- b) ensure that the trust accounts under paragraph 48.1 (a) above are administered by a custodian or trustee registered by the Commission;
- c) only release the funds to the issuer after the following conditions are fulfilled:
 - i. The targeted amount sought to be raised has been met; and
 - ii. There is no material change relating to the DAOP or the Issuer during the offer period.
- d) in relation to Investors' virtual asset/digital token:
 - i. ensure that the token holders' virtual assets/digital tokens are properly segregated and safeguarded from conversion or inappropriate use by any person;
 - ii. establish and maintain a sufficiently and verifiably secured storage medium designated to store virtual assets/digital assets from investors; and
- e) establish systems and controls for maintaining an accurate and up to date records of Investors and any monies or virtual assets/digital tokens held in relation to investors;
- f) ensure investors' monies and virtual assets/digital tokens are properly safeguarded from conversion or inappropriate use by any person, including but not limited to implementing multi-signature arrangements;

48.2 For the purpose of subparagraph 48.1(c)(ii), a material change may include any of the following matters:



- a) The discovery of a false or misleading statement in any disclosures in relation to the DAOP, the DAO project or the Issuer;
- b) The discovery of any material omission of information that may affect Investors; or
- c) Any material development in the circumstances relating to the DAOP, DAO project or the Issuer.

48.3 Notwithstanding paragraph 48.1(c), a DAOP may impose any other additional condition precedent before releasing the fund, provided that they serve the token holders' interest.

49.0 Custody of Digital/ Virtual Assets

49.1 A DAOP shall appoint a digital asset custodian registered with the Commission to provide custody of the token holders' virtual assets/digital tokens.

~~Where a DAOP chooses to provide its own custody services to the token holders, it shall apply for a DAC registration as an additional function and shall comply with all the stipulated registration requirements for DAC. In this instance, the DAC shall be set up as a distinct legal entity from the DAOP.~~

Justification: All functions are standalone and cannot be combined.

50.0 Publishing of a Supplementary White Paper

50.1 Where a supplementary white paper has been furnished to the DAOP and the Commission, and before the issuance of virtual assets/digital tokens, the DAOP shall notify the DAO applicant that:

- a) a supplementary white paper is available on the platform; and
- b) the applicant may withdraw its application for the subscription of the virtual asset/digital token within five (5) business days from the date of receipt of the notice.

50.2 If the applicant withdraws its application pursuant to paragraph 50.1 (b), the DAOP shall, within five (5) business days, refund to the applicant any amount



that the applicant has paid for the purposes of the DAO.

51.0 Register of Initial Token Holders

51.1 A DAOP shall maintain a register of initial token holders who subscribed for the digital tokens during the offer period and enter into the register:

- a) in the case of a token holder who is a Nigerian, the name, address and details of means of identification of the token holder.
- b) In the case of a non-Nigerian token holder, the name, address and passport details of the token holder;
- c) in the case of a token holder who is a corporation, the name, registered address and registration number of the corporation, including details of its directors and shareholders;
- d) total amount of virtual assets/digital tokens subscribed by each token holder; and
- e) any other relevant information or particulars of the token holder as may be required by the Commission.

PART E - Digital Assets Exchange (DAX)

52.0 Additional Requirements Relating to a DAX

52.1 In addition to the general registration requirements for VASPs, an applicant seeking to be registered to operate a DAX shall be incorporated in Nigeria and shall comply with the following;

52.2 A DAX shall file a sworn undertaking:

- a) that the applicant will be able to operate an orderly, fair and transparent market in relation to the securities including derivatives that are offered or traded, on or through its platform;



- b) to keep proper records and render returns as may be specified by the Commission from time to time, signed by a director or the company secretary;
- c) to abide by SEC Rules and Regulations and Investments and Securities Act No.29 of 2007 as may be amended from time to time.

52.3 The Commission may require such other documents as it considers necessary for registration.

52.4 Prior to commencement of operations, the Commission may require the following:

- a) evidence of Information Technology (IT) assurance regarding the system readiness; and
- b) a written declaration by its internal auditor confirming that it has:
 - i. sufficient human, financial and other resources to carry out operations.
 - ii. adequate security measures, systems capacity, business continuity plan and procedures, risk management, data integrity and confidentiality, record keeping and audit trail, for daily operations and to meet emergencies; and
 - iii. sufficient IT and technical support arrangements.
- c) Chief Information Security Officer to ensure amongst others, adequate security measures to mitigate against cyber risks.

53.0 Obligations of a DAX

53.1 In addition to the general obligations of a VASP, a DAX shall:

- a) ensure that its platform is operating in an orderly, fair and transparent manner;
- b) have in place policies and procedures for the trading, clearing and settlement of Digital Assets on its platform;
- c) conduct real-time market surveillance;
- d) monitor and ensure compliance with its rules;
- e) ensure fair treatment of its users;
- f) ensure that all disclosures are accurate, clear and not misleading;



- g) obtain and retain self-declared risk acknowledgement forms from its users prior to them investing through an Exchange;
- h) provide a conspicuous disclaimer on its platform informing investors that any loss resulting from the investors trading or investment through the Exchange is not covered by the National investor protection (NIP) fund;
- i) ensure that all fees and charges payable are fair, reasonable and transparent;
- j) ensure that the same account holder is not on both sides of the same transaction;
- k) ensure that investors only invest or trade in virtual or digital assets hosted on its platform using Naira or any other legal tender approved by the Central Bank of Nigeria (CBN). The rate for conversion of foreign currency denominated assets shall be the official exchange rate recognized by the CBN;
- l) ensure that it does not engage in any business practices appearing to the Commission to be deceitful, oppressive or improper (whether unlawful or not) or which otherwise reflect discredit on his method of conducting business;
- m) carry out continuous awareness and education programmes;
- n) disclose and display prominently on its platform, any relevant information relating to the Exchange such as:
 - i. all necessary risk warning statements, including all risk factors that users may require in making a decision to participate on the platform;
 - ii. information on rights of investors relating to investing or trading on the Exchange;
 - iii. criteria for access to the Exchange;
 - iv. education materials, including comparative information where necessary;
 - v. fees, charges and other expenses that it may charge, impose on its users;
 - vi. information about complaints handling or dispute resolution and its procedures;
 - vii. information on processes and contingency arrangements in the event the DAX is unable to carry out its operations or cessation of business; and
 - viii. any other information as may be specified by the Commission;
- o) provide to the Commission access to the platform and any register required to be maintained under these Rules and disclose any other information as the Commission may require;



- p) notify the Commission of the occurrence of any event which would trigger the activation or execution of the business continuity plan, in such form and manner as may be specified by the Commission; and
- q) in the event of any system error, failure or malfunction:
 - i. take all necessary and immediate appropriate actions to mitigate any potential losses; and
 - ii. immediately notify the Commission of the system error, failure or malfunction.
- r) disclose information about its market structure, order types and the interactions of the order types, if any, on the platform;
- s) have adequate arrangements and processes to deter manipulative activities on the platform and ensure proper execution of trades;
- t) have adequate arrangements and processes to manage excessive volatility of its platform which may include circuit breakers, price limits and trading halts;
- u) have adequate arrangements and processes to manage error trades;
- v) have adequate arrangements and processes to manage systems error, failure or malfunction;
- w) have adequate arrangements and processes to manage investors' assets in the event of any suspension or outages of the platform, including transfer or withdrawal procedures.

54.0 Submission of Trading Rules

- 54.1 A DAX Operator shall submit to the Commission for approval, any proposed rules or amendments to existing rules. The submission shall include:
- a) the text of the proposed rules or amendments; and
 - b) the purpose of the proposed rules or amendments.
- 54.2 The Commission may direct a DAX to vary or amend any rule submitted as it deems necessary.
- 54.3 Any proposed rules of a DAX or any proposed amendments to its existing rules shall not have effect unless it has been approved by the Commission or notified to



the Commission as stipulated in the rules and regulations.

55.0 Operation of a Digital Broker Model

- 55.1 A DAX shall obtain the Commission's prior approval if it seeks to operate a digital broker model to facilitate the exchange, trading or conversion between virtual assets and fiat currency or one or more virtual assets on its form, or to operate any model other than the DAX.
- 55.2 Where a DAX operates a digital broker model, the DAX shall:
- a) maintain a minimum capital of ₦1billion at all times.

Justification: DAX operators who intend to act as the counterparty to an investor for every buy or sell order on or through the platform; This provision is to provide for A DAX intending to operate a Digital Broker model to maintain additional and separate minimum capital of ₦1billion in order to provide for its liquidity.

- b) carry out the necessary anti-money laundering and counter financing terrorism measures including travel rule, screening and monitoring on the digital asset and its investors prior to facilitating any transactions on behalf of its investors; and
- c) ensure that for any purchase of a digital asset by an investor, the digital asset shall be transferred from the DAX's wallet into the investor's wallet.

56.0 Trading of Digital/Virtual Assets

- 56.1 No DAX shall facilitate the trading of any digital assets unless the DAX has obtained a "no objection" for the trading of the digital asset from the Commission.
- 56.2 A DAX shall establish and implement policies and procedures to assess any digital asset prior to offering or listing the digital asset to be traded on its platform.
- 56.3 Where the Commission has granted a no-objection for the offering or listing of a new digital asset by a DAX, any other DAX who wishes to offer the same digital



asset on its platform shall demonstrate its operational capabilities to the Commission prior to offering or listing the digital asset to trade on its platform.

- 56.4 In relation to paragraph 56.1 above, a DAX shall submit:
- a) an application to the Commission enclosing documents and any other information to be determined by the Commission from time to time;
 - b) information relating to the Digital Asset including the nature of the Digital Asset and the profile of its founders and management team; and
 - c) an assessment report as to whether the Digital Asset has met the following minimum criteria to be offered on its platform:
 - i. The Digital Asset represents certain rights, benefits or utility;
 - ii. The Digital Asset has sufficient liquidity, taking into account, among others:
 - A. the amount of the Digital Asset in circulation;
 - B. past trading volumes; and
 - C. the demand for the Digital Asset in Nigeria;
 - iii. The Digital Asset is well distributed and not over-concentrated, supported with, among others, the following indicators:
 - A. The number of addresses created and active;
 - B. Concentration of the digital asset in specific addresses; and
 - C. Patterns and concentration of transactions;
 - iv. Information relating to the digital asset is widely available and readily accessible including:
 - A. the issuance of a whitepaper or any other disclosure document accompanying the digital asset; and
 - B. information relating to the progress of the project including both business and technical aspects;
 - v. Security feature of the underlying distributed ledger is sound, taking into account:
 - A. the number of nodes;
 - B. any history of hacks and other form of attacks; and



C. any known security vulnerabilities;

- vi. The economics of the Digital Asset is viable and sustainable, including but not limited to:
 - A. participants and their interactions within the Digital Asset's ecosystem; and
 - B. mechanism to regulate demand and supply (if any); and
- vii. The Digital Asset is in compliance with all other legal and regulatory frameworks in Nigeria and other jurisdictions which the project operates in.

56.5 The Commission may refuse to grant a no-objection where the Commission considers necessary including for the protection of investors, public interest or the proper functioning of a recognized market.

57.0 Delisting of Digital Assets

- 57.1 A DAX shall establish and implement policies and procedures to manage the delisting of any Digital Asset offered on its platform.
- 57.2 Prior to delisting any Digital Asset from its platform a DAX shall notify the Commission and shall submit to the Commission the following information:
 - a) Detailed reasons for the delisting;
 - b) Impact analysis and detailed roll-out plans including notification to affected investors;
 - c) The DAX board resolution for the delisting; and
 - d) Any other information or explanation as may be specified by the Commission.

58.0 Client's Asset Protection

58.1 A DAX shall:

- a) establish systems and controls for maintaining accurate and up to date records of investors and any monies or Digital Assets held in relation thereto;



- b) establish and maintain a sufficiently and verifiably secured storage medium designated to store Digital Assets on behalf of its investors;
- c) ensure investors monies and virtual assets/digital tokens are properly safeguarded from conversion or inappropriate use by any person, with the necessary governance and approval processes in place;
- d) ensure effective controls and risk management for Digital Assets held on behalf of investors in the event of liquidation of the DAX;
- e) segregate investors' Digital Assets from its own inventory;
- f) in the case where the DAX offers separate trading models, maintain separate Digital Asset wallets for client's asset under each respective model;
- g) establish and maintain in a licensed Nigerian financial institution one or more trust accounts, designated for the monies received from investors;
- h) establish and maintain a sufficiently and verifiably secured storage medium designated to store virtual assets/digital tokens from investors;
- i) ensure that the trust accounts under (g) above are administered by an independent registered trustee; and
- j) in relation to investors' digital assets, have arrangements and processes in place to protect against the risk of loss, theft or hacking which may include, among others, maintaining an offline-wallet dedicated to the investors' digital assets.

59.0 Settlement and Custody

59.1 A DAX shall:

- a) ensure there are orderly, clear and efficient clearing and settlement arrangements; and
- b) in the case of a DAX operating a Digital Broker model, that it has sufficient liquidity risk management arrangement in place to ensure settlement can be done with its investors for purposes of every transaction.

59.2 ensure these arrangements include prior or upfront deposit of monies and digital/virtual assets with the DAX before entering into a transaction on the



Digital Asset Exchange.

59.3 provide clear and certain final settlement in real time.

59.4 All funds shall be made through Real-Time Gross Settlement (RTGS).

60.0 Market Integrity Provisions

60.1 Insofar as it is applicable to the type of DAX model it operates, a DAX shall comply with the relevant requirements set out as follows:

a) Price Methodology

- i. A DAX shall ensure that the pricing for trading in the Digital Assets on its platform is fair and transparent.
- ii. In the case of a DAX that operates a Digital Broker model, the DAX shall disclose and display prominently on its platform, explanatory information relating to the methodology for the pricing of the Digital Assets being offered under this model.

b) Trading Operations

- i. A DAX shall disclose information about its market structure, order types and the interactions of the order types, if any, on the platform.
- ii. A DAX shall have adequate arrangements and processes to deter manipulative activities on the platform and ensure proper execution of trades.
- iii. A DAX shall have adequate arrangements and processes to manage excessive volatility of its market which may include circuit breakers, price limits and trading halts.
- iv. A DAX shall have adequate arrangements and processes to manage error trades.
- v. A DAX shall have adequate arrangements and processes to manage systems error, failure or malfunction.



- vi. A DAX shall have adequate arrangements and processes to manage investors' assets in the event of any suspension or outages of the platform, including transfer or withdrawal procedures.
- vii. A DAX shall disclose on its platform information relating to the arrangements and processes implemented in compliance with "v & vi" above.

c) Market Transparency

- i. A DAX shall ensure trading information, both pre-trade and post-trade, is made publicly available on a real-time basis.
- ii. A DAX shall make available in a comprehensible manner and on a timely basis, material information or changes to the tradable Digital/virtual Assets.
- iii. A DAX shall ensure all information relating to the trading arrangements pursuant to 60.1(b), including the circumstances arising thereof and where relevant, are made publicly available.

d) Market Making

- i. A DAX shall obtain the Commission's prior approval on any proposed processes, criteria and rules to facilitate the provision of any market making activities for the purpose of providing liquidity to its market.
- ii. A DAX shall ensure sufficient disclosure of all market making arrangements to its investors.
- iii. Where a DAX appoints a third-party market maker, the market maker shall be a registered market operator authorized by the Commission to perform market making function, and the DAX shall also comply with the requirements relating to outsourcing arrangement as stipulated in these Rules.

61.0 Framework for Managing Conflict of Interest



61.1 The DAX Operator's framework relating to conflict of interest shall include policies and procedures relating to, among others:

- a) proprietary trading by the DAX Operator on its platform which shall be done on a separate and segregated account.
- b) trading in digital assets by its officers and employees on its own or other platforms;
- c) the management of non-public material information; and
- d) the offering of any digital asset to be traded on its platform.

62.0 Additional Requirements Relating to Over-the-Counter (OTC) Market for the Trading of Digital Assets

62.1 In addition to the requirements set out for VASP, a DAX seeking to operate an OTC market for the trading of Digital Assets shall:

- a) Deal with only High Net-worth Individuals, Qualified Institutional Investors and established Businesses;
- b) only deal in digital assets that have been approved by the Commission;
- c) establish and maintain policies and procedures for transacting and the conditions that shall be met by the clients;
- d) ensure that quotes are based on best market conditions and the rate for conversion of foreign currency denominated assets shall be the official exchange rate recognized by the CBN;
- e) ensure that the final price is agreed upon after negotiation shall not exceed 5% above the prevailing market price and only source digital assets from Commission approved DAX or Digital Assets Issuers upon reaching an agreement;
- f) ensure there are orderly, clear and efficient clearing and settlement arrangements and sufficient liquidity risk management arrangement in place to ensure settlement can be done with its investors for purposes of every transaction.
- g) ensure these arrangements include prior or upfront deposit of monies in an escrow account and digital/virtual assets with a DAC before entering into a transaction.
- h) provide clear and certain final settlement in real time;
- i) Put in place measures to mitigate against counterparty risk;
- f) ensure fair treatment of all parties, and
- g) ensure that all trades disclosures are accurate, clear and not misleading.



PART F - Digital Asset Custodian (DAC)

63.0 Additional Requirements Relating to a DAC

- 63.1 In addition to the general registration requirements for VASPs, an applicant seeking to be registered as a DAC shall be incorporated in Nigeria and shall comply with provisions in these rules and regulations;
- 63.2 A DAC shall demonstrate to the Commission the ability to effectively safe guard the custody of digital assets and meet other eligibility criteria as may be stipulated by the Commission from time to time;
- 63.3 The Commission may register a foreign DAC, provided that they fulfill requirements set out in these Rules, and the Commission is satisfied that:
- a) the applicant is authorized to operate or carry on an activity of a similar nature in the foreign jurisdiction; and
 - b) the applicant is from a comparable jurisdiction with whom the Commission has regulatory arrangements on enforcement, supervision and sharing of information.
 - c) it is in the best interest of Nigeria to register the foreign DAC. In determining the best interest of Nigeria, the Commission shall give regard to any one or more of the following:
 - i. The area of specialization and level of expertise that can be offered to the capital market including the effect on productivity, transference of skills and efficiency and quality of capital market services;
 - ii. The risk posed on the systemic stability of the capital market including activities and conduct that will likely impact the orderly functioning of the capital market;
 - iii. The contribution towards attracting investments, enhancing market linkages and promoting vibrancy in the capital market;



- iv. The ability to develop strategic or nascent sectors in the capital market; or
- v. The degree and significance of participation of Nigerians in the capital market.

64.0 Obligations of a Digital Asset Custodian

64.1 A DAC shall:

- a) act in the best interest of the clients and take all reasonable measures to avoid situations that are likely to involve conflict of interest with the clients;
- b) safeguard the rights and interests of its clients including ensuring that its clients have access to their digital/virtual assets at all times, and preventing unauthorized access to clients' digital/virtual assets;
- c) ensure that all fees and charges payable are fair, reasonable and transparent;
- d) disclose any information or provide any document to the Commission as the Commission may require;
- e) comply with all the reporting requirements and submit accurate information that is required by the Commission in a timely manner;
- f) identify and manage risks associated with its business and operations, including having in place an effective business continuity plan;
- g) establish and maintain written policies and procedures to:
 - i. provide clear line of reporting, authorization and proper segregation of function;
 - ii. prevent unauthorized access or fraudulent transaction;
 - iii. implement anti-corruption and whistleblowing measures that are appropriate to the nature, scale and complexity of its business;
 - iv. enable full disclosure of all client's transactions and assets to the client;
 - v. manage clients' data that covers collection, storage, use,



disclosure and disposal of client information, including the following:

- A. proper handling and safeguarding of client data;
 - B. protection of confidentiality and security of client data; and
 - C. managing third party service provider who has access to client data;
- h) ensure that its processes and practices are continuously aligned to industry practices in relation to custody of digital/virtual assets;
- i) take all reasonable steps to ensure fair treatment of clients;
- j) identify and manage potential vulnerabilities, cyber threats in its operating environment;
- k) in the event of any systems error, failure or malfunction, take all necessary and immediate appropriate actions to mitigate any potential losses;
- l) carry out any other duties or responsibilities as may be specified by the Commission;
- m) immediately notify the Commission:
- i. of any breach of the terms and conditions imposed by the Commission, any provisions of the securities laws, guidelines or its rules, including any alleged or suspected violations of any relevant laws or guidelines referred to in paragraph 64.1 (g)(v);
 - ii. when it becomes aware of any matter which adversely affects or is likely to adversely affect its ability to meet its obligations or to carry out its functions under these Rules; and
 - iii. of the occurrence of any event which would trigger the activation or execution of the business continuity plan, in such form and manner as may be specified by the Commission;



- n) maintain proper records of all transactions and activities executed on its platform in a form and manner to be determined by the Commission from time to time.
- o) retain for a minimum period of seven (7) years:
 - i. all records of transactions relating to clients; and
 - ii. all records that sufficiently explain the financial position and the business of the digital asset custodian; and
- p) provide the Commission access to any register required to be maintained under these Rules, and disclose any other information as the Commission may require.
- q) obtain the Commission's prior approval in circumstances relating to a change to the shareholding.

65.0 Custody Operational Requirements

65.1 Key Generation and Management

- a) A DAC shall establish and maintain a sufficiently and verifiably secured storage medium designated to store its clients' digital/virtual assets.
- b) A DAC shall have in place effective policies and procedures to safeguard key generation and management including:
 - i. adopting industry standards and practices in terms of key generation and management;
 - ii. ensuring that the employees that are involved in the key generation process are identified and prevented from having unauthorized access to clients' virtual digital/assets; and
 - iii. having in place procedures to enable the clients to access their digital assets in the event the client loses his access credentials or where the keys have been compromised.
- c) A DAC shall have in place effective security mechanisms for the digital/virtual assets including adopting measures such as having multi-factor authentication requirements before effecting any transaction on behalf of the clients.



65.2 Segregation of Client Assets

- a) A DAC shall ensure that all clients' virtual assets/digital tokens are properly segregated from its own assets and safeguarded from conversion or inappropriate use by any person; and
- b) A DAC shall establish system and controls for maintaining accurate and up-to-date records of clients' digital/virtual assets held;

65.3 Transaction Handling

- a) A DAC shall ensure that, at all times, it has up-to-date transactional records relating to the clients' digital/virtual assets including:
 - i. transaction timestamp;
 - ii. details of any transaction including the purpose of a transfer, amount and details of the counterparty;
 - iii. relevant signatories and transaction approval/rejection evidence;
 - iv. account balances;
 - v. transaction value; and
 - vi. any other information as may be specified by the Commission.
- b) The DAC shall provide the above information under paragraph 65.3(a) to the Commission when requested and in such form and manner as the Commission may specify.
- c) Transactions under these Rules shall be denominated in Naira.
- d) The DAC shall maintain proper records of all transactions and activities executed on its platform in a form and manner to be determined by the Commission from time to time.
- e) A DAC shall retain all the transactional records including those stated above in paragraph 65.3(a) for a minimum period of seven (7) years.

- 65.4 A DAC shall notify the Commission if it intends to provide custodial services for additional classes of digital/virtual assets.



65.5 A DAC shall give priority to the clients' interest if there is a conflict between the clients' interests and its own interests;

PART G - Digital Assets Intermediary (DAI)

66.0 Additional Requirements Relating to a DAI

66.1 Any person other than a DAOP, DAX or DAC seeking to facilitate virtual assets transaction shall be registered as a Digital Assets Intermediary, and shall comply with the requirements set out in these Rules in addition to the requirements set out for VASPs in Part B of these rules and regulation.

66.2 Digital Assets Intermediary service shall include but not limited to:

- a) execution of orders for virtual assets on behalf of clients;
- b) acceptance and transmission of orders for virtual assets on behalf of clients;
- c) placing and distribution of virtual assets;
- d) providing advice on virtual assets investment;
- e) providing financial portfolio management on virtual assets;
- f) providing transfer services for virtual assets on behalf of clients;

67.0 General Obligation of DAI

67.1 A Digital Assets Intermediary shall:

- a) assess and source virtual assets from only VASPs that are registered with the Commission;
- b) be a member of a registered DAX or DAC.



- c) provide a conspicuous disclaimer on its platform informing investors that any loss resulting from the investors trading or investment in virtual assets is not covered by the National investor protection (NIP) fund;
- d) ensure that all fees and charges payable are fair, reasonable and transparent;
- e) ensure that it does not engage in any business practices appearing to the Commission to be deceitful, oppressive or improper (whether unlawful or not) or which otherwise reflect discredit on his method of conducting business;
- f) disclose and display prominently on its platform, any relevant information relating to virtual assets such as:
 - i. all necessary risk warning statements, including all risk factors that users may require in making a decision to transact in virtual assets;
 - ii. information on rights of investors relating to transacting in virtual assets;
 - iii. education materials, including comparative information where necessary;
 - iv. fees, charges and other expenses that it may charge, impose on its clients;
 - v. information about complaints handling or dispute resolution and its procedures;
 - vi. information on processes and contingency arrangement in the event the DAI is unable to carry out its operations or cessation of business; and
 - vii. any other information as may be specified by the Commission from time to time.
- j) ensure that for any purchase of a virtual asset by an investor, the virtual asset is transferred from the DAI's wallet into the investor's wallet.
- k) in the event of any system error, failure or malfunction:
 - i. take all necessary and immediate appropriate actions to mitigate any potential losses; and
 - ii. notify its affiliated DAX or DAC, and the Commission of any system error, failure or malfunction within 24 hours.



l) warn clients or prospective clients that:

- i. the value of virtual assets might fluctuate;
- ii. virtual assets might be subject to full or partial losses; and
- iii. virtual assets might not be liquid;

67.2 In addition to the general obligation of DAI, a DAI who seeks to perform any of the following under-listed activities shall comply with the requirements for Broker/Dealer:

- a) execution of orders, and transfer of virtual assets on behalf of clients;
- b) acceptance and transmission of orders for virtual assets on behalf of clients;
- c) placing and distribution of virtual assets;

68.0 Execution of orders for Virtual Assets on behalf of Clients

68.1 A DAI who seeks to purchase or sell one or more crypto-assets or to subscribe on behalf of clients for one or more crypto-assets, including contracts to sell crypto-assets at the moment of their offer to the public or admission to trading shall in addition to 67.2 above, comply with the following:

- a) take all necessary steps to obtain, while executing orders, the best possible result for their clients taking into account factors of price, costs, speed, likelihood of execution and settlement, size, nature, conditions of custody of the virtual assets or any other consideration relevant to the execution of the order;
- b) Notwithstanding paragraph (a) above, a DAI shall not be required to take the necessary steps as referred to in paragraph (a) in cases where the DAI execute orders for virtual assets following specific instructions given by its clients.
- c) establish and implement effective execution arrangements to ensure compliance with paragraph (b) above. In particular, a DAI shall establish and implement an order execution policy to allow them to comply with paragraph (b). The order execution policy shall, amongst others, provide for the prompt, fair and expeditious execution of client orders and prevent the misuse by the DAI employees of any information relating to client orders.



- d) provide appropriate and clear information to clients on their order execution policy referred to in paragraph (c) and any significant change thereto. That information shall explain clearly, in sufficient detail and in a way that can be easily understood by clients, how client orders are to be executed by the DAI.
- e) obtain prior consent from each client regarding the order execution policy.
- f) be able to demonstrate to clients, at the client's request, that their orders have been executed in accordance with the DAI order execution policy.
- g) monitor the effectiveness of order execution arrangements and order execution policy in order to identify and, where appropriate, correct any deficiencies in that respect. In particular, a DAI shall assess, on a regular basis, whether the execution venues included in the order execution policy provide for the best possible result for clients or whether there is a need to make changes to the order execution arrangements.
- h) notify clients of any material changes to the order execution arrangements or order execution policy.

69.0 Exchange of Virtual Assets for Funds or other Virtual Assets

69.1 A DAI who seeks to provide the services of purchasing or sale of contracts concerning crypto-assets with clients for funds by using proprietary capital, exchanging virtual assets for funds or other virtual assets shall in addition to 67.2 above, comply with the following:

- a) only deal in virtual assets that have been approved by the Commission.
- b) establish and maintain policies and procedures for transacting and the conditions that shall be met by the clients.
- c) publish a firm price of the virtual assets or a method for determining the price of the virtual assets that it proposes to exchange for funds or other virtual assets, and any applicable limit determined by the DAI on the amount to be exchanged.



- d) execute client orders at the prices displayed at the time when the order for exchange is final.
- e) inform its clients of the conditions for their order to be deemed final.
- f) publish information about the transactions concluded such as transaction volumes and prices.
- g) ensure fair treatment of its users.
- h) ensure that all disclosures are timely, accurate, clear and not misleading.
- i) obtain and retain self-declared risk acknowledgement forms from its users prior to them transacting in virtual assets.

70.0 Reception and Transmission of orders for Virtual Assets on behalf of Clients

70.1 A DAI who seeks to provide the services of reception from a person of an order to purchase or sell one or more crypto-assets or to subscribe for one or more crypto-assets and the transmission of that order to a third party for execution shall in addition to 67.2 above, comply with the following:

- a) establish and implement procedures and arrangements that provide for the prompt and proper transmission of client orders for execution on a DAX;
- b) not receive any remuneration, discount or non-monetary benefit in return for routing orders received from clients to a particular DAX;
- c) not misuse information relating to pending client orders, and shall take all reasonable steps to prevent the misuse of such information by any of its employees.

71.0 Placing and Distribution of Virtual Assets



- 71.1 A DAI who seeks to provide the services of marketing, on behalf of or for the account of the issuer (or offeror) or a party related to the issuer, of crypto-assets to purchasers shall in addition to 67.2 above, comply with the following:
- a) communicate the following information to the issuer, the person seeking admission to trading, or to any third party acting on their behalf, before entering into an agreement with them:
 - i. the type of placement under consideration, including whether a minimum amount of purchase is guaranteed or not;
 - ii. an indication of the amount of transaction fees associated with the proposed placing;
 - iii. the likely timing, process and price for the proposed operation;
 - iv. information about the targeted purchasers.
 - b) obtain the agreement of the issuers of those virtual assets or any third party acting on their behalf as regards the information listed in the first (a) above before placing those virtual assets.
 - c) have specific and adequate procedures in place to identify, prevent, manage and disclose any conflicts of interest arising from the following situations:
 - i. a DAI place the virtual assets with their own clients;
 - ii. the proposed price for placing of virtual assets has been overestimated or underestimated;
 - iii. incentives, including non-monetary incentives, are paid or granted by the issuer or offeror to the DAI.
- 71.2 Prior to agreeing a sale to any client or investor of newly issued virtual assets, a DAI shall:
- a) disclose to that counterparty (and obtain consent from the Issuer allowing the DAI to disclose to the counterparty) the following:
 - i. the basis on which they are acting for the Issuer, including whether they will receive any fees, incentives or non-monetary benefits from the Issuer or any third party in relation to the placement or distribution of the virtual assets;



- ii. the timing of the issuance and settlement of the virtual assets; and
- iii. information on the intended target market of the virtual assets.

72.0 Transfer of Virtual Assets on behalf of Clients

72.1 A DAI who seeks to provide the services of transfer, on behalf of a person (individual or corporate), of virtual assets from one distributed ledger address or account to another shall in addition comply to 67.2 above, with the following:

- a) conclude an agreement with clients to specify duties and responsibilities;
- b) Such agreement shall include at minimal the following:
 - i. the identity of the parties to the agreement;
 - ii. a description of the modalities of the transfer service provided;
 - iii. a description of the security systems used by the DAI;
 - iv. fees applied by the DAI;

73.0 Portfolio Management of Virtual Assets

73.1 A DAI who seeks to provide the services of portfolio management of crypto-assets in accordance with mandates given by clients on a discretionary client-by-client basis where such portfolios include one or more crypto-assets shall comply with the requirements for Fund/Portfolio Management; and in addition the following:

- a) assess whether the virtual asset services or virtual assets are suitable for clients or prospective clients, taking into consideration the clients' knowledge and experience in investing in virtual assets, their investment objectives, including risk tolerance, and their financial situation including their ability to bear losses.
- b) not accept and retain fees, commissions or any monetary or non-monetary benefits paid or provided by an issuer, or person seeking admission to



trading, or any third party, or a person acting on behalf of a third party, in relation to the provision of portfolio management of virtual assets to clients.

74.0 Investment Advisory Service on Virtual Assets

74.1 A DAI who seeks to provide the services of offering, giving or agreeing to give personalised recommendations to a client, in respect of one or more transactions relating to crypto-assets, shall comply with the rules on Investment Advisory services, or Robo-advisory services (if utilizing automated, algorithm-based tools in the advisory process); and in addition the following:

- a) inform prospective clients in good time before providing advice on virtual assets, whether the advice is:
 - i. provided on an independent basis;
 - ii. based on a broad or on a more restricted analysis of different virtual assets, including whether the advice is limited to virtual assets issued or offered by entities having close links with the DAI or any other legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided.
- b) Where a DAI is providing the advice on virtual assets informs the prospective client that advice is provided on an independent basis, the DAI shall:
 - i. assess a sufficient range of virtual assets available on the market and shall be sufficiently diverse to ensure that the client's investment objectives can be suitably met and shall not be limited to virtual assets issued or provided by:
 - A. a Digital Assets Intermediary;
 - B. entities having close links with a DAI; or
 - C. other entities with which a DAI has such close legal or economic relationships, such as contractual relationships, as to pose a risk of impairing the independent basis of the advice provided;



- ii. provide prospective clients with information on all costs and related charges, including the cost of advice, where applicable, the cost of virtual assets recommended or marketed to the client and how the client is permitted to pay for the virtual assets, also encompassing any third-party payments.

75.0 Trustee Service on Virtual Assets

75.1 A DAI who seeks to provide digital asset service as a Trustee shall comply with Registration requirements for Trustee in addition to this Rules.

Justification for Digital Assets Intermediary: *To make provisions for new virtual assets services that have emerged particularly VASPs that facilitate virtual assets services such as:*

- 1. execution of orders for virtual assets on behalf of clients;*
- 2. acceptance and transmission of orders for virtual assets on behalf of clients;*
- 3. placing and distribution of virtual assets;*
- 4. Providing Trustee Services*
- 5. providing advice on virtual assets investment;*
- 6. providing financial portfolio management on virtual assets; and*
- 7. providing transfer services for virtual assets on behalf of clients.*