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Checklist of Requirements to Register as a Crowdfunding Intermediary

CHECKLIST OF REQUIREMENTS TO REGISTER AS A CROWDFUNDING INTERMEDIARY

Nigeria's Security and Exchange Commission (SEC) requires crowdfunding portals operating in Nigeria to register as a Crowdfunding Intermediary and as such entities are expected to meet certain requirements.

Cash Asset Ratio

Cash Asset Ratio refers to a means by which an investor can measure a company's ability to offset its liabilities using its assets. The cash asset ratio of an entity intending to register as a Crowdfunding Intermediary should be as follows:

1. Minimum of 30% liquid assets;
2. 70% fixed and other assets.

Application to Register and Accompanying Documents

An entity intending to register as a Crowdfunding Intermediary must apply to the SEC. The application is to be accompanied by the following documents:

1. The certificate of incorporation certified by the Corporate Affairs Commission (CAC);
2. Memorandum and Articles of Association and amendments (if any) certified by the CAC;
3. CAC form(s) showing Statement of Share Capital, Return of Allotment, and Particulars of Directors;
4. Latest copy of the audited accounts or a copy of the statement of affairs signed by its auditors and management accounts that are not more than 9 months old or a copy of the statement of affairs signed by its auditor as at time of filing with the Commission;
5. Management accounts that are not more than 1 month old as at the time of filing with the Commission;
6. Company profile that includes the following information:
 - a. A brief history of the company,
 - b. Organizational and shareholding structure,
 - c. Principal officers

- d. Details of past and current activities;
7. The name(s) and address(es) of the company's subsidiaries/associated companies/ related entities, type of business and percentage holding;
8. Evidence of payment of shares allotted to the shareholders;
9. Operational manual of the company;
10. Business plan;
11. Existing or proposed by-laws or rules, and such other document governing the conduct of fundraisers and investors on the portal;
12. Sworn undertaking to promptly furnish the SEC with copies of any amendments to its by-laws, rules, or codes;
13. Information on Crowdfunding IT System to be adopted;
14. Detailed information about the crowdfunding system to be adopted including technical details associated with the portal's online presence;
15. Proposed brand name of the Crowdfunding Portal including evidence of trademark registration of the brand name (where applicable);
16. Detailed information of all domain names of any website through which the Crowdfunding Portal will be operated, social media handles and any other online identifiers including evidence of registration (where applicable);
17. Detailed information about the promoters and principal officers of the Crowdfunding Intermediary;
18. Sworn undertaking to keep such records and render such returns as may be specified by the Commission from time to time;
19. An application for registration of at least three (3) principal officers of the Crowdfunding Intermediary as sponsored individuals on the prescribed Form:
 - a. A person to be so appointed shall include the chief executive of the Crowdfunding Intermediary, any person who is primarily responsible for the operations and financial management, by whatever name called;
20. Minimum paid-up capital requirement of N100 million;
21. Current Fidelity Insurance Bond valued at a minimum of 20% of the paid-up capital as stipulated by the Commission's Rules and Regulations;
22. A written declaration by the Chief Executive of the Crowdfunding Intermediary, and which shall be filed annually, confirming that the Crowdfunding Intermediary has, in relation to the Crowdfunding Portal:
 - a. Sufficient and capable personnel to carry out operations;

- b. 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
- c. Sufficient IT and technical support arrangements.

The SEC has the power to require that more information be provided from time to time in order to protect investors.

What criteria must an entity meet to be registered as a Crowdfunding Intermediary?

Before the SEC registers an entity as a Crowdfunding Intermediary, it must be satisfied that the entity meets certain criteria. The criteria can be said to broadly cover transparency in operations, administration, risk management, and compliance.

Transparency in Operations

Under the SEC Rules on Crowdfunding, the SEC must be satisfied that the Crowdfunding Intermediary will be able to operate an orderly, fair and transparent system in relation to the investment instruments that are offered through its electronic platform.

Administration

The Board of Directors, Chief Executive Officer (CEO) and any officer the Crowdfunding Intermediary responsible for operations or financial management of the Crowdfunding Portal must not have:

1. Been convicted, whether within or outside Nigeria, of an offence involving fraud or other dishonesty or the conviction of which involved a finding that he acted fraudulently or dishonestly;
2. Been convicted of an offence under the Act or any other law relating to the capital market;
3. Been blacklisted by a professional body which he belongs to;
4. Been subjected to any disciplinary process or action by the Commission or other Self-Regulatory Organization in the Nigerian capital market;

5. Contravened any provision made by or under any written law, whether within or outside Nigeria appearing to the SEC to be enacted for protecting members of the public:
 - a. against financial loss due to dishonesty, incompetence or malpractice by persons concerned in the provision of financial services or the management of companies; or
 - b. against financial loss due to the conduct of discharged or un-discharged bankrupts;
6. Engaged in any unlawful business practice;
7. Engaged in or has been associated with any other business practices or otherwise conducted himself in such a way as to cast doubt on his competence and soundness of judgment; or
8. Engaged in or has been associated with any conduct that cast doubt on his ability to act in the best interest of investors, having regard to his reputation, character, financial integrity and reliability;

Risk Management

The Crowdfunding Intermediary must be able to manage risks associated with its business and operation. It must also have the ability to take action against those who breach any rule, policy, term and other standard of the Crowdfunding Portal. This includes ensuring that the person responsible for the breach takes necessary remedial measures.

Compliance

The Crowdfunding Intermediary is expected to have sufficient financial, human and other resources for the operation of the Crowdfunding Platform. The Crowdfunding Intermediary's rules must satisfactorily provide for the following:

1. Protection of investors and public interest;
2. Proper market functioning;
3. Promotion of fairness and transparency;
4. Management of conflict of interest;
5. Promotion of fair treatment if all users of the Crowdfunding Platform;
6. Proper regulation and supervision of its users, or any person using or accessing its portal; and
7. Provision of a means of appealing the decision of the operator.

For questions and further information, contact:

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