

POLICY ON MANAGEMENT OF CLIENTS' INACTIVE ACCOUNT

OF

CARDINALSTONE SECURITIES LIMITED



VERSION CONTROL

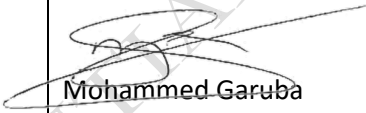
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1. BACKGROUND

This Policy outlines the standards and procedures for identifying, managing, and reactivating inactive client accounts in compliance with the rules of the Nigerian Exchange Limited (NGX) and the Securities and Exchange Commission (SEC). It aims to ensure proper governance, client protection, data integrity, and operational transparency.

In line with the regulatory requirements of the NGX regarding the management of clients' inactive accounts, CardinalStone Securities Limited ("**CardinalStone**", "**The Company**", "**The Firm**") is committed to upholding the highest standards of compliance and operational excellence. As mandated, we strictly adhere to the NGX guidelines for the classification, management, and reactivation of inactive accounts. This ensures that all client accounts are managed with transparency, efficiency, and in full compliance with regulatory expectations.

This document outlines the procedures for managing inactive accounts and reactivation and the roles and responsibilities of each Team involved.

2. SCOPE OF POLICY

This Policy applies to all individual, corporate, and institutional clients of CardinalStone, whose trading accounts are domiciled with the Firm and are subject to inactivity, as defined by applicable regulations.

3. OBJECTIVES OF POLICY

This Policy sets out the framework for identifying, managing, and reactivating inactive client accounts in compliance with the Nigerian Exchange (NGX) guidelines and applicable regulatory provisions. The objectives of this Policy are:

- i. Ensure proper classification and documentation of inactive client accounts;
- ii. Mitigate the risk of unauthorized use or fraud in clients' inactive accounts;
- iii. Establish a clear and consistent process for communication with affected clients;
- iv. Provide guidance for the safe reactivation of inactive accounts in line with Know Your Customer (KYC) and Anti-Money Laundering (AML) regulations;
- v. Promote operational transparency and regulatory compliance in the management of inactive accounts.

4. COMMUNICATION OF POLICY

- 4.1 This Policy shall be communicated to clients through any of the following channels:
 - i. Publication on the Company's official website;
 - ii. Direct communication via registered email addresses and/or physical correspondence to clients whose accounts have been or may be classified as inactive;
 - iii. Inclusion in onboarding documentation and account agreements for new clients;
 - iv. Regular client engagement forums
- 4.2 Internal dissemination of the Policy shall be conducted through:
 - i. Staff training and awareness sessions;

- ii. Inclusion in the Compliance Manual or any operational procedure documents;
- iii. Circulation via official internal communication platforms.

5. DEFINITION OF TERMS

- i. **Active Account:** An account shall be classified as active if transactions are carried out on the account at least once every three (3) years either by the client or the firm on the discretionary mandate authorized by the client for three (3) years or such period as defined in law without any activity.
- ii. **Activity:** Any valid transaction on an investor's trading account. This includes honoring a client's mandate for purchase or sale of a security, withdrawal from account or deposit for the purchase of a security or any ancillary services paid for by the client.
- iii. **Inactive Account:** An account shall be classified by the Company as inactive if there have been no transactions in an investor's trading account for a period of three (3) years after the last transaction.
- iv. **Reactivation:** The process of restoring a client's inactive account to active status upon completion of due diligence and submission of required documentation.
- v. **Valid Transactions:** An investor may engage in any of the following activities to keep its account active:
 - o Buy shares;
 - o Sell shares;
 - o Withdraw cash from account;
 - o Pay into the client account with the Company.
- vi. **Investor:** means client of CardinalStone who has an account with the Company.

6. IDENTIFICATION AND CLASSIFICATION OF INACTIVE ACCOUNTS

A trading account shall be classified as inactive when:

- i. No Valid Transaction has occurred for three (3) consecutive years;
- ii. All efforts to contact the client (via email, SMS, phone calls, physical letters) have been unsuccessful within that period; or
- iii. A client has withdrawn from the account, with no subsequent Valid Transaction for a continuous period of three (3) years.

Accounts meeting these criteria shall be flagged and marked "Inactive" in the Company's internal systems.

7. OPERATIONAL RESTRICTIONS ON INACTIVE ACCOUNTS

The following restrictions shall apply to all Inactive Accounts:

- i. No transaction resulting in cash or asset outflows.
- ii. No change of bank account, address, phone number, email, or signatories.
- iii. No online trading or digital platform access.
- iv. No transfer of account to another Trading License Holder.
- v. No modification of signatures in the mandate instruction or change of signatories
- vi. No addition or deletion of a joint holder.
- vii. The account shall be classified or marked as "inactive"

These restrictions will remain until the account is validly reactivated.

8. CLIENT NOTIFICATION REQUIREMENTS

Clients shall be informed about:

- i. The implications of account inactivity during account opening and periodically.
- ii. Their responsibility to update contact details and nominate next of kin.
- iii. Impending inactivity at least three (3) months before classification, via their registered email or mobile number.
- iv. For individual clients, the Company shall notify individual account holder(s) via their registered e-mail address(es) or via Short Messaging Service (SMS) to their registered telephone lines of the potential inactivity of the account.
- v. For corporate accounts, the Company shall contact the entity through its designated authorised signatories via the registered e-mail addresses or via Short Messaging Service (SMS) to telephone lines registered by the client with the Company three (3) months before classifying an account as Inactive.
- vi. In the case of Government owned Inactive Accounts, the Company shall notify the relevant Government institution of the potential inactivity of the account via the registered e-mail address(es) or Short Messaging Service (SMS) to the telephone lines registered by the client with the Trading License Holder three (3) months before classifying an account as Inactive.
- vii. All notifications must include instructions and a link to the Company's reactivation procedure.

9. TREATMENT OF BALANCES IN INACTIVE ACCOUNTS

- i. All funds in Inactive Accounts shall be held in safe custody in the Company's designated client account.
- ii. Funds shall be safeguarded with reasonable care and diligence.
- iii. The Company shall uphold strict confidentiality of all account data.
- iv. The Company shall maintain a record showing the details of the Inactive Account(s) in which funds are held; and such records shall be submitted on a quarterly basis to the Securities and Exchange Commission and The NGX after an account has been classified inactive.

10. REACTIVATION PROCEDURE

To reactivate an Inactive Account, the client or their legal representative must submit the following:

- i. Evidence of account ownership.
- ii. Valid means of identification.
- iii. Proof of address.
- iv. A completed reactivation request form containing updated KYC data, including BVN, NIN, email, phone, and postal address (as applicable).
- v. Any other information or document as may be required by the Company for completeness.

11. CONTROLS AFTER REACTIVATION OF INACTIVE ACCOUNTS

Upon successful reactivation of an inactive account, the following controls shall apply:

- i. Completion of a full KYC and AML/CFT/CPF review in accordance with applicable regulatory standards;
- ii. The client shall be reassessed, and an appropriate risk classification shall be assigned based on the outcome of the review. and the client shall be reassessed and assigned an appropriate risk classification;

- iii. Internal approval by Compliance or Risk Management prior to activating the account for trading;
- iv. Proper monitoring of the account's transactional activities for a minimum of 90 days post-reactivation;
- v. Documentation and secure retention of all records relating to the reactivation process, including client communication, updated documents, and approvals.
- vi. Any suspicious activity detected during or after reactivation shall be promptly reported to the Compliance Unit.

12. RECORD KEEPING AND DATA MANAGEMENT

- i. Funds in Inactive Accounts shall remain on the Company's books until validly drawn by the client following reactivation of the Inactive Accounts.
- ii. A record of all Inactive Accounts shall be maintained, updated quarterly, and submitted to NGX and SEC.
- iii. All data in connection with the Inactive Accounts shall be kept confidential and securely stored.
- iv. The Firm shall keep books and records necessary to show and distinguish (a) funds received from, and paid to clients; and (b) funds received from or paid to, or on account of the Firm

13. ROLES AND RESPONSIBILITY

ASSET MANAGEMENT OPERATIONS

- i. Classify an account as inactive if there have been no Valid Transactions for three (3) uninterrupted years after the last transaction.
- ii. Classify an account as inactive if all efforts (email, telephone call, letter etc.) to contact the client for three (3) years after the last transaction have been unsuccessful.
- iii. Classify an account as inactive if the client withdraws from the account and subsequently, there is no Valid Transaction on the account for a continuous period of three (3) years.
- iv. Restrict the client from changing their registered address, email address, or phone number.
- v. Restrict the client from transferring the Inactive Account to another firm/Trading License Holder.
- vi. Avoid discretionary activities (that is, actions initiated by the Firm or account custodian without direct authorization from the account holder) on Inactive Accounts.
- vii. Prevent any modification of signatures or changes to signatories in the mandate instruction for Inactive Accounts.
- viii. Ensure that no joint holders can be added or removed from an Inactive Account.
- ix. Monitor Inactive Accounts and take appropriate action to either reactivate the account or protect it from unauthorized access. Actions may include contacting the client via SMS, email, phone calls, or physical visits.

- x. Inform clients (individual, corporate, estate) in writing about the consequences of account inactivity at the start of the business relationship and, where applicable, at later intervals.
- xi. Engage clients for reactivation or protection from inappropriate or unauthorized access or usage via SMS, email, physical visits, or phone calls.
- xii. Educate the clients about their responsibility to avoid account inactivity by informing the Firm of any changes in client's contact information or details of the client's next of kin whom the Firm may contact in case of inactivity.
- xiii. Notify clients about the lack of transactions in their account prior to the classification of the client's accounts as inactive as outlined in clause 8 above.
- xiv. Retain records of all Inactive Accounts in line with the records retention rules of the Exchange, irrespective of duration of inactivity.
- xv. Reactivate accounts within twenty-four (24) hours upon request and confirm the relevant information from the client or legitimate representatives.
- xvi. Reactivate accounts within twenty-four (24) hours upon request and satisfactory receipt and assessment of all necessary information and documentation provided by the client or their authorized representative.
- xvii. Ensure due diligence is performed in accordance with KYC procedures before reactivating an account, and documents requested from the client such as those required for updating KYC requirements.
- xviii. Reactivate the Inactive Account after verifying the client's updated KYC details and obtaining Senior Management's approval.
- xix. Ensure that all funds in the Inactive Accounts are held in safe custody and shall use all reasonable care to safeguard the funds in the firm's designated client account until the bona fide client makes a claim on it.
- xx. Uphold the confidentiality of clients' accounts and not disclose any information in clients' accounts.
- xxi. Ensure that all funds in the Inactive Accounts are held in safe custody, using all reasonable care to safeguard these funds in the firm's designated client account until a bona fide claim is made by the client, while also upholding the confidentiality of client accounts and refraining from disclosing any information therein

13.1 INFORMATION TECHNOLOGY

- i. Restrict Inactive Accounts from transactions resulting in an outflow.
- ii. Prevent the accounts from having access to any/all forms of online or digital trading platforms.
- iii. Reflect records of Inactive Accounts with the Firm as accounts with credit balances until the client provides instructions for the balances to be drawn, following reactivation of the account.
- iv. Maintain a record (Data) showing the details of the Inactive Account (s) in which funds are held.

- v. Retain records of all Inactive Accounts in accordance with the applicable legal and or regulatory requirements for data retention regardless of the duration of inactivity.
- vi. Provide a link to a web page on the Firm's website containing information about reactivation of Inactive Accounts.

13.2 COMPLIANCE

- i. Conduct verification and due diligence on the documents required for updating the KYC requirements during reactivation and ensure that such accounts are reactivated within twenty-four (24) hours of confirming the relevant KYC requirements or other information from the clients.
- ii. Submit records on a quarterly basis to the NGX and SEC after an account has been classified inactive.
- iii. Ensure the board approval of this policy and maintain periodic review as applicable.

14. POLICY REVIEW

This Policy may be reviewed at least once every five years. However, an ad hoc review may be conducted further to statutory or regulatory developments or as may be considered necessary by the Firm.