



Epoch making moment as securities go paperless



**Rose Mambo,
Chief Executive, CDSC**

November 2013, just like nine Novembers ago, is an epoch-making period for Kenya's capital markets. It is the month when paper share certificates will cease to exist, taking the capital markets to the next level. The Central Depositories & Settlement Corporation Limited (CDSC), following consultation with the listed companies, the Capital Markets Authority and the Nairobi Securities Exchange (NSE), set November 2013 as the deadline for dematerialization of all

securities listed at the exchange. Dematerialization also refers to the process of converting paper certificates into electronic form, the main difference being that on the dematerialization date, all securities will be held in electronic form and the underlying physical certificate will cease to be evidence of ownership of securities of any company quoted at the Nairobi Securities Exchange (NSE). Evidence of ownership will be in the electronic holdings maintained in the Central Depository System (CDS) operated by CDSC.

Pursuant to the provisions of Section 7 of the Central Depositories Act 2000, all Issuers of securities listed at the securities exchange are required to issue notices to their shareholders once a week for a period of three consecutive weeks leading up to the dematerialization date. CDSC Chief Executive Officer Rose Mambo however, clarified that shareholders who have already deposited all their shares in CDS will not be required to take any further action as a result of dematerialization. "If you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. All shares that have not been immobilized

by the dematerialization date will be reflected as a record in the depository in the shareholders' name pending the opening of a CDS account," she explained.

The move towards dematerialization follows the successful immobilization of share certificates over a nine-year period beginning 2004.

In 2012, in a logical follow-through to build on the success of the immobilization programme, CDSC commenced a process towards the dematerialization of all shares quoted at the securities exchange, and has held a series of stakeholder workshops in this regard. From that date onwards, share certificates will cease to be recognized as prima facie evidence of title in securities, and the electronic records in the CDS shall be the final determinant of title. In addition, from that date, no listed company shall issue any share certificates to its shareholders and securities shall instead be deposited electronically in the CDS in the name of the shareholder. There are a total of 63 companies listed at the NSE.

The share certificate immobilisation programme began in 2004 when the Central Depositories & Settlement Corporation Limited was established. The corporation set up the Central

Depository System, a computer system that facilitates holding of securities in electronic accounts and facilitate faster and easier processing of transactions at the NSE. CDSC assures stakeholders of faster, safer and easier trading in their securities.

The immobilization of securities started in a phased approach beginning 2004, where the listed companies were divided into four tranches, and CDSC progressively declared each tranche of securities eligible for immobilization, meaning that from that date, the certificates could be surrendered and replaced with an electronic record of holdings referred to as a book entry security. It also meant that no eligible security could be traded on the securities exchange without being immobilized.

By February 2005, all securities listed on the Nairobi Securities Exchange were eligible for immobilization, and all trades in the market were from that time conducted on book entry securities. A total of 83.85 per cent of the free float of shares has been immobilized and 54.58 per cent of the total market capitalization has been immobilized by 23rd May 2013, representing a value of Sh.954.7 billion as at that date. The corporate bonds immobilized as at 23rd May 2013 was 63.90 per cent of the market capitalization

for these bonds.

The central depository system, procured from Millennium Information Technologies Limited of Colombo, Sri Lanka, was commissioned as ready for use on 10th November 2004. The implementation of the Central Depository System is a truly national project and the benefits accruing from its success are beneficial to all Kenyan investors. It radically changed how business is done at the stock exchange and it is therefore critical that the public understands its operations. This was after parliament enacted the Central Depositories Act 2000. The rest, as is often said, is history.

Throughout the nine years of share certificate immobilization culminating in the pending dematerialization, CDSC has taken measures to ensure the security of shareholders' shares. The company has back up facilities and procedures that would ensure business continuity in the event of anything happening either to the computer system or its usual premises. CDSC has taken precautions to ensure its system is not interfered with.

In addition, CDSC has employed staff of high integrity and keep very high levels of confidentiality.



NOTICE TO SHAREHOLDERS

KENOLKOBIL LIMITED would like to notify all its shareholders that in accordance with Section 24 of the CDS Act of 2000, CDSC will declare the shares of the Company dematerialized on **1st September 2013**.

Please take note that after dematerialization of the shares, all shares represented by Share Certificates will be substituted with book-entries (a record in the depository in the shareholder's name). Share Certificates will cease to be *prima facie* evidence of ownership once the shares are dematerialized.

All shareholders holding their shares in the form of Share Certificates are advised to open a CDS Account and to immobilize their shares by visiting their preferred Stockbroker or Investment Bank who will facilitate the process.

After dematerialization, KenolKobil Limited shall no longer issue Certificates in respect of the dematerialized shares.

**WINNIEFRED JUMBA
COMPANY SECRETARY**

July 17, 2013

KenolKobil Cares for you



NOTICE

Dear esteemed shareholders, please note that TransCentury Limited Company shares will be declared Dematerialized on **1st September 2013**.

As a shareholder, if you have already deposited all your shares in CDS, you will not be required to take any further action as a result of dematerialization however, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares.

All shares that will not have been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholders name pending the opening of a CDS account.

KAKUZI LIMITED



EAGADS LIMITED

EAST AFRICAN PORTLAND CEMENT COMPANY LIMITED



NOTICE TO SHAREHOLDERS

DEMATERIALIZATION OF SECURITIES LISTED ON THE NAIROBI SECURITIES EXCHANGE

Dear esteemed Shareholder,

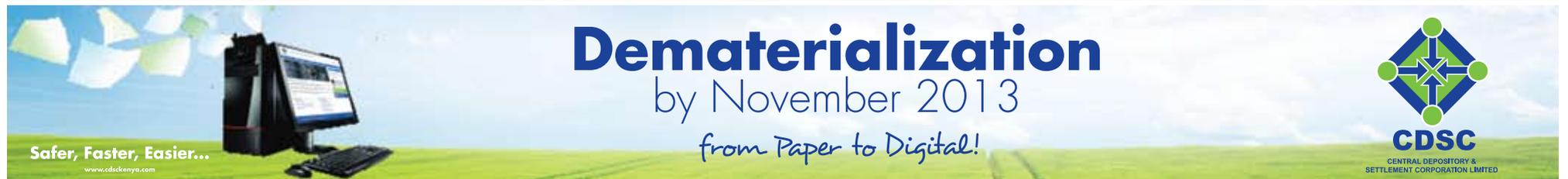
Please note that the above Companies shares will be declared Dematerialized on **1st September 2013**.

As a shareholder, if you have already deposited all your shares into the Central Depository System (CDS) Accounts, you will not be required to take any further action as a result of dematerialization. However, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. All shares that have not been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholders' name pending the opening of a CDS account.

Kindly take immediate action to avoid a last minute rush.

By order of the respective Boards

**J L G Maonga
Company Secretary to the above Companies**



Activities of the Central Depository and Settlement System outlined

The Central Depository & Settlement Corporation Limited (CDSC) is a limited liability company approved by the Capital Markets Authority under Section 5 of the Central Depositories Act, 2000 to establish and operate a system for the deposit and transfer of securities and settlement of cash following transactions carried out at the Nairobi Securities Exchange.

CDSC was incorporated on 23rd March 1999 under the Companies Act and commenced its operations as a Central Depository on 10th November 2004. CDSC has six shareholders: the Capital Markets Challenge Fund (50 per cent), Nairobi Securities Exchange (22.5 per cent), AKS Nominees Ltd. (18 per cent), Capital Markets Investor Compensation Fund (7 per cent) and Uganda Securities Exchange (2.5 per cent). The Central Depositories & Settlement Corporation (CDSC) plays a key role in the capital markets.

The securities exchange, known as the secondary market for trading as

compared with the primary market for initial public offering (IPO), absorbs orders from parties such as brokers who have been pre-approved by the exchange to interact in the price formation mechanism. It then passes matched trades on to a clearing and settlement organization that arranges for the payment and transfer of securities. This market serves both the buyers and sellers of financial products, as well as the issuers.

Globally, central depository and settlement systems manage the after-trade activities that take place in organized and over-the-counter markets.



Following the transfer of payments, CDSC's are engaged in the business of managing financial products for investors and issuers

A CDS is responsible for the clearing of securities, such that the net position of each market investor is identified. CDS's are nearly always responsible for the settlement of securities, that is to say, the payment and physical or virtual delivery of purchased financial products and the accounting for those product transactions. Following the transfer of payments, CDS's are engaged in the business of managing financial products for investors and issuers. These services include the management of share ownership functions and identification of shareholders for companies. The core activities of the Central Depository and Settlement System are:

- Trade Capture /Verification
- Trade Confirmation
- Netting (determining of settlement obligations), either bilateral or multilateral, and may include novation (the CDS then becomes the counterparty to each trade).
- Payment
- Central Depository/Registry

Nearly all CDSs worldwide strive towards some variant of Delivery vs. Payment (DvP) mechanism. DvP is the notion that when the trade is settled the seller provides the security to be exchanged at the same time the cash is received. There is an immediate two-way transfer and finality of the transaction with no possibility of reversing the trade.

Effective DvP is essential to eliminating counter-party risk, as the faster a trade is completed without error, the less chance of default.

There are three types of risks that CDS's work to counter:

- Principal risk, where either a security or cash has been presented but the other side of the trade has not been completed.
- Replacement cost risk, where trades fail to settle and market actions must re-do the trade
- Liquidity risk, which is any cost that comes from the delay of payment.

The current clearing, settlement and registration infrastructure in Kenya is becoming increasingly

cumbersome as our capital market continues to develop. Significant increases in volumes and liquidity could result in an increase in systemic risks within the existing paper-based settlement system to levels that would be unacceptably high.

The Nairobi Stock Exchange, in liaison with stakeholders in the market, took a critical look at the current system and decided to implement a robust and modern clearing, settlement and depository environment. This will allow investors to transfer listed securities without the need for certificates or transfer forms. Securities shall be represented by ledger accounts and will be transferred automatically by book entry movement in CDS accounts. Put simply, the CDS will provide for securities what a bank provides for cash - it is a safe and secure repository for securities.



WILLIAMSON TEA KENYA LIMITED & KAPCHORUA TEA COMPANY LIMITED

Dear esteemed shareholders, please note that Williamson Tea Kenya Limited and Kapchorua Tea Company Limited shares will be declared Dematerialized on **1st September 2013**.

As a shareholder, if you have already deposited all your shares in CDS you will not be required to take any further action as a result of dematerialization. However, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. All shares that have not been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholder's name pending the opening of a CDS account



NOTICE

Dear Esteemed Shareholders,

Please note that the Housing Finance Company of Kenya Limited shares will be declared dematerialized on **1st September 2013**.

As a shareholder, if you have already deposited all your shares in CDS, you will not be required to take any further action as a result of dematerialization; however, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian to open a CDS account where you will be able to deposit your shares.

All shares that have not been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholder's name pending the opening of the CDS account.

For more information, please contact us on 3262314 or on the email shares.department@housing.co.ke

**ON SEPTEMBER 1st 2013,
JUBILEE HOLDINGS SHARES
WILL GO ELECTRONIC.**



Jubilee Holdings would like to notify their shareholders that they are complying with the CDS Act-Kenya on dematerialisation of shares on September 1st 2013.

Jubilee
HOLDINGS



CDSC upgrades its technology to take it to the next level

The Central Depository & Settlement Corporation Limited (CDSC), on a growth path is banking on technology to drive it into a brighter future. CDSC is in the process of upgrading its system to a three-tier network centric architecture. The upgrade is intended to achieve enhanced security features, through the use of technology that is more user-friendly and will increase the array of business products that CDSC can support within the capital markets in line with its strategic initiatives. The system is already robust enough to guarantee 99.9 per cent uptime and is backed by a strong IT team. The system comfortably handled the largest IPO in East Africa: Safaricom's Initial Public Offer (IPO). The IPO by Kenya's largest mobile telecommunications network service provider offered 10 billion shares priced at Sh.5 a share - totaling to shares worth Sh.50 billion at the time of the IPO in March 2008. The CDSC CEO explains that the IT systems upgrade is intended to achieve enhanced security features, through the use of technology that is more user-friendly and will increase the array of business products that CDSC can support within the capital markets in line with its strategic initiatives. Kenya's shares custodian CDSC, Ms. Mambo notes, has moved Kenya's capital markets to the next level thanks to the efficiency of automation that enables stock brokers and investors to do much more - virtually. "It is much easier to trade now and investors do not have to worry about share certificates," she explained, saying it helps investors consolidate their holdings. Furthermore, the settlement system reduces fraud as there are no certificates

to be stolen. CDSC's impact in Kenya's capital market has been central to the success that has been witnessed in the market since it's establishment. In 2004, operations kicked off with 30,000 client accounts and an average of 200 transactions carried out on NSE that settled through the Central Depository System (CDS). Today, the number of client accounts has grown to about 1.97 million as at April 2013, with an average of 2,700 transactions settling daily through the CDS system. Over and above the automation of share certificates, CDSC has registered many more achievements. Introduction of Settlement Limits CDSC's core mandate calls for strict measures to address and mitigate against settlement risks in the market. In this regard, settlement limits were introduced in the market with effect from January 2010, ensuring that no single Central Depository Agent can commit to a settlement above what is permitted by their limit, without providing additional collateral to support those transactions. This is in line with international best practice for central depositories on standards of performance for securities settlement systems. Introduction of Multiple Settlement Banks In 2012 CDSC appointed three additional settlement banks. The three new banks joining CFC Stanbic Bank are Barclays Bank, Cooperative Bank and Equity Bank. This has enhanced the settlement services and diversifies the risk of relying on a single settlement bank. It also gives Central Depository Agents a wider choice of settling equity and debt transactions through their preferred bank.

NOTICE TO SHAREHOLDERS OF SAFARICOM LIMITED

SAFARICOM LIMITED notifies all its present shareholders that in accordance with Section 24 of the Central Depositories Act 2000, the Central Depository & Settlement Corporation Limited will declare the shares of the Company dematerialized on **1 September 2013**.

Please take note that after dematerialization, all shares represented by share certificates will be substituted with book-entries. Share certificates will therefore cease to be prima facie evidence of ownership once the shares are dematerialized.

All shareholders holding their shares in the form of share certificates are advised to open a CDS Account and to immobilize their shares by visiting their preferred Central Depository Agent/Stockbroker who will facilitate the process.

After dematerialization, Safaricom Limited will no longer issue certificates in respect of the dematerialized shares.

ENID MURIUKI
COMPANY SECRETARY

DATE: 16 July 2013



Notice to Shareholders

Dear Esteemed Shareholders,

Please note that 1,496,469,035 shares of Kenya Airways Limited will be declared Dematerialized on 1st September 2013.

As a shareholder, if you have already deposited all your shares in CDS account you will not be required to take any further action as a result of dematerialization. If however you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. All shares that have not been immobilized by the dematerialization date will be reflected as a record in the depository under the shareholder's name pending the opening of a CDS account.

Fiona Fox
Company Secretary



Dematerialization
by November 2013
from Paper to Digital!

Safer, Faster, Easier...
www.cdskkenya.com

CDSC
CENTRAL DEPOSITORY & SETTLEMENT CORPORATION LIMITED

Move to electronic securities to raise Kenya's profile

The decision to dematerialize all Securities quoted at the securities exchange is a major step in the capital market and will significantly raise the profile of Kenya's capital market in adherence to international best practice. This is according to the Central Depository & Settlement Corporation (CDSC) Chief Executive Rose Mambo. She adds that this will also go a long way in achieving greater efficiency within the capital market or securities exchange. The Nairobi Securities Exchange is a market that deals in the exchange of securities issued by publicly quoted companies and the government

The major role that the stock exchange has played, and continues to play in many economies is that it promotes a culture of thrift, or saving. Since institutions exist where savers can safely invest their money and in addition earn a return, is an incentive to people to consume less and save more. The exchange assists in the transfer of savings to investment

in productive enterprises as an alternative to keeping the savings idle. A robust stock market assists in the rational and efficient allocation of capital, which is a scarce resource. The fact that capital is scarce means systems have to be developed where capital goes to the most deserving user. An efficient securities market sector has the expertise, the institutions and the means to prioritize access to capital by competing users so that an economy manages to realize maximum output at least cost.

More importantly, is the securities exchange provides investors with an efficient mechanism to liquidate their investments in securities. The very fact that investors are certain of the possibility of selling out what they hold, as and when they want, is a major incentive for investment as it guarantees mobility of capital in the purchase of assets. The enhanced efficiency arising from dematerialization is expected to encourage more

investors to flock to the securities exchange. A similar situation to that which prevailed after the automation of trading at the exchange is expected to play out. The paper-based trading system that was used up to 2004 had a variety of challenges like duplication of shares, loss and mutilation of certificates, signature mismatches and a time consuming transfer process. This had become a major contributor to rising arbitration cases and investor disputes. The setting up of the CDSC revolutionized the industry by substantially reducing the inefficiencies and risks associated with the paper certificates through immobilization of securities, allowing for the electronic settlement of transactions concluded on the securities exchange. The volume of work in the back office operations for the stockbrokers and investment banks was significantly reduced with the cessation of manual matching of buy and sell transactions to the individual transfer documents and corresponding share certificates.

Automation cut the settlement of transactions from 14- 21 days previously to just three.

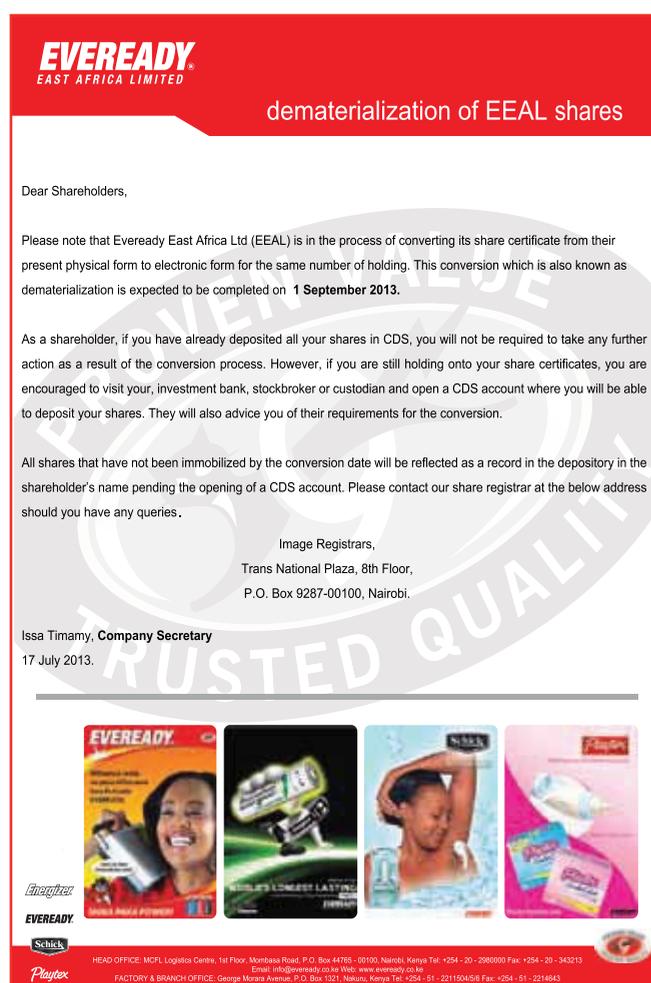
Transactions in the Kenyan capital market are settled on a T+3 cycle, a direct result of the automation of the trading and settlement functions. In particular, the introduction of the CDS reduced the settlement cycle from over T+7 to T+3 and this in turn has significantly increased the liquidity in the market as demonstrated by the growing daily number of transactions. To facilitate dematerialization in a phased approach, all quoted companies at the NSE have been grouped into three tranches. The process of dematerialization commenced in 2012 with stakeholder consultations, workshops and trainings and will close in November 2013.

Ms. Mambo explained that the impact of dematerialization will be that with effect from the dematerialization date, share certificates shall no longer be recognized as prima facie evidence of ownership of

shares. However, shareholders need not to worry about losing their holdings as evidence of ownership will be in the electronic holdings maintained in the central Depository System (CDS) operated by CDSC..

With the implementation of Dematerialization, risks involved with physical certificates for listed securities will be eliminated and the full register of members in a listed company will be available and maintained at CDSC.

CDSC, said Ms. Mambo, "takes this opportunity to thank our partners in this journey towards the dematerialization of the market, the Nairobi Securities Exchange and the Capital Markets Authority, and is also extremely appreciative of the support received from our stakeholders including the listed companies and their shares registrars, as well as our central depository agents."



EVEREADY
EAST AFRICA LIMITED

dematerialization of EEAL shares

Dear Shareholders,

Please note that Eveready East Africa Ltd (EEAL) is in the process of converting its share certificate from their present physical form to electronic form for the same number of holding. This conversion which is also known as dematerialization is expected to be completed on **1 September 2013**.

As a shareholder, if you have already deposited all your shares in CDS, you will not be required to take any further action as a result of the conversion process. However, if you are still holding onto your share certificates, you are encouraged to visit your, investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. They will also advise you of their requirements for the conversion.

All shares that have not been immobilized by the conversion date will be reflected as a record in the depository in the shareholder's name pending the opening of a CDS account. Please contact our share registrar at the below address should you have any queries.

Image Registrars,
Trans National Plaza, 8th Floor,
P.O. Box 9287-00100, Nairobi.

Issa Timamy, **Company Secretary**
17 July 2013.

HEAD OFFICE: MCFI Logistics Centre, 1st Floor, Mombasa Road, P.O. Box 4768 - 00100, Nairobi, Kenya Tel: +254 - 20 - 2980000 Fax: +254 - 20 - 343213
Email: info@eveready.co.ke Web: www.eveready.co.ke
FACTORY & BRANCH OFFICE: George Morara Avenue, P.O. Box 1321, Nakuru, Kenya Tel: +254 - 51 - 2211504/518 Fax: +254 - 51 - 2214843



LONGHORN
PUBLISHERS
expanding minds

sasa sema
an imprint of Longhorn

NOTICE TO SHAREHOLDERS

Please note that Longhorn Kenya shares will be declared Dematerialised on 1st September 2013.

Shareholders who have already deposited all their shares in CDS will not be required to take any further action as a result of dematerialisation.

However, those still holding onto their share certificates should visit their investment bank, stockbroker or custodian and open a CDS account where they will be able to deposit their shares.

All shares not immobilized by the dematerialisation date will be reflected as a record in the depository in the shareholders name pending the opening of a CDS account.

Signed

F.T NYAMMO
Chairman

MUSYOKI MULI
Managing Director



REA Vipingo Plantations Limited

Dear esteemed shareholders, please note that REA Vipingo Plantations Limited shares will be declared Dematerialized on 1st September 2013.

As a shareholder, if you have already deposited all your shares in CDS you will not be required to take any further action as a result of dematerialization. However, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares.

All shares that have not been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholder's name pending the opening of a CDS account.



Electronic securities puts paid to paper-based trading

The capital market in Kenya has had a long history of paper-based transactions and physical certificates until the Central Depository and Settlement Corporation (CDSC) commenced operations in 2004.

The modernization and automation of Kenya's securities market commenced in 1999, when CDSC was incorporated as a company with the intention of introducing book entry or electronic securities in the market, to do away with the inefficiencies of a paper based trading environment, and enhance the safety and security of dealing with shares listed on the securities exchange.

This followed the enactment of the appropriate legal act to govern the central depository's establishment and operation.

Central Depositories Act No. 4 of 2000 This is an Act of Parliament formed to facilitate the establishment, operation and regulation of central depositories, to provide for the immobilization and eventual dematerialization of, and dealings in, securities deposited

therewith in Kenya and connected purposes.

It therefore outlines the mandate of a central depository giving the scope in which it operates.

It is in nine parts:

1. Preliminary

This gives the mandate of a central depository and gives definition of terms used therein.

2. Central Depository

This part defines a central depository and how one is constituted. It also gives information about who can form a central depository and the powers conferred on it. It goes on to define a Central Depository Agent, Issuers and their requirements so as to comply with the Act.

3. Provisions Relating to immobilized securities

In this section, the following processes are defined:

- Immobilization of securities
- Withdrawal of immobilized securities
- Dematerialization of securities

4. Securities accounts and records

This section deals with among others the duty of a central depository to keep records, and how an audit of records and accounts can be carried out.

5. Securities transactions, entries and miscellaneous

This is a mixture of different processes carried out in the CDS which would include public offer of securities, securities in or under suspense.

6. Secrecy provisions

Central depository agents and central depository employees are mandated to observe secrecy and the restrictions on disclosure of information is laid down. Permitted disclosures are also outlined and so is the regulation of access to the computer system.

7. Offences and Penalties

The types of offenses that can be committed by the central depository agents or central depository employees are outlined. The penalties that accompany the offenses are also outlined.

8. Investigation

Outlined herein is the power of the Authority to require production of records by the central depository during investigations. Also outlined amongst others is the power of the court to make certain orders concerning investigations etc..

9. General

This section encompasses other issues that affect a central depository directly or indirectly. These include the CMA rules, power of Authority to compound offences and prosecution, among other issues.



Kenya Power

NOTICE TO SHAREHOLDERS DEMATERIALIZATION OF SECURITIES

Dear Shareholders,

Please note that The Kenya Power & Lighting Company Limited shares will be declared dematerialised on **1st September 2013**.

As a shareholder, if you have already deposited all your shares in CDS, you will not be required to take any further action as a result of dematerialisation. However, if you are still holding your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares. All shares that have not been immobilised by the dematerialisation date will be reflected as a record in the depository in the shareholders name pending the opening of a CDS account.

The Kenya Power & Lighting Company Limited
Stima Plaza, 2nd Floor, Kolobot Road, Parklands,
P O Box 30099 – 00100
Nairobi
Tel: +254 20 3201000
Mobile: + 254 711 031277, +254 711 031264
Email: shares@kplc.co.ke

L K Njagi (Mrs)
Company Secretary

www.kenyapower.co.ke



NOTICE

Dear esteemed shareholders, please note that Mumias Sugar Company shares will be declared Dematerialized on **1st September 2013**.

As a shareholder, if you have already deposited all your shares in CDS, you will not be required to take any further action as a result of dematerialization however, if you are still holding onto your share certificates, you are encouraged to visit your investment bank, stockbroker or custodian and open a CDS account where you will be able to deposit your shares.

All shares that will not have been immobilized by the dematerialization date will be reflected as a record in the depository in the shareholders name pending the opening of a CDS account.