

# The Association of Global Custodians - Questionnaire 2025 - 2026

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## Welcome to the Depository-Information Gathering Project.

Before beginning, we suggest that you print the entire document for review on paper and review the Glossary of Terms. Each will assist you with answering the questions. For help, contact: Robin D. Truesdale, Baker & McKenzie LLP (202) 835-1664   ; e-mail:

**Robin.Truesdale@bakermckenzie.com.**

### Note

- \* When reviewing/updating your prior year's responses in the questionnaire, please ensure that the sub-questions are reviewed/updated as well.
- \* Please deselect/uncheck any responses in the sub-questions where those responses are no longer applicable.
- \* Please note: Any text in the "other" and/or "please explain/describe" questions should be deleted before deselecting the response. In this regard, note that deselecting a response with written text does not delete the information, it only hides the information from view.\* Any responses that appear in open text boxes should be deleted if the information is no longer applicable.

## SCOPE, STRUCTURE, OWNERSHIP, CAPITAL, REGULATION AND AUDIT

The purpose of this section is to understand the ownership structure and financial strength of your institution, as well as the level of regulatory and operational supervision to which it is subject.

### Response Necessary/Eligibility Question

**1. Rule 17f-7, by reference to Rule 17f-4, requires that, for a depository to be eligible to hold securities of U.S. registered investment companies (such depositories hereinafter referred to as "Eligible Securities Depositories"), the depository must be a "system for the central handling of securities where all securities of any particular class or series of any issuer deposited within the system are treated as fungible and may be transferred or pledged by bookkeeping entry without physical delivery of the securities."**

**Are all securities of a particular class or series of any issuer that are deposited in your institution treated as fungible, and can they be transferred or pledged by bookkeeping entry without physical delivery of the securities?**

- Yes  
 No (please answer 1a)  
 Other (please answer 1a)

**1a. Please explain:**

### Response Necessary/Eligibility Question

**2. Rule 17f-7 also requires that an Eligible Securities Depository "acts as or operates a system for the central handling of securities or equivalent book-entries in the country where it is incorporated," or "acts as or operates a transnational system for the central handling of securities or equivalent book-entries." Does your institution: (Choose all that apply.)**

- Act as or operate a system for the central handling of securities or equivalent book-entries in the country where it is incorporated? (please answer 2b)
- Act as or operate a transnational system for the central handling of securities or equivalent book-entries? (please answer 2b)
- Act in another capacity with respect to the handling of securities or equivalent book-entries? (please answer 2a)
- Not applicable (please answer 2a)
- Other (please answer 2a)

## 2a. Please explain:

The central depository is also the clearing, delivery and settlement entity for equities, corporate bonds and Exchange Traded Funds (ETFs) in Kenya

## 2b. Please specify the types of securities for which you act as or operate a system for the central handling of securities or equivalent book-entries:

Equities , corporate bonds and Exchange Traded Funds (ETFs) that are traded at the Nairobi Securities Exchange Limited.

## 3. What type of legal entity is the institution? (Choose all that apply.)

- Public Company
- Private Company
- Central Bank (or part thereof)
- Stock Exchange (or part thereof)
- Other (please answer 3a)

## 4. Is the institution operated as a "for profit" or a "not for profit" organization?

- For profit
- Not for profit
- Other (please answer 4a)

## 5. Please provide the names of the owners and their ownership interest percentages.

Nairobi Securities Exchange Ltd. 22.5%  
AKS(Association of Kenya stockbrokers) Nominees Ltd. 18%  
Capital Markets Challenge Fund Ltd 50%  
CMA Investor Compensation Fund 7%  
Uganda Securities Exchange 2.5%

## 6. Please answer the following:

**6a. What is the date of establishment of the depository?** 17/03/1999

**6b. What is the date that the depository's operations began?** 04/11/2004

## 7. Under what regulation or statute is the depository established and governed?

The Companies Act, Cap 486  
The Central Depositories Act, 2000  
The Central Depositories (Regulation of Central Depositories)Rules, 2004

## 7a. Is the regulation or statute electronically available?

- Yes (please answer 7b)
- No

**7b. If regulation or statute is electronically available, please supply web address(es) here or upload document(s) in question 7c.**

<https://www.cma.or.ke/index.php/regulatory-frame-work>

<https://www.cdsckkenya.com/legal-framework>

**7c. Please supply document(s) here:**

**7d. Please provide details of the structure and composition of your Board together with their industry experience and responsibilities in governing the depository.**

**What are the qualifications to become a board member?**

Name	Shareholder represented	Industry experience
Aida Kimemia	Capital Markets Challenge Fund	International investment and finance professional – formally with the IFC
Frank Mwiti	Nairobi Securities Exchange	CEO, Nairobi Securities Exchange
Lawrence Kimathi	Capital Markets Challenge Fund	Banker & Finance expert
Kiprono Kittony	Nairobi Securities Exchange	Entrepreneur and business leader
Isaac Awuondo	Capital Markets Challenge Fund	Banking
Sitoyo Lopokoiyi	Public Interest	Chief Executive M-Pesa Africa
Alice Kilonzo	Public Interest	Banker & Finance expert

There are no written qualifications to become a board member but one is required to be 'fit and proper and to have requisite educational qualifications (at least a bachelor's degree), skills, and industry expertise.

**7e. What are the election procedures?**

The shareholders are entitled to nominate a director using their own internal procedures and once they nominate, the company board appoints. This applies to representatives of the Nairobi Securities Exchange Ltd, AKS Nominees Ltd, and Capital Markets Challenge Fund Ltd. Uganda Securities Exchange Ltd is represented by their chief executive. Two directors are nominated by the company to represent the public interest.

**7f. What is the maximum length of time a board member can serve?**

Twelve Years (12)

**7g. How are the voting powers distributed amongst the board members (i.e. does each board member have one vote or do certain members have additional voting power)?**

Each board member has one vote

**7h. Who is responsible for regulating the board members?**

CMA(Capital Markets Authority) is the industry regulator

**Response Necessary/Eligibility Question**

**8. Rule 17f-7 requires that an Eligible Securities Depository “is regulated by a foreign financial regulatory authority as defined under section 2(a)(50) of the Act”, with section 2(a)(50) establishing that “‘foreign financial regulatory authority' means any (A) foreign securities authority, (B) other governmental body or foreign equivalent of a self-regulatory organization empowered by a foreign government to administer or enforce its laws relating to the regulation of fiduciaries, trusts, commercial lending, insurance, trading in contracts of sale of a commodity for future delivery, or other instruments traded on or subject to the rules of a contract market, board of trade or foreign equivalent, or other financial activities, or (C) membership organization a function of which is to regulate the participation of its members in activities listed above.”**

**Who regulates the activities of the depository? (Choose all that apply.)**

A governmental body or regulatory organization empowered to administer or enforce laws related to securities matters.

- A governmental body or self-regulatory organization empowered to administer or enforce laws related to other financial activities.
- A membership organization which regulates the participation of its members in securities matters or other financial activities.
- Other (please answer 8a)

**9. Please provide the name of regulatory authority(ies) identified in question 8:**

Capital Markets Authority.

**Response Necessary/Eligibility Question**

**10. Rule 17f-7 requires that an Eligible Securities Depository “is subject to periodic examination by regulatory authorities or independent accountants.”**

**Is the depository subject to periodic examination by: (Choose all that apply.)**

- Regulatory authorities?
- Independent accountants?
- Other (please answer 10a)

**11. What enforcement actions are available to the regulatory authority(ies) for breach of applicable statute or regulatory requirements? (Choose all that apply.)**

**Name of Authority #1 (please answer 11a):**

Capital Markets Authority

**11a.**

- Fines
- Restrictions on depository activities.
- Suspension of depository activities.
- Termination of depository activities.
- Other (please answer 11b)

**11b. Please explain:**

For certain breaches, there are custodial sentences and fines for officers involved. The authority is entitled to investigate and prosecute offenses by any person, under the Act.

**Name of Authority #2 (please answer 11c):**

**11c.**

- Fines
- Restrictions on depository activities.
- Suspension of depository activities.
- Termination of depository activities.
- Other (please answer 11d)

**12. Has there been any use of such enforcement actions in the last three years?**

- Yes (please answer 12a)  
 No  
 Other (please answer 12a)

**Capital**

**13. Are annual financial statements publicly disclosed?**

- Yes (please answer 13a)  
 No (please answer 13e)  
 Other (please answer 13h)

**13a. If yes, the AGC requests a copy of the institution's annual report. Is the annual report available electronically?**

- Yes (please answer 13b)

No (if no, please send a copy of the annual report to the Washington office of Baker & McKenzie, 815 Connecticut Ave., NW, Washington, DC

- 20006, Attn: Robin Truesdale)

**13b. If yes, please upload the document(s) here or insert web link(s) in question 13d:**

**13c. If more than one document for 13b, please upload the additional document here:**

**13d. Please insert web link(s) for 13b here:**

<http://www.cdsckenya.com/media-centre/publications/annual-reports/>

**Internal Audit**

**14. Is an internal audit undertaken in your depository?**

- Yes (please answer 14a)  
 No (please proceed to 15)

**14a. If yes, what areas does the audit cover (financials, operations, etc.) and which department in your depository handles it?**

The Audit covers Finance, Information Systems, Client and intermediery services (Operations), Risk, Legal, Compliance, Human resource, Procurement, Strategy & Commercial and is done by the Internal Audit Department

**14b. Please list the date of your last internal audit:** 01/05/2025

**Please list the period that the audit covered:** 28/02/2024 to 27/02/2025

**14c. How frequently does the internal audit occur? (Choose one.)**

- Two or more times a year (please answer 14e)  
 Annually (please answer 14e)  
 Less than annually (please answer 14d)

**14e. Are the results of the internal audit publicly available? If Yes provide a link or Share.**

Yes

No

**14f. Please select the statement that most accurately characterizes the results of the last internal audit: (Choose one.)**

No material exceptions found.

Minor exceptions found. (please answer 14g)

Material exceptions found. (please answer 14g)

**15. Is a financial audit performed by an Audit Firm, Regulatory Authority, or other external party?**

Yes (please answer 15a)

No (please proceed to 16)

**15a. If yes, please state the name(s) of the entity(ies) who perform the financial audit.**

PKF KENYA LLP

**15b. Please list the date of your last financial audit performed by an Audit Firm, Regulatory Authority, or other external party:**

30/03/2025

**15c. Please list the period that the audit covered:**

31/12/2023

to

30/12/2024

**15d. How frequently does the financial audit occur? (Choose one.)**

Two or more times a year (please answer 15f)

Annually (please answer 15f)

Less than annually (please answer 15e)

**15f. Are the results of the financial audit publicly available? If yes, provide link or share.**

Yes

No

**Link:**

<https://www.cdskenya.com/media-center/publications>

**15g. Please select the statement that most accurately characterizes the results of the last financial audit: (Choose one.)**

No material exceptions found.

Minor exceptions found. (please answer 15h)

Material exceptions found. (please answer 15h)

**16. Is an operational audit performed by an Audit Firm, Regulatory Authority, or other external party?**

Yes (please answer 16a)

No (please proceed to 17)

**16a. If yes, please state the name(s) of the entity(ies) who perform the operational audit.**

CAPITAL MARKETS AUTHORITY

**16b. Please list the date of your last operational audit performed by an Audit Firm, Regulatory Authority, or other external party:**

05/04/2022

**16c. Please list the period that the audit covered:**

29/12/2018

to

28/12/2021

**16d. How frequently does the operational audit occur? (Choose one.)**

- Two or more times a year (please answer 16f)
- Annually (please answer 16f)
- Less than annually (please answer 16e)

**16e. If less than annually, please explain:**

Timings of audit by CMA (Regulatory body) is defined by CMA. CDSC does not dictate frequency of Audit and offsite monitoring by CMA is done through the monthly reports submitted to the Authority.

**16g. Please select the statement that most accurately characterizes the results of the last operational audit: (Choose one.)**

- No material exceptions found.
- Minor exceptions found. (please answer 16h)
- Material exceptions found. (please answer 16h)

**16h. If minor or material exceptions were found, what actions were taken? Please describe:**

The noted gaps were addressed and management keeps a keen eye to ensure such issues don't reoccur

**PARTICIPANTS AND PARTICIPATION**

*The purpose of this section is to understand issues relating to participation in the depository, including eligibility requirements, conditions of participation, and supervision of participants.*

**17. What types of entities are eligible to become participants and how many of each type are there currently? (Choose all that apply.)**

- Banks (please answer 17a)
- Brokers (please answer 17e)
- Individuals (please answer 17i)
- Foreign Institutions (please answer 17m)
- Other entities (please answer 17q)
- Not applicable

**17a. How many Bank participants are there currently? (then please answer 17b)**

19(nineteen)

**17b. Please select the features included in the eligibility requirements for Banks. (Choose all that apply.)**

- Financial Thresholds (please answer 17c)
- Regulatory Oversight (please answer 17c)
- Market Experience (please answer 17c)
- Other (please answer 17d)

**17c. Where can a description of the specific eligibility requirements for Bank participants be found?**

[www.cdsckenya.com/legal-framework/cda-requirements/](http://www.cdsckenya.com/legal-framework/cda-requirements/)

By virtue of being banks, the authorized depositories are also regulated by the Central Bank of Kenya. The Requirements are also found in the Central Depository Rules, 2004\_Revised 2022

**17e. How many Broker participants are there currently? (then please answer 17f)**

There are twenty two (22) stockbrokers

**17f. Please select the features included in the eligibility requirements for Brokers. (Choose all that apply.)**

- Financial Thresholds (please answer 17g)
- Regulatory Oversight (please answer 17g)
- Market Experience (please answer 17g)
- Other (please answer 17h)

**17g. Where can a description of the specific eligibility requirements for Broker participants be found?**

Capital Markets Authority licensing requirements and the Central Depository Rules, 2004\_Revised 2022.

<https://www.cdsckkenya.com/legal-framework>

**17h. If other, please explain:**

The brokers must be members of the Nairobi Securities Exchange

**17n. Please select the features included in the eligibility requirements for Foreign Institution participants. (Choose all that apply.)**

- Financial Thresholds (please answer 17o)
- Regulatory Oversight (please answer 17o)
- Market Experience (please answer 17o)
- Other (please answer 17p)

**17q. If you have selected "Other entities" above, please explain:**

CDSC also appoints CDAs under the category of body corporates as prescribed in the CDS act. We have insurance companies, Unclaimed Financial Assets Authority, and The National Treasury that have been appointed as Central Depository Agents.

**17r. Indicate how many "Other entities" are currently participants?**

There are two(2)Insurance companies, The National Treasury and Unclaimed Financial Assets Authority

**17s. Please select the features included in the eligibility requirements for the participants referred to above as "Other entities". (Choose all that apply.)**

- Financial Thresholds (please answer 17t)
- Regulatory Oversight (please answer 17t)
- Market Experience (please answer 17t)
- Other (please answer 17u)

**17t. Where can a description of the specific eligibility requirements for participants described above as "Other entities" be found?**

Capital Markets Authority licensing requirements and the Central Depository Rules, 2004\_Revised 2022.

<https://www.cdsckkenya.com/legal-framework>

**18. Are participants required to contribute capital to the depository that would result in ownership of the depository?**

- Yes (please answer 18a)
- No
- Not applicable
- Other (please answer 18b)

**19. Are prospective participants subject to an initial review and approval process regarding compliance with eligibility requirements?**

- Yes
- No
- Not applicable
- Other (please answer 19a)

**Conditions of Participation**

**20. What governs the relationship between the depository and the participants? (Choose all that apply.)**

- Relevant law and regulation
- Standard participation contract
- Established terms and conditions of participation
- By-laws of the depository
- Rules of the depository
- Other (please answer 20a)
- Not applicable

**20b. Please provide a link to the rulebook.**

**Response Necessary/Eligibility Question**

**21. Rule 17f-7 requires that an Eligible Securities Depository “holds assets for the custodian that participates in the system on behalf of the Fund under safekeeping conditions no less favorable that the conditions that apply to other participants.”**

**Please confirm that assets of foreign investors held by custodians as participants in the depository are held under safekeeping conditions no less favorable than the conditions that apply to other participants.**

- Yes (please answer 21b)
- No (please answer 21a)
- Not applicable (please answer 21a)
- Other (please answer 21a)

**21b. Please confirm the basis for the arrangements in place to ensure that the assets you hold for custodians receive the same level of safekeeping protection as the assets held for other categories of participants. (Choose all that apply.)**

- Relevant Law and Regulation (please answer 21d)
- Standard participation contract (please answer 21d)
- Established terms and conditions of participation (please answer 21d)
- By-laws of the depository (please answer 21d)
- Rules of the depository (please answer 21d)
- Other (please answer 21c)

**21d. For each item in Question 21b that you checked, please briefly supply references or citations to the law(s), regulation(s), or depository rule(s), participation condition(s), or participant contract provision(s), as applicable.**

1. Relevant Laws – CDS Act 2000
2. Standard participation contract – Standard CDA Agreement
3. Rules of the Depository – Central Depository Rules 2004 (Revised 2022)

4. The relevant CDS forms

All laws, contracts and Rules apply to all Central depository agents in the same way.

**22. How does the depository notify participants of material changes to the conditions of participation? (Choose all that apply.)**

- By e-mail
- By telephone
- By public announcement
- By press release
- Other (please answer 22a)
- Not applicable

**22a. Please explain:**

In writing, which would then be incorporated in the standard CDA Agency Agreement.

**Governance of Participants**

**23. Who enforces compliance with the depository's conditions of participation? (Choose all that apply.)**

- The depository
- The exchange
- The depository's regulator
- Other (please answer 23a)
- Not applicable

**23a. Please explain:**

**24. What enforcement actions are available to the enforcement authority? (Choose all that apply.)**

- Fines
- Restrictions on participation
- Suspension of participation
- Termination of participation
- Other (please answer 24a)
- Not applicable

**24a. Please explain:**

Appointment of manager to run the participant to the extent of the operations as a participant.

**25. Has there been any such enforcement actions in the last three years?**

- Yes (please answer 25a)
- No
- Not applicable
- Other (please answer 25b)

**25a. If yes, please explain, including information relative to any suspensions of depository participants:**

**25b. If other, please explain:**

**DEPOSITORY FUNCTIONALITY AND SERVICES; USE OF AGENTS**

*Certain functionalities and services reduce risk to an investor if provided in an efficient manner. The purpose of this section is to identify those functionalities that may potentially be offered by depositories and clearing systems around the world, and ascertain whether they are offered by your institution.*

**26. For which of the following security types do you serve as a depository or clearing system? (Choose all that apply.)**

- Government securities
- Equities
- Corporate bonds
- Corporate money market instruments
- Others (please answer 26a)
- Not applicable

**26a. Please name the other security types:**

Exchange Traded Funds (ETFs)

**27-1. For all instrument types eligible for settlement in your depository, please confirm if settlement is compulsory by law or compulsory by market practice, or both? (Choose all that apply.)**

- Yes by law for all instrument types (please answer 27-1a)
- Yes by market practice for all instrument types (please answer 27-1b)
- Yes by law and by market practice, for all instrument types (please answer 27-1b)
- Varies by instrument, please specify (please answer 27-1c)

**27-2. For all instrument types eligible for safekeeping in your depository, please confirm if safekeeping is compulsory by law or compulsory by market practice, or both? (Choose all that apply.)**

- Yes by law for all instrument types (please answer 27-2a)
- Yes by market practice for all instrument types (please answer 27-2b)
- Yes by law and by market practice, for all instrument types (please answer 27-2b)
- Varies by instrument, please specify (please answer 27-2c)

**28. Settlement and Safekeeping Percentages**

**28a. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) settled within your depository, exclusive of your links with third parties. (e.g. 60% of all bonds in the total market is settled within your depository, whereas 40% is settled outside of your depository.)**

Equities-100%  
Corporate bonds- 100%

**28b. Please list by instrument type the percentage of the total market in your jurisdiction (either volume or value) safekept within your depository, exclusive of your links with third parties. (e.g. 60% of all bonds in the total market is safekept within your depository, whereas 40% is safekept outside of your depository.)**

Equities- 100%  
Corporate Bonds- 100%

**29. Are there any settlement/operational activities performed by a third party on behalf of the depository for the depository participants?**

- Yes (please answer 29a)
- No

**29i. If other, please explain:**

**30. Has any participant suffered any losses in the past three years due to the depository's performance?**

- Yes (please answer 30a)
- No
- Not applicable
- Other (please answer 30m)

**30c. Corporate Action. Please specify total loss in USD:**

**30e. Settlement Process - Securities. Please specify total loss in USD:**

**30g. Settlement Process - Cash. Please specify total loss in USD:**

**30i. System Outage. Please specify total loss in USD:**

**30k. For Other, please specify number of instances:**

**30l. For Other, please specify total loss in USD:**

**30m. If other, please explain:**

**Other Services**

**31. Who accepts cash deposits (or makes payment credit accommodations) for depository transactions? (Choose all that apply.)**

- Depository

- Central Bank
- Banks appointed by depository (please answer 31a)
- Neither/others (e.g. credit lines used please answer 31b)
- Not applicable

**31a. Please name banks:**

Stanbic Bank Kenya Limited  
Equity Bank Limited  
Co-operative Bank of Kenya Limited  
Absa Bank Kenya Limited  
NCBA Bank Limited  
KCB Bank Kenya Limited  
I & M Bank Limited  
SBM Bank Kenya Limited  
Prime Bank Limited  
Standard Chartered Bank Limited  
Family Bank Limited  
Diamond Trust Bank

**32. Who processes cash clearing (or draws on credit lines, if applicable) for depository transactions? (Choose all that apply.)**

- Depository
- Central Bank
- Banks appointed by depository (please answer 32a)
- Neither/others (please answer 32b)
- Not applicable

**32a. Please name banks appointed by depository:**

Stanbic Bank Kenya Limited  
Equity Bank Limited  
Co-operative Bank of Kenya Limited  
ABSA Bank Kenya Limited  
KCB Bank Kenya Limited  
I & M Bank Limited  
SBM Bank Kenya Limited  
NCBA Bank Limited  
Prime Bank Limited  
Standard Chartered Bank Limited  
Family Bank Limited  
Diamond Trust Bank

**33. Who manages the movement of cash for cash deposits (or draws on credit lines, if applicable)? (Choose all that apply.)**

- Depository
- Central Bank
- Banks appointed by depository (please answer 33a)
- Neither/others (Please answer 33b)
- Not applicable

**33a. Please name banks appointed by depository:**

**34. Who manages the movement of cash for cash clearing (or for draws on credit lines, if applicable)? (Choose all that apply.)**

- Depository
- Central Bank
- Banks appointed by depository. (please answer 34a)
- Neither/others (please answer 34b)
- Not applicable

**34a. Please name banks appointed by depository:**

Stanbic Bank Kenya Limited  
Equity Bank Limited  
Co-operative Bank of Kenya Limited  
ABSA Bank Kenya Limited  
KCB Bank Kenya Limited  
I & M Bank Limited  
SBM Bank Kenya Limited  
NCBA Bank Limited  
Prime Bank Limited  
Standard Chartered Bank Limited  
Family Bank Limited  
Diamond Trsut Bank

The Depository gives instructions for the movement of the funds. The settlement banks would also draw on credit lines if necessary to mitigate failure.

**35. Please indicate services you provide. (Choose all that apply.)**

- Information in advance on corporate (annual or special) meetings in order that owners can vote.
- Tax assistance where foreign holders may be entitled to tax relief at source or through a claim.
- In order to avoid fails, an automatic securities lending facility - if requested - is provided for. (please answer 35a)
- Collateral handling in support of activities including securities lending, overdraft coverage, cash management, repurchase agreements, etc. Please provide details. (please answer 35c)
- Same day turnaround settlements.
- Information on distribution of new issues (IPO, Privatization).
- Other (please answer 35d)
- Not applicable

**35c. Collateral Handling: please provide details:**

CDSC provides collateral management services in support of securities Lending and borrowing transactions.  
CDSC ensures that sufficient collateral is held and performs daily marking to market of securities and requests for additional margins when necessary.

**35d. If other services, please explain:**

- In order to avoid failure of settlement we have established a guarantee fund.
- Entitlement file is provided to the registrar in advance of corporate actions and meetings.
- CDSC is now offering Securities Lending and borrowing.

**36. What procedures are in place for the processing of corporate action entitlements? (Choose all that apply.)**

- Credited to the securities account on the day indicated below regardless of whether actually collected by the depository on the scheduled date. (please answer 36a)
- Credited to the securities account upon actual receipt by the depository.
- Corporate action entitlements are handled by an entity separate from the depository. (please answer 36c)
- Not applicable
- Other (please answer 36d)

**36b. If other please explain:**

Credited on pay date-1 after trading hours or before trading on pay date.

**37. What procedures are in place for the processing of interest and dividends?(Choose all that apply.)**

- Credited to the cash account on the day indicated below regardless of whether actually collected by the depository on the scheduled date. (please answer 37a)
- Credited to the cash account upon actual receipt by the depository.
- Income and dividend collection is handled by an entity separate from the depository. (please answer 37c)
- Not applicable
- Other (please answer 37d)

**37c. Name of entity:** Payment of dividends is done by issuers and processed by the issuers registrar.

**Linkages With Other Central Securities Depositories (CSD) or International Central Securities Depositories (ICSD)**

**38. Please list all depositories or settlement systems to which you have an electronic link (note: this excludes institutions where you only hold accounts without further system linkage).**

N/A

**39. Are procedures and controls in place to avoid systemic collapse or contamination if one of the depositories and settlement systems should experience business interruptions for whatever reason?**

- Yes (please answer 39a)
- No (please answer 39a)
- Other (please answer 39a)
- Not applicable

**40. Has a business interruption recovery plan been developed in the event the linkages should become inoperable for any reason?**

- Yes
- No (please answer 40a)
- Other (please answer 40a)
- Not applicable

**ACCOUNT STRUCTURES AND RECORDKEEPING**

*The purpose of this section is to identify the nature of accounts; the naming convention is employed, the level of segregation achieved, accessibility in the event of bankruptcy and the frequency of reporting generated from them.*

**41. Are participants permitted to maintain more than one account at the depository?**

- Yes (please answer 41a)
- No
- Not applicable
- Other (please answer 41d)

**41a. If yes, please indicate number: (Choose one.)**

- An unlimited number of accounts.
- More than one account (please answer 41b and indicate how many)
- Other (e.g. subaccounts) (please answer 41c)

**42. Are participants required/permitted to segregate assets held for their own benefit from those they hold for their clients?**

- Yes (please answer 42a)
- No
- Not applicable
- Other (please answer 42d)

**42a. If yes, is segregation required or simply permitted?**

- Required (please answer 42b)
- Permitted (please answer 42b)
- Other (please answer 42e)

**42b. How does segregation occur? (Choose all that apply.)**

- Segregated (By separately designated beneficial owner accounts.)
- Omnibus (By separately designated participant accounts)
- Omnibus with sub-account (By sub-accounts within a single participant account.)
- Other - e.g. share registration (please answer 42c)

**43-1. Is the nominee account concept being recognised in your market?**

- Yes
- No

**43-2. If yes, does the depository permit its participants to open accounts in the participant's own nominee name(s)?**

- Yes (please answer 43a)
- No
- Other (please answer 43b)
- Not applicable

**43a. If yes, do laws exist, which define as well as protect the rights of beneficial owners with respect to securities registered in nominee name?**

- Yes
- No

**44. In the event a participant's single or main account is blocked for any reason (e.g., insolvency, penalties, violations, liens), would securities held in any account or accounts on behalf of the participant's clients be accessible:**

**44a. By the participant's clients?**

- Yes (please answer 44b)
- No
- Other (please answer 44c)

**44b. If yes, please describe briefly how clients of participants would access their securities and whether there would be any delay in their ability to do so:**

In the case where the participant has been suspended the clients are able to access their assets through a manager appointed by the regulator and transfer them to other participants to enable them to trade in them. The only delay that would be experienced is due to the fact that physical forms have to be filled and moved from one participant to the

other and finally to the depository before the assets are transferred.

**44d. By the intervening authorities controlling insolvency or other proceedings?**

- Yes (please answer 44e)
- No
- Other (please answer 44f)

**44e. If yes, please describe briefly under what conditions access would be granted to the intervening authorities:**

Conditions of statutory management as set by the regulator

**44g. By the participant's creditors?**

- Yes (please answer 44h)
- No
- Other (please answer 44i)

**44j. By the depository's creditors?**

- Yes (please answer 44k)
- No
- Other (please answer 44l)

**45. In what form does the depository maintain records identifying the assets of each participant? (Choose all that apply. Please "hover" over the below multi-select responses for clarification.)**

- Computer file (please answer 45b)
- Hard copy (please answer 45b)
- Other (please answer 45a)

**45b. In which format is the source data maintained?**

In alpha numeric text file

**Response Necessary/Eligibility Question**

**46. Rule 17f-7 requires that an Eligible Securities Depository “provides periodic reports to its participants with respect to its safekeeping of assets, including notices of transfers to or from any participant's account.”**

**Does the depository make available periodic safekeeping reports to participants, including notices of transfers to or from the participant's account?**

- Yes (please answer 46b)
- No (please answer 46a and then proceed to 48)
- Other (please answer 46a)

**46b. If yes, please indicate the scheduled frequency.**

- Real time
- Quarterly

- Daily  Annually  
 Weekly  Upon request  
 Monthly  Other (please answer 46c)

**47. What is your document and record retention policy for documents and records described above in this section? (Choose one.)**

- 6 months or less  7 years  
 1 year  10 Years  
 3 years  Other (please answer 47a)  
 5 years

**SETTLEMENTS**

*The purpose of this section is to identify the model of settlement employed, the relationship between cash and securities, and the basis on which participants meet their obligations.*

**48. The Committee on Payment and Settlement Systems of the Bank for International Settlements (BIS) has identified three common structural approaches or models for linking delivery and payment in a securities settlement system. Please indicate which model your procedures most closely resemble (Please refer to details on the models within the "Help" section located below this question): (Choose all that apply.)**

- Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. (please answer 48a)  Not applicable  
 Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. (please answer 48a)  Other (please answer 48b)  
 Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. (please answer 48a)

**48a. Please briefly describe your settlement process, including how your settlement procedures may vary from the model chosen above (and as described below in the Help section)?**

- Net settlement of funds is done at the Central Bank followed immediately by delivery of securities on gross basis at the depository.
- Funds are transferred just before the securities in a simultaneous transaction.
- funds accounts for participants are held in commercial banks appointed as the settlement banks
- Funds transfer between the settlement banks takes place at the Central Bank
- Settlement cycle is T+3 for both equities and corporate bonds.
- Both securities and funds are transferred at the end of the processing cycle and settlement can occur twice a day.

**Question 48 Help:**

*Model 1 - Gross, Simultaneous Settlements of Securities and Funds Transfers. These systems settle transfer instructions for both securities and funds simultaneously on a trade-by-trade (gross) basis, with final (irrevocable and unconditional) transfer of securities from the seller to the buyer (delivery) occurring at the same time as final transfer of funds from the buyer to the seller (payment). The securities settlement system maintains securities accounts and funds accounts for participants. Transfer of securities and cash are made by bookentry.*

*Model 2 - Gross Settlements of Securities Transfers Followed by Net Settlement of Funds Transfers. These systems settle securities transfer instructions on a trade-for-trade (gross) basis, with final transfer of securities from the seller to the buyer (delivery) occurring throughout the processing cycle, but settle funds transfer instruction on a net basis, with final transfer of funds from the buyer to the seller (payment) occurring at the end of the processing cycle.*

*The securities settlement system maintains securities accounts for participants, but funds accounts are usually held by another entity (often a commercial bank or the central bank). Securities are transferred by book-entry, such transfer being final at the instant the entries are made on the securities settlement system's books. The corresponding funds transfers are irrevocable, but not final. During the processing cycle, the system calculates running balances of funds debits and credits, the balance being settled at the end of the processing cycle when the net debit and net credit positions are posted on the books of the commercial bank or central bank that maintains the funds accounts. Settlement of funds accounts may occur once a day or several times a day.*

*Model 3 - Simultaneous Net Settlement of Securities and Funds Transfers. These systems settle transfer instructions for both securities and*

*funds on a net basis, with final transfer of both occurring at the end of the processing cycle. Settlement may occur once a day or several times a day. The securities settlement system maintains securities accounts for participants. Funds accounts may be maintained by another entity, either a commercial bank or the central bank.*

*During a processing cycle, running balances of debits and credits to funds and securities accounts are calculated. All funds and securities transfers are provisional until the end of the processing cycle, at which time book-entry transfer of securities take place. If and only if all participants have sufficient balances of funds and securities, final transfers of the net securities balances and net funds balances are executed.*

**49. Are the cash and security movements simultaneous (i.e. immediately with no time gap)?**

- Yes  Not applicable  
 No (please answer 49a)  Other (please answer 49c)

Entity Name

Kenya Central Depository & Settlement Corporation Limited

## **OWNERSHIP OF SECURITIES**

*The purpose of this section is to determine how ownership of securities is represented, the ways the depository maintains ownership or control of securities held in the depository, and the extent to which ownership of assets held by the depository is separated from the proprietary assets of the depository.*

### **50. How are depository eligible securities held by the depository?**

- Securities in the depository are held in dematerialized form.
- Securities in the depository are held in certificated form.
- Other (please answer 50a)

### **51. If depository eligible securities are certificated, can depository eligible securities be held outside of the depository?**

- All eligible securities must be held in the depository. (please answer 51b)
- Securities may move freely into and out of the depository. (please answer 51h)
- Once entered into the depository, eligible securities must remain in the depository. (please answer 51b)
- Certain designated securities may be held outside the depository. (please answer 51a)
- Not applicable
- Other (please answer 51k)

### **51i. What are the control features for receipt of certificates to the depository (e.g., authentication procedures, re-registration)? Please describe:**

On initial deposit, the certificates are delivered to the issuer's registrar for authentication. Securities cannot be withdrawn from the depository.

### **52. If securities are dematerialized:**

#### **May dematerialized security positions be re-certificated and held outside the depository?**

- Yes (please answer 52a)
- No (please answer 52a)
- Not applicable
- Other (please answer 52j)

#### **52a. Are the securities held: (Choose all that apply.)**

- Through book-entry at the depository
- Through book-entry at a registrar or issuer (please answer 52b)
- Other (please answer 52k)

#### **52d. If the securities held by the depository are recorded by book entry at the registrar, are the securities registered only to the depository, with the depository providing the function of recording ownership on a centralized basis for the market? (Choose all that apply.)**

- Yes (please answer 52e)
- No (please answer 52g)
- Other (please answer 52l)

**52e. If yes, how are securities held at the registrar for the account of the depository? (Choose one.)**

- In the name of the depository
- In the name of a separate nominee of the depository
- Other (please answer 52f)

**52i. If the securities held with the depository are recorded by book-entry at the registrar, what are the control features at the registrar for transfer of registrar positions to and from the depository (e.g., authentication procedures, reconciliation, confirmation of position at registrar)? Please describe:**

The Certificates are delivered to the registrar together with a securities deposit form. The registrar verifies authentication according to their own internal procedures and signs the form and appends the verification stamp. A copy of the form is then delivered to the depository where the securities are deposited in the clients account. The registrar moves the securities from the client to CDSC Nominees Ltd. Reconciliation is done on a monthly basis to ensure that the securities held under CDSC Nominees tally with the ones held at the CDS in individual accounts.

**Response Necessary/Eligibility Question**

**53. Rule 17f-7 requires that an Eligible Securities Depository “maintains records that identify the assets of each participant and segregate the system's own assets from the assets of participants.”**

**Does the depository maintain records that identify the assets of each participant and segregate the system's own assets from the assets of participants?**

- Yes
- No
- Not applicable (please answer 53a)
- Other (please answer 53a)

**54. Does the law protect participant assets from claims and liabilities of the depository?**

- Yes
- No
- Not applicable
- Other (please answer 54a)

**55. Can the depository assess a lien on participant accounts? (A lien would entitle the depository to take and hold or sell the securities of the participant in payment of a debt.) (Choose all that apply.)**

- Yes, for proprietary accounts (please answer 55a)
- Yes, for client designated accounts (Please answer 55b)
- No, liens are not applied

**55a. If yes, for what reasons are liens or similar claims imposed for proprietary accounts? (Choose all that apply.)**

- Fees and expenses
- To secure payment for purchased securities
- Collateralization of overdrafts
- Other (please answer 55c)

**55c. Please describe highlighting any difference in approach between proprietary and client designated accounts.**

**55d. Please indicate the limits of this lien as indicated below: (Choose all that apply.)**

- Liens are limited to securities in the course of purchase and sale transactions, but do not extend to settled positions.
- Clients fully settled positions are protected from placement of Liens other than where there is a court order.

Other (please answer 55g)

**55e. If a lien is placed on a participant's account which has been designated for its clients, will the depository select certain securities to be subject to the lien?**

- Yes (please answer 55f)  
 No (please answer 55h)  
 Other (please answer 55n)

**55f. If yes, please indicate whether: (Choose one.)**

- The lien is placed on the most liquid securities in the account  
 The lien can only be placed for the securities/trades in question  
 The lien is placed on the securities with the greatest value in the account  
 Other selection criteria is used (please answer 55g-1)

**55g. Please explain:**

**55i. If other, please describe:**

**55j. For accounts designated as client accounts, do procedures exist to restrict the placement of liens only to obligations arising from safe custody and administration of those accounts?**

- Yes (please answer 55k)  
 No  
 Other (please answer 55m)

**55k. If yes, are the restrictions accomplished by:**

- Contract between the depository and the participant  
 Other procedures (please answer 55l)

**55l. Please explain:**

The restrictions are accomplished through the CDSC Guarantee Fund procedures.

**56. Transfer of Legal Ownership**

**Does the depository have legal authority to transfer title to securities?**

- Yes (please answer 56a)  
 No  
 Not applicable  
 Other (please answer 56e)

**56a. When does title or entitlement to depository securities pass between participants? (Choose one.)**

- At the end of the business day on which the transfer occurs. (please answer 56c)  
 When corresponding money or other consideration is transferred. (please answer 56c)  
 When the transaction is processed on an intra-day basis. (please answer 56c)  
 Other (please answer 56b)

**56c. Where does title or entitlement to depository securities pass between participants? (Choose one.)**

- On the depository books
- On the registrars books
- Other (please answer 56d)

**56e. If other, please explain:**

**HANDLING OF SECURITIES OUTSIDE THE DEPOSITORY ENVIRONMENT**

*The purpose of this section is to consider the process (and any risk inherent within such a process) that involves the safekeeping of client assets while they are being removed from a depository and being lodged into a depository.*

**57. How are eligible securities lodged (that is, placed) in the depository system? (Choose all that apply.)**

- A registered certificate in the name of the depository is delivered to the depository.
- A participant delivers the security with a valid transfer deed or stock power or other transfer document to the depository which then effects registration.
- A registrar re-registers the security in the name of the depository.
- Other (please answer 57a)
- Not applicable

**57a. Please describe:**

A participant delivers the securities together with the security deposit form to the registrar.

**58. When are securities lodged into the depository reflected in a participant's depository account? (Choose all that apply.)**

- Securities are reflected in the participant depository account immediately upon delivery to the depository.
- Securities are re-registered prior to being reflected in the participant's depository account.
- Other (please answer 58a)
- Not applicable

**58a. Please explain:**

The securities are delivered to the depository after the registrar confirms validity and authenticity of certificate. The securities are immediately transferred from a non trading account to the investors account and reflected as free balance and available for trading.

**59. How long does it usually take to lodge securities with the depository? (Choose one.)**

- 1 to 2 days
- 3 days to 1 week
- 2 to 4 weeks
- More than 4 weeks (please answer 59a)
- Not applicable
- Other (please answer 59b)

**60. During the process of lodging securities into the depository, can the securities: Be traded?**

- Yes
- No (please answer 60c)
- Not applicable
- Other (please answer 60c)

**60a. During the process of lodging securities into the depository, can the securities: Be settled?**

- Yes
- No (please answer 60d)
- Not applicable
- Other (please answer 60d)

**60b. During the process of lodging securities into the depository, can the securities: Have ownership transferred?**

- Yes
- No (please answer 60e)
- Not applicable
- Other (please answer 60e)

**60c. If they cannot be traded, or if you answered other, please explain:**

They have to be free balance in the account first before they become eligible for trading or allocation.

**60d. If they cannot be settled, or if you answered other, please explain:**

They have to be free balance in the account first before they become eligible for settlement.

**61. Are securities immediately available for delivery upon transfer to the depository?**

- Yes
- No (please answer 61a)
- Not applicable
- Other (please answer 61d)

**62. Please describe briefly the arrangements/procedures/facilities you maintain to ensure that eligible securities held at the depository are handled at least as efficiently as compared to securities held outside the depository, particularly in relation to income, corporate actions and proxy services.**

The CDSC provides an entitlement schedule to the registrars of listed companies on the date of entitlement in connection with any corporate benefits. Shareholders having shares in the CDS will receive their corporate benefits based on their respective holdings as indicated in the entitlement schedule.

**63. What transfer process steps are involved when eligible securities are withdrawn from the depository for safekeeping? (Choose one.)**

- Securities are re-registered into the name of the beneficial owner or a nominee.
- Securities are re-certificated and re-registered into the name of the beneficial owner or a nominee.
- Securities are re-certificated and delivered as bearer instruments.
- Securities are transferred as is any physical delivery in the market.
- Other (please answer 63a)
- Not applicable.

**64. How long does it usually take to remove securities from the depository? (Choose one.)**

- 1 to 2 days
- 3 days to 1 week

- 2 to 4 weeks
- More than 4 weeks (please answer 64a)
- Not applicable
- Other (please answer 64b)

**65. While the securities are being removed from the depository, can they:  
65a. Be traded? (Choose one)**

- No (please answer 65b)
- Not applicable
- Yes
- Other (please answer 65b)

**65c. Be settled?**

- No (please answer 65d)
- Not applicable
- Yes
- Other (please answer 65d)

**65e. Have ownership transferred?**

- No (please answer 65f)
- Not applicable
- Yes
- Other (please answer 65f)

**STANDARD OF CARE**

*The purpose of this section is to understand the responsibility and liability that the depository has in providing services to its participants/members in the settlement and clearing of securities and/or cash, and to understand what type of protections exist for participants in the event of a participant failure/default.*

**Depository Liability**

**66. Does the depository accept liability (independent of any insurance coverage) for the following:**

**66a. Reconciliation errors with the registrar and/or the issuer that result in direct damages or losses to participants?**

- No
- Not applicable
- Yes (please answer 66b)
- Other (please answer 66d)

**66b. If yes, please check all of the following that apply:**

- Financial limits are imposed on the amount of liability assumed by the depository
- The depository assumes liability for direct losses
- The depository assumes liability for indirect or consequential losses
- Other (please answer 66c)

**66e. Theft of securities (either physical certificate or electronically from accounts at the depository) from the depository that result in direct damages or losses to participants?**

- No
- Yes (please answer 66f)
- Not applicable

Other (please answer 66h)

**66f. If yes, please check all of the following that apply:**

- Financial limits are imposed on the amount of liability assumed by the depository
- The depository assumes liability for direct losses
- The depository assumes liability for indirect or consequential losses
- Other (please answer 66g)

**66i. Failure of the depository's systems that result in direct damages or losses to participants because they cannot use either securities or funds?**

- No
- Yes (please answer 66j)
- Not applicable
- Other (please answer 66l)

**66j. If yes, please check all of the following that apply:**

- Financial limits are imposed on the amount of liability assumed by the depository
- The depository assumes liability for direct losses
- The depository assumes liability for indirect or consequential losses
- Other (please answer 66k)

**66m. Any direct damages or losses to participants caused by the depository due to its errors, omissions or fraud?**

- No
- Yes (please answer 66n)
- Not applicable
- Other (please answer 66p)

**66n. If yes, please check all of the following that apply:**

- Financial limits are imposed on the amount of liability assumed by the depository
- The depository assumes liability for direct losses
- The depository assumes liability for indirect or consequential losses
- Other (please answer 66o)

**66q. Any direct damages or losses to participants caused by the depository in its capacity as a central counterparty?**

- No
- Not applicable
- Yes (please answer 66r)
- Other (please answer 66t)

**66u. Does the depository guaranty settlement?**

- No
- Yes (please answer 66v)
- Not applicable
- Other (please answer 66w)

**66v. Please explain how this is accomplished. What are the procedures and safeguards that permit the depository to guaranty settlement?**

The depository has put in place several measures to guarantee settlement. All participants are required to have a settlement account with one of the appointed settlement banks. In the event that a participant does not have the funds to meet their obligation, the settlement bank would pay on their behalf. In addition, the depository has moved to settling through the Central Bank. The settlement file is given priority over all other transactions at the Central bank. In case any settlement bank does not have enough funds at the Central Bank, their

overdraft facility would automatically kick in.

CDSC has a guarantee fund which would then be used to pay back the settlement bank if the participant is totally unable to pay.

In a rare case where a trade would be unallocated on settlement date the buy-in procedures would kick in. Securities Lending is also available now and the participant can borrow securities to meet their obligation.

### **66x. Any direct damages or losses to participants caused by the depository as a result of force majeure events, acts of God, or political events, etc.?**

- No
- Yes (please answer 66y)
- Not applicable
- Other (please answer 66-1)

### **66-2. In all cases where the depository assumes responsibility for direct or indirect or consequential losses, is the depository's liability limited by a standard of care determination?**

- No
- Yes (please answer 66\*)
- Not applicable
- Other (please answer 66!)

### **66\*. Please define the standard of care applied:**

Reasonable care.

### **67. Do the depository's written contracts, rules, or established practices and procedures provide protection against risk of loss of participant assets by the depository in the form of?**

#### **67a. Indemnification**

- Yes (please answer 67b)
- No
- Other (please answer 67b)
- Not applicable

#### **67b. Please explain (then please answer 67c):**

The depository provides indemnification for losses incurred by reason of its acts or omissions.

#### **67c. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Section 19 of the Central Depositories Act, 2000 and clause 11 of the Central Depository Rules, 2004 and the participants Agency Agreements provide for this indemnity.

#### **67d. Insurance**

- Yes (please answer 67e)
- No
- Other (please answer 67e)
- Not applicable

**67e. Please explain (then please answer 67f):**

CDSC is obliged to have certain insurances under Rule 17 of the Central Depositories (Regulation of Central Depositories) Rules, 2004.

**67f. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Section 19 of the Central Depositories Act, 2000 and clause 11 of the Central Depository Rules, 2004 and the participants Agency Agreements provide for this.

**67g. Acknowledgement of liability for losses caused by depository's own actions.**

- Yes (please answer 67h)
- No
- Other (please answer 67h)
- Not applicable

**67h. Please explain (then please answer 67i):**

As stated above : the Act and the Rules include this.

**67i. Please provide details of the relevant sections of the contracts, rules or practices where this information is found.**

Section 19 of the Central Depositories Act, 2000 and clause 11 of the Central Depository Rules, 2004 and the participants Agency Agreements provide for this indemnity.

**67j. Other**

- Yes (please answer 67k)
- No

**68. Is the depository immune from legal action in its own jurisdiction?**

- Yes
- No
- Other (please answer 68a)

**Security Control**

**69. How do participants receive information (view actual settlement of trades, movement of securities on their accounts, etc.) and see the status of their accounts? (Choose all that apply.)**

- By direct electronic link
- By receipt of physical account holding statements
- Other (please answer 69a)
- Not applicable

Entity Name

Kenya Central Depository & Settlement Corporation Limited

**70. Do participants have access to affect their holdings, including confirming and affirming trades, movement of securities on their accounts, etc.?**

- Yes (please answer 70a)
- No
- Other (please answer 70d)
- Not applicable

**70a. How is access given to participants? (Choose all that apply.)**

- By direct electronic link (please answer 70b)
- Other (please answer 70c)

**70b. Please select type of electronic link:**

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax

**70d. If other, please explain:**

Participants do not have direct access to affect their holdings. Custodian banks have a right of negative affirmation by T+2. No participants however can amend or otherwise interfere with holdings in an account. Participants can initiate securities transfers in the system from one account to another but final approval is done by the Depository.

**71. Regarding data security:**

**71a. Are passwords used by participants to access their accounts?**

- Yes
- No
- Not applicable
- Other (please answer 71b)

**71c. Does each user have a unique user ID?**

- Yes
- No
- Not applicable
- Other (please answer 71d)

**71e. Are passwords regularly changed?**

- Yes (please answer 71f)
- No
- Not applicable
- Other (please answer 71g)

**71f. How often?**

We enforce after every 90 days, but participants are encouraged to do so more often.

### 71h. Is there a user lock-out after a pre-set number of unsuccessful User ID attempts?

- Yes (please answer 71i)
- No
- Not applicable
- Other (please answer 71j)

71i. How many? 3 attempts

### 72. Does the depository communicate with other market entities such as stock exchanges, payment systems, clearing houses, etc., by secured linkages?

- Yes (please answer 72a)
- No (please proceed to 74)
- Not applicable (please proceed to 74)
- Other (please answer 72a)

#### 72a. Please explain:

We communicate with participants, the Exchange, through dedicated secure links. File exchange where applicable is through secure and encrypted channels.

### 73. How does the depository communicate with other market entities?

#### 73a. Stock Exchanges (Choose all that apply.)

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper/other
- Not applicable

#### 73b. Payment Systems (Choose all that apply.)

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper/other
- Not applicable

#### 73c. Clearing Houses (Choose all that apply.)

- Dial-up modem
- Secured, leased, dedicated telephone line
- Internet
- Fax
- Paper/other
- Not applicable

#### 73d. Registrars (Choose all that apply.)

- Dial-up modem
- Secured, leased, dedicated telephone line

- Internet
- Fax
- Paper/other
- Not applicable

**74. How is access to the physical building controlled? (Choose all that apply.)**

- By guards
- By electronic keys/personal ID card
- By alarm system
- Other (please answer 74a)

**75. What are the vault security procedures for the safekeeping of physical paper? (Choose all that apply.)**

- Not applicable no vault is maintained
- Electronic keys/combinations
- Dual access control
- Visitor logs
- Vault counts (please answer 75a)
- Intrusion alarms
- Fire alarms
- Guards
- Other (please answer 75b)

**Participant Default Protections Resulting from a Participant Failure**

**76. If a participant defaults, how and by whom is the loss covered? (Choose all that apply?)**

- CCP covers the loss
- Depository insurance covers the loss (please answer 76a)
- The depository guaranty fund covers the loss
- Loss is shared among participants (please answer 76b)
- Other/Not applicable (please answer 76d)

**76b. Please explain the process of how the loss is shared: (Choose one.)**

- Equally, among participants
- Pro-rata based on participant's volume
- Limited to participants with transactions with failing counterparty
- Other (please answer 76c)

**77. During the past three years, has there been a situation where a participant defaulted which resulted in a significant loss?**

- Yes (please answer 77a)
- No
- Not applicable
- Other (please answer 77a)

**78. Does the depository have a guaranty fund independent of stock exchange or other market guarantees?**

- Yes (please answer 78a)
- No (please proceed to 79)
- Not applicable (please proceed to 79)
- Other (please answer 78l)

**78a. If yes, please respond to the following questions:  
What is the size of the fund (then please answer 78b)?**

KES 1,519,512,887 (USD 11.7 million) as at 31 December 2024. It is continually growing through a guarantee fund levy charged on turnover.

**78b. How is the size of the fund determined? (Choose one.)**

- By participant volume
- By asset value
- A fixed amount
- Other (please answer 78c)

**78c. If other, please explain:**

The fund is not a fixed amount but continues to grow through levies, penalties and investment income. There is no ceiling for it. Ideally it should be able to cover the full settlement per settlement cycle.

**78d. How is the fund financed? (Choose one.)**

- Contributions from owner (please answer 78e)
- Contributions from participants (please answer 78f)
- Funding from retained earnings
- Other (please answer 78g)

**78f. If so, what is the amount or percentage per participant?**

Each participant contributes a minimum of Kes 5,000,000 (US\$20,000) as initial contribution while a fund formally maintained for Investor compensation was converted to be an initial contribution to the fund, in the sum of US\$250,000. It continues to grow through the guarantee fund levy charged at the rate of 0.01% of turnover. Participants are also required to top-up based on the 12 Months moving average debt obligation.

**78h. Who is covered by the fund? (Choose all that apply.)**

- Direct depository participants only
- The beneficial owner also
- Other (please answer 78i)

**78j. When is the guaranty fund used? (Choose all that apply.)**

- When a broker defaults
- When a direct participant defaults
- Other (please answer 78k)

**79. Does the depository have forms of oversight management for assessing and monitoring of the following? (Choose all that apply.)**

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> Participant eligibility requirements                         | <input checked="" type="checkbox"/> Settlement controls that minimize or eliminate the risk of default by a participant (please answer 79d) |
| <input checked="" type="checkbox"/> Participant volumes  | <input checked="" type="checkbox"/> Blocking of securities movement before receipt of payment   |
| <input checked="" type="checkbox"/> Participant financial strength                               | <input type="checkbox"/> Blocking payment until securities are moved  |
| <input type="checkbox"/>   | <input type="checkbox"/>  |
| Other loss or default protections the depository maintains (please answer 79a)                   | Other forms of risk management used for assessing and monitoring participant exposures (please answer 79i)                                  |
| <input checked="" type="checkbox"/> Collateral requirements for participants (please answer 79b) | <input type="checkbox"/> Not applicable (please answer follow up question)  |
| <input checked="" type="checkbox"/> Debit caps for participants (please answer 79c)              |   |

## 79-2: Please provide the risk management framework (attachment, link etc.)

ERM CDSC Version 6.pdf

### URL Link:

### 79b. Please explain the requirements:

Settlement limits were implemented in January 2010. If a settlement participant exceeds their settlement cap, they are required to provide collateral in form of cash or a bank guarantee to cover the additional exposure.

### 79c. Please explain how these debit caps work:

Each settlement participant has a settlement cap which is 5 times its contribution to the guarantee fund. The cap is set in relation to the participant's contribution to the guarantee fund.

To get a higher limit the participant is required to provide a bank guarantee or deposit cash in the guarantee fund sub-account.

An annual review is done to determine the participant's contribution to the guarantee fund according to the volume of transactions they undertake for the period of 12 months prior to the review.

### 79d. What type or types of settlement controls (Choose all that apply.)

- Blocking or freezing of securities positions (please answer 79e)
- Controlling DVP settlement (please answer 79f)
- Simultaneous DVP (please answer 79g)
- Other (please answer 79h)

### 79e. Please explain:

Once securities are allocated, they are not available for trading until they are paid for and moved to the buyer's account.

### 79f. Please explain:

The Central depository has control of the DVP settlement and ensures that securities do not move without corresponding money moving. If the guarantee fund makes a payment the respective securities are moved to an account in favor of the guarantee fund.

### 79g. Please explain:

Securities are only moved to buyer's account upon ensuring the seller has received the payment. All this happens simultaneously. Movement of money must be followed immediately by movement of securities.

### 80. Does the stock exchange have default protections that extend to the depository, such as the following? (Choose all that apply.)

- Margin requirements for stock exchange members
- Guaranty fund for stock exchange members
- Financial requirements for stock exchange membership
- Other (please answer 80a)
- No

Not applicable

## BUSINESS RECOVERY PLAN

*This section is intended to identify key aspects of the depository's Business Recovery Plan (BRP), including testing requirements and past results, expected recovery time periods, and the independent review and validation (if any) of the BRP.*

### 81. Do you have a formal business recovery plan?

Yes (please answer 81a)

No

Other (please 81g)

### 81a. Does your Business Recovery Plan include: (Choose all that apply.)

Back-up of all computer files    Off-site operations facility    Digital/electronic signing of documentation

Off-site data storage    Remote working ability    Other (please answer 81h)

Back-up files stored and locked

### 81b-1. Please identify the frequency of testing for the following third party:

#### - Depository participants/members

Annually

March 2025

### 81b-2. Please identify the last date of testing for the following third party:

#### - Depository participants/members

### 81c-1. Please identify the frequency of testing for the following third party:

#### - Stock exchange

Annually

March 2025

### 81c-2. Please identify the last date of testing for the following third party:

#### - Stock exchange

### 81d-1. Please identify the frequency of testing for the following third party:

#### - Central bank

Not applicable at the moment.

### 81d-2. Please identify the last date of testing for the following third party:

#### - Central bank

### 81e-1. Please identify the frequency of testing for the following third party:

#### - Local brokers

Annually

March 2025

**81e-2. Please identify the last date of testing for the following third party:**

**- Local brokers**

**81f-1. Please identify the frequency of testing for the following third party:**

**- Any other third party**

N/A

**81f-2. Please identify the last date of testing for the following third party:**

**- Any other third party**

**82. How quickly can the main system be reactivated in the event of an outage? (Choose one.)**

- 1 - 4 hours    Longer than 24 hours  
 4 - 8 hours    Not applicable  
 8 - 24 hours    Other (please answer 82a)

**83. If a back-up system exists, how quickly can the back-up system be activated in the event of the main system failing? (Choose one.)**

- 1 - 4 hours    Longer than 24 hours  
 4 - 8 hours    Not applicable  
 8 - 24 hours    Other (please answer 83a)

**84. Will the depository publicly announce any system interruption?**

- Yes (please answer 84a)  
 No (please proceed to 85)  
 Not applicable  
 Other (please answer 84g)

**84a. To whom will the depository disclose any system interruptions? (Choose all that apply.)**

- To the depository regulators  
 To all direct participants  
 To direct and indirect participants  
 To the public via the internet (please answer 84b)  
 In the press (please answer 84c)  
 Other (please answer 84d)

**84e. How will the depository disclose any system interruptions? (Choose all that apply.)**

- By e-mail  
 By telephone  
 Public announcement  
 Press release  
 Other (please answer 84f)

**85. In the past three years, has it been necessary to activate the recovery plan in a live situation?**

- Yes (please answer 85a)
- No
- Not applicable
- Other (please answer 85e)

**PERFORMANCE, INSURANCE, AND LOSS**

*This section is intended to identify the level of insurance maintained by the depository, and the extent to which coverage would extend to financial loss incurred by participants and their clients, including but not limited to losses resulting from operating performance, security breaches, and employee negligence or misconduct.*

**86. Has there been any material loss by the depository during the past three years?**

- Yes (please answer 86a)
- No
- Other (please answer 86b)
- Not applicable

**87. Has the depository been subject to any litigation involving a participant during the past three years?**

- Yes (please answer 87a)
- No
- Other (please answer 87b)
- Not applicable

**88. Has the depository realized revenues sufficient to cover expenses during the past three years? (Choose one.)**

- Yes for all three years
- Yes for two of the last three years
- Yes for one of the last three years
- None of the last three years
- Not applicable
- Other (please answer 88a)

**89. Does the depository maintain a reserve for operating losses?**

- Yes (please answer 89a)
- No
- Not applicable
- Other (please answer 89b)

**89a. Please describe and indicate reserve amount:**

Revenue reserve Kes 174,409,915 USD 1,348,188.04 as at 31st December 2024

**90. Has the regulatory body with oversight responsibility for the depository issued public notice that the depository is not in current compliance with any capital, solvency, insurance or similar financial strength requirements imposed by such regulatory body?**

- Yes (please answer 90a)
- No
- Not applicable

Other (please answer 90f)

**90b. In the case of such a notice having been issued, has such notice been withdrawn, or, has the remedy of such noncompliance been publicly announced by the depository?**

Yes (please answer 90c)

No (please answer 90d)

Other (please answer 90e)

**90e. If other, please explain:**

Not Applicable as per question 90 above.

**91. Please confirm whether you maintain insurance policies to cover any liabilities and indemnities that you may incur in connection to the services you provide.**

No insurance

Insurance to cover losses in the event of Default on settlement commitments by the depository or a participant (please answer 91a)

Fidelity insurance (that is, insurance to cover loss of securities or money resulting, for example, from acts such as forgery, theft, fraud and/or employee dishonesty) (please answer 91b)

Insurance for Operational Errors and Error & Omissions (please answer 91c)

Insurance for the Premises (please answer 91d)

Other type of insurance (please answer 91e)

**91b. What is the amount of the coverage and the amount of deductible? Please also indicate the currency.**

Fidelity insurance coverage US\$ 1,500,000 and deductible US\$20,000.

**91c. What is the amount of the coverage and the amount of deductible? Please also indicate the currency.**

Insurance for Operational Errors and Error & Omissions US \$ 1,500,000 and deductible US \$ 20,000.

**92. This question was deleted during the 2025-2026 Project.**

**92a - 92c. These questions were deleted during the 2025-2026 Project.**

**93. This question was deleted during the 2025-2026 Project.**

**93a - 93c. These questions were deleted during the 2025-2026 Project.**

**94. This question was deleted during the 2025-2026 Project.**

**94a - 94c. These questions were deleted during the 2025-2026 Project.**

**95. This question was deleted during the 2025-2026 Project.**

**95a - 95c. These questions were deleted during the 2025-2026 Project.**

**96. This question was deleted during the 2025-2026 Project.**

**96a - 96d. These questions were deleted during the 2025-2026 Project.**

**97. Who is the insurance carrier? If more than one insurance carrier, please list each carrier here and provide your responses to questions 97a and 97b in corresponding order.**

Old Mutual Insurance Company Limited

Sanlam Insurance Limited

CIC Insurance Limited

**97a. Who is the insurance carrier's parent company, if applicable? (If inapplicable, simply type n/a.)**

N/A

**97b. What is the term of the policy?**

1 year

**97c. Who does the insurance cover? (Choose all that apply.)**

- Depository
- Direct depository participants
- Final investors
- Other (please answer 97d)
- Not applicable

**98. If you feel that you would like to provide additional details on any of the given answers, feel free to provide any additional comments here (maximum of 5,000 characters) or prepare an additional document identifying the question(s) you are commenting on and upload the document under 98a:**

The process of cash settlement through the Central Bank was launched in January 2015 and is running smoothly.

CDSC implemented a new system in October 2019. This new system comes with several new features to allow for short selling, day trading, and Securities Lending and Borrowing.

Securities Lending was introduced in August 2020 and the rules and procedures can be accessed on the website.

**98a. Upload document here:**

**PUBLIC AVAILABILITY**

**99. The AGC encourages respondents/depositories to make their answers to this questionnaire publicly available. Will you be making your response publicly available? (Please "hover" over the below multi-select responses for additional guidance.)**

- Yes (please answer 99a)
- No

**99a. If yes, how will you be making it publicly available: (Choose all that apply.)**

- Web site (please answer 99b)
- By individual request with depository (please answer 99c)
- Other (please answer 99i)

**99b. Please provide web site address of publicly available questionnaire:**

**99c. Please provide name of contact at depository who has been designated to receive such requests (then please answer 99d).**

Chief Executive Central Depository & Settlement Corporation Limited

**99d. How would they prefer to be contacted? (Choose all that apply.)**

- Telephone (please answer 99e)
- Facsimile (please answer 99f)
- By mail/air courier (please answer 99g)
- By e-mail (please answer 99h)

**99g. What is the preferred street address for mailing requests?**

Europa Towers, 10th Floor  
Westlands, Along Lantana Road  
P. O. Box 3464 - 00100 GPO  
Nairobi, Kenya

**99h. What is the preferred e-mail address for such requests:**

ce@cdsckkenya.com; mmukawe@cdsckkenya.com

**100. Association members from time to time receive requests from their direct investor-clients for an informational copy of a depository's completed questionnaire. Such requests typically lead to interactions between personnel at the depository in question and member personnel or client personnel, or both. Those interactions take time and impose costs on both members and depositories.**

**Do you approve of Association members delivering a copy of your completed questionnaire to the member's direct client in response to the client's request?**

- Yes
- No

**CYBER SECURITY**

**101. Does your organization have a documented cybersecurity policy in place? If so, please provide a copy or overview.**

- Yes
- No

**Comments:**

CDSC has a documented Cybersecurity policy. The policy is used in conjunction with existing ISMS sub-policies that help to Identify, Protect, Detect, Respond and Recover from cyber security risks and incidents. CDSC follows the ISO 27001 standards for cyber security management and complements this with items from the NIST standard.

**102. Please confirm that your staff receive relevant training about this policy:**

- Yes
- No

**Comments:**

Staff undertake mandatory monthly Information Security training with quarterly awareness assessments to measure the effectiveness of the training and identify areas that need improvement.

**103. Please confirm what topics are covered by your policy for continuity of business in the event of a large data breach or cyber attack against your organization.**

- IT Asset & Inventory Management
- IT Protective Security Technology
- Cyber Event Detection
- Architecture Management
- Access Management
- Incident Response and Recovery
- Change Management
- Logging, Monitoring, and Alerting
- Other (Please add comments)
- Security Awareness & Training

**Comments:**

**104. In the last 12 months have there been any changes to the policy? If yes, please detail.**

- Yes
- No

**Comments:**

**105. Please advise how often you review the policy.**

- Semi-Annually
- Annually
- Other

**Comments:**

The policies are reviewed at least annually or when need arises

**106. Please provide (as an attachment) a diagram showing where your cybersecurity function resides and who it reports to.**

[Sec\\_Structure.pdf](#)

**Comments:**

The cyber security function reports to the General Manager Strategy, Commercial & Technology . Attached is the organization chart

**107. How does your organization identify cyber risks to business functions?**

- Enterprise Risk Management Framework
- Risk and Control Assessments
- External Reviews
- Other (Please add comments)

**Comments:**

**108. Do you conduct ongoing testing and monitoring processes to ensure that all internal and external connectivity and system configurations are not at risk of cybersecurity breaches? If yes, please provide details and indicate frequency.**

- Yes
- No

**Comments / frequency:**

There is a log management system for collecting logs for monitoring, the logs are collected in realtime. We conduct vulnerability scans on a weekly basis and proceed with remediation. Penetration testing is done during system audits. The Information system audits happen on an annual basis.

Encryption of data at rest     Intrusion detection systems     Patch Management

**109. What technological controls and protections are in place for your systems and networks?**

- Encryption of data in transit     Intrusion prevention systems     User Access Controls
- Anti-virus software     Firewalls     Other (Please add comments)
- Aniti-malwear software

**Comments:**

Gateway;Firewall, Web content filtering, email content filtering  
EndPoint; Antivirus, device control,webcontrol, encryption of laptops  
Log Monitoring; SIEM, DAM  
Vulnerability management; Vulnerability management solution  
Access Control;system rights and permissions are assigned based on user roles

**110. Does your organization use multi-factor authentication?**

- Yes
- No

**Comments:**

Where a system/application supports 2FA, this is enforced for us

**111. Where your organization has outsourced activities or functions to a third-party provider, is your cyber risk exposure documented?**

- Yes
- No
- Not applicable as no outsourcing

**112. What measures does your organization have to ensure early detection of a cyber attack?**

- Incident Response Plan     Searching for user login patterns
- Logging of IT systems     Other (please answer 112a)
- Searching for network traffic patterns

**113. What is the agreed resumption time for critical operations following a cyber attack?**

- 1 - 4 hours     8 - 24 hours     Other (please answer 113a)
- 4 - 8 hours     Longer than 24 hours

**113a. Other** Our critical systems have an RPO of 5 minutes and RTO of 40 minutes

**114. How would you advise clients of a successful cyber attack against your organization?**

- By e-mail    Public announcement    Other (please answer 114a)  
 By telephone    Press release

**114a. Other**

Through the protocols outlined in the Communication Policy

**115. In the last 12 months has your organization been subject to a cyber attack that impacted the service you provide to us? If yes, please provide details.**

- Yes  
 No

**Comments:**

**116a. Are the following elements of your cybersecurity framework tested pre deployment of changes?**

- Vulnerability  
 Scenario based penetration tests  
 Testing of incident response process and technical/business/operations (e.g. table-top exercise)

**116b. Are the following elements of your cybersecurity framework tested post deployment of changes?**

- Vulnerability  
 Scenario based penetration tests  
 Testing of incident response process and technical/business/operations (e.g. table-top exercise)

**117. For cloud technology and associated cybersecurity risks, please confirm:**

**(i) that you have procedures and controls in place to protect our information from mishandling or theft;**

**(ii) how these procedures and controls tie back to your record retention policy**

- Yes  
 No  
 Not applicable as cloud not used

**118. Does your organisation have a cyber threat intelligence programme to understand and protect against a potential threat actor's motives, targets, and attack behaviors?**

- Yes  
 No

**Comments:**

We recently acquired the knowbe4 solution, the solution carries out an email exposure check for CDSC staff. It sends monthly reports to inform us of staff emails that may be available for sale in the dark web.

**119. Is your organization aware of SWIFT's Customer Security Program (CSP)?**

Yes

No

**Comments:**

**120. Does your organization ensure compliance with SWIFT's CSP controls?**

Yes

No

**Comments:**

**You have reached the end of the questionnaire. Please be sure your contact details are updated. Your contact information is located in the first section of Part One of the questionnaire.**