

**CENTRAL DEPOSITORY
OPERATIONAL PROCEDURES, 2012**

(REVISED 2018)

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1 INTRODUCTION

1.1 PURPOSE

- 1.1.1 This Procedures manual describes the procedures to be applied by CDAs in performing the functions relating to CDSC.
- 1.1.2 Appendices contain different reports and forms used for CDSC operations.
- 1.1.3 These Procedures assume an afternoon settlement period.

2 DEFINITIONS

This definition section is to be read in conjunction with Rule 1.2 of the CDSC Rules.

Allotment Schedule.....	A report submitted to CDSC by Issuer consisting of a list of Securities Account Holders allotted with Securities in respect of IPOs, Bonus Issues, Rights, payment of dividend in species, mergers.
CDA.....	Central Depository Agent
Custodian Bank.....	An authorised depository licensed by the CMA which has been appointed a CDA.
Entitlement Date.....	The date fixed by an Issuer for the purposes of determining entitlements, dividends or other distributions.
Entitlement Schedule.....	A report generated by CDSC for all Securities Account Holders entitled to Securities in respect of Bonus and Rights Issue, dividends and other Corporate Actions (Appendix 17)
Fees and Surcharge Statement...	A statement generated by CDSC on a weekly basis for CDAs in respect of CDSC fees and surcharges. (Appendix 21)
Fund.....	The Guarantee Fund established by CDSC.
Market.....	Market means the official market of the Nairobi Stock Exchange.
Net Settlement Obligation.....	The sum of the total debit amounts netted off against the sum of the total credit amounts for the relevant trading day.
New Issues Schedule.....	A report generated by CDSC, giving details of Securities Accounts credited with securities allotted during an Initial Public Offer.
Provisional Deposits Schedule.	A report generated by CDSC on a daily basis for each Security to reconcile with the records of the Issuer in respect of deposits. (Appendix 3)
Issuer	The Issuer or its agent, including its Registrar
Rights Subscribed Schedule.....	A report generated by CDSC for a Security to reconcile with the records of the CDAs and Issuer in respect of Rights Subscribed.
Schedule of Securities Allotted.....	account to be opened by each CDA at the Settlement Bank for purposes of making payment or receiving payment in respect of settlement by or to such CDA.
Settlement Bank.....	A commercial bank appointed selected by CDSC to provides funds settlement services to CDAs in respect of trades executed at

Primary Bank.....	a settlement bank appointed by CDSC and designated to offer funds settlement services to other settlement banks
Settlement Instruction....	An instruction generated by CDSC to the Settlement Bank to effect funds settlement in accordance with the settlement schedule (Appendix 10)
Initial Settlement Report.....	A report generated by CDSC on the settlement position of each CDA for each trade day. (Appendix 8)
Statement of Account.....	A statement generated by CDSC showing transactions effected and balance of securities. (Appendix 20)
Stockbroker.....	A Member Company of the Stock Exchange and CDA
T.....	The day on which a trade took place on the Stock Exchange
Broker Trading Summary Schedule	A report generated by CDSC in respect of trade details for each CDA (Appendix 7)
Unsubscribed Rights Schedule.....	A report generated by CDSC for a Security to reconcile with the records of the Issuer in respect of Rights not subscribed.
Withdrawal Schedule.....	A report generated by CDSC for each Security giving details in respect of withdrawal to the Issuer.

3 SECURITIES ACCOUNT OPENING

This function describes the procedures to be complied with by Participant CDAs with respect to accepting, verifying and filing of Securities Account Opening/Maintenance Form and relevant documents.

- 3.1.1 The clients will submit duly completed and signed Securities Account Opening Form CDS 1(Appendix 1) together with a copy of his/its identification document to the CDA. In addition, the client, if an individual, will be required to submit to the CDA two recent colour passport size photographs of himself. Where the client is a corporate body, association or other entity the passport size photographs required will be of all the signatories or directors or officers authorized to give any instructions on the account. The photograph should at no time be more than 5 years old.
- 3.1.2 The CDA shall ensure full disclosure of client's relevant information, verify the accuracy thereof and **witness** client's signature.
- 3.1.3 The CDA shall enter the data obtained from the Securities Account Opening/Maintenance Form submitted by client into the CDSC system.
- 3.1.4 CDS system will generate a Client Identification number.
- 3.1.5 The CDA will enter the Client Identification number in the form and will return to the client a copy of Securities Account Opening/Maintenance Form, duly signed.
- 3.1.6 For purposes of opening accounts (**whether initially or upon moving to a new CDA**), national identity cards and passports shall be acceptable identification documents for individuals and certificates of incorporation or other registration documents issued by a duly authorized government office, for companies and other entities.
- 3.1.7 A CDA must ensure it retains copies of identification documents to assist it identify its clients. CDAs must also ensure the safe custody of specimen signatures and the passport size photographs of their clients.

3.2 SECURITIES ACCOUNT OPENING USING MOBILE PHONES/DEVICES

This function describes the procedures to be followed by Participant CDAs with respect to accepting applications, verifying and opening of Securities Account where the client makes the request using the mobile phone/device.

- 3.2.1 The Participant CDA will provide an (mobile) application which will enable the clients to make the request for account opening;
- 3.2.2 Clients will access the application using their mobile phones/devices and submit all the relevant details via the application. The details to be submitted include:
 - i. Client's full names as they appear on the ID;
 - ii. Client's date of birth;
 - iii. ID Number;
 - iv. Coloured unobscured photo of the face and shoulders;
 - v. Information on the client's occupation;
 - vi. Information on the client's postal and physical address;
 - vii. Client's email address;
 - viii. Client's source of funds;
 - ix. KRA PIN
 - x. Account number for a recent utility bill, where applicable
- 3.2.3 The client must ensure that the mobile number they use is registered in their name with the mobile network operator(s).
- 3.2.4 Only natural persons are allowed to open CDS accounts through the mobile phones. Institutions or joint accounts are not allowed.
- 3.2.5 The CDA is responsible for, and shall ensure full disclosure of client's relevant information, and shall verify the accuracy thereof using reliable documents or other verifiable and independent means such as IPRS data;
- 3.2.6 The CDA shall submit to CDSC the client's verified data for all the mandatory fields in the CDS and in the prescribed format for the purpose of opening CDS accounts by 4.00pm on the day of receipt of the data by the CDA;
- 3.2.7 Once a client's verified data is received from the CDA, CDSC will upload the data in the CDS and automatically open the accounts in the names of the investors before the next trading day;
- 3.2.8 CDS system will then generate a CDS Client Identification number (CDS account number);
- 3.2.9 The client data will be populated with the CDS account number and sent to the CDA;
- 3.2.10 The CDA will send a confirmation to the client via the mobile application providing them with the CDS account number;
- 3.2.11 For purposes of opening accounts using the mobile phone (**whether initially or upon moving to a new CDA**), national identity cards shall be the only acceptable identification document for individuals;
- 3.2.12 A CDA must ensure it retains a record of the data used to open the CDS account for the statutory period of seven years;
- 3.2.13 A CDA must establish policies and procedures to address any specific risks associated with opening and maintaining of CDS accounts using mobile phones. The procedures must be documented and easily accessible the employees of the CDA at all times, and to CDSC when necessary.

3.2.14 A CDA shall be required from time to time to assess the reliability of the submitted documents data or information and consider taking additional measures to mitigate the risk posed by opening CDS accounts using mobile phones, including but not limited to:

- i. Telephone contact with the customer that can be verified independently through calling the number or sending messages to the phone after the account has been opened, among other ways;
- ii. Confirmation of the client's address through an exchange of correspondence or other appropriate method;
- iii. Subject to the client's consent, telephone confirmation of the client's employment status with the client's employer where applicable;
- iv. Confirmation of the client's source of income details by requiring the presentation of recent certified bank statements from the client, in addition to any other appropriate methods; and
- v. Any other reliable verification checks adopted by the CDA for opening accounts using mobile phones

4 SECURITIES ACCOUNT MAINTENANCE

This function describes the procedures to be complied with by CDAs with respect to changing particulars of clients and filing of relevant documents.

4.1 PROCEDURES FOR SECURITIES ACCOUNTS MAINTENANCE

- 4.1.1 Where the client wishes to change any particulars submitted when opening an account, the client will submit duly signed Securities Account Opening/Maintenance Form (CDS 1) indicating the desired changes together with any supporting documents to his CDA.
- 4.1.2 The CDA will verify the accuracy of information provided by the client **and authenticate the signature** before submitting the documents to the CDSC.
- 4.1.3 The CDA will confirm the changes to the client by returning a copy of the Securities Account Opening/Maintenance Form, duly signed, stamped and dated.
- 4.1.4 The CDA will forward a copy of the form to the CDSC within 2 market days of receipt and CDSC will effect the change.
- 4.1.5 The CDA will keep its copy of the Securities Account Opening/Maintenance Form.
- 4.1.6 The CDSC will suspend or close a Securities Account upon receipt of written instructions to do so together with supporting documents from a client through a CDA.
- 4.1.7 The Securities in the suspended Securities Account will no longer be available for settlement of other Transactions until the suspension is released.

4.2 PROCEDURE FOR DEALING WITH DORMANT ACCOUNTS

This function describes the procedures to be complied with in respect to CDS accounts becoming dormant.
(*This section was inserted in April 2018*)

4.2.1 Procedure for Flagging an Account Dormant

- 4.2.1.1 After a lapse of a continuous period of twenty four months of inactivity, the CDS shall flag the account dormant.
- 4.2.1.2 Once an account is flagged dormant, CDSC shall send to the account holder a notification informing them of the declaration of dormancy. This notification may be through the email address or an SMS alert sent through the mobile phone number registered in the system.
- 4.2.1.3 The notification shall require no action on the part of the account holder and will be deemed as being for information purposes only.
- 4.2.1.4 The account holder shall be assumed to be the beneficial owner of the account and the official contacts in the CDS system shall be presumed to be the official contacts of that beneficial owner.
- 4.2.1.5 No further transactions shall be allowed in an account that has been declared dormant without the account first being activated.
- 4.2.1.6 No account statements, whether in soft copy or hard copy shall be sent when an account has been declared dormant except where activity is induced by corporate action such as upload of shares from public offers, bonus issues, script dividends, rights issues, splits or additional shares. The account holder shall however, be required to activate the account in order to sell or otherwise transact with the shares so uploaded.

4.2.2 Procedure for Activation Via the CDA

- 4.2.2.1 The account holder will issue instructions by filling and signing an account maintenance form (CDS 1) at the CDA, and providing a copy of the account holder's identification document used while opening the account.
- 4.2.2.2 Upon receipt of the instructions, the CDA will verify the accuracy of the information provided in the account maintenance form.
- 4.2.2.3 The CDA shall send to CDSC by email an advance summary of the accounts to be activated and shall include an indemnity clause in the summary. The CDA shall also send scanned copies of the accounts activation instructions and documents to accompany the accounts activation summary.
- 4.2.2.4 The CDA shall initiate the account activation in the CDS and upload scanned copies of the account activation documents.

4.2.2.5 Upon receipt of the activation instructions from the CDA, CDSC will review all the activation requests and approve or decline within 24 hours. Activation requests which are not supported with all the required documentation will be declined.

4.2.2.6 Upon re-activation of a dormant account, a notification shall be sent to the account holder through email. An SMS alert will also be sent to those account holders whose mobile phone number details are available in the CDS. A notification shall also be sent to the account holder's CDA.

4.2.3 Procedure for Activation by the account holder (Self service)

4.2.3.1 The account holder may activate their account using the CDSC online portal. An account may also be activated using the CDSC Mobile application.

4.2.3.2 The account holder shall log in on the online portal or the mobile application using their log-in credentials and follow the instructions to lodge an activation request.

4.2.3.3 The request shall be submitted directly to the CDA from the online portal.

4.2.3.4 Upon receipt of the activation instructions from the account holder, procedure 4.2.2.3 to 4.2.2.6 above shall apply.

5 DEPOSITS

5.1 PROCEDURE FOR CDAs ACCEPTING, VERIFYING, AND FILING OF SECURITIES DEPOSIT FORMS AND SECURITIES CERTIFICATES AND THEIR ONWARD TRANSMISSION TO THE ISSUERS

- 5.1.1 The client will submit in quadruplicate completed and signed Securities Deposit Form CDS 2 (Appendix 2) and the relevant Securities certificates to his CDA.
- 5.1.2 The CDA will verify the accuracy of information provided in the Securities Deposit form.
- 5.1.3 The CDA will acknowledge receipt of the documents by returning to the client a copy of the Security Deposit Form, duly signed, stamped and dated.
- 5.1.4 The CDA will deliver three copies of the duly signed Securities Deposit Form together with securities certificates to the Issuer.
- 5.1.5 The Issuer, upon receipt of the documents, shall verify their authenticity and ensure that the specimen signature in their custody matches the one on the deposit forms.
- 5.1.6 The Issuer will acknowledge receipt of deposit documents by handing over a copy of the Security Deposit Form, duly signed, stamped and dated to the CDA.
- 5.1.7 The Issuer, after confirming their authenticity, will send an upload file to CDSC containing a detailed list of accounts and shares to be credited to those accounts.
- 5.1.8 The CDSC, upon receipt of the upload file will credit the shares into the respective client's accounts.
- 5.1.9 The Issuer will be required to indemnify the CDSC of any consequences as a result of erroneous crediting of securities in accounts arising from any information contained in the upload files.
- 5.1.10 Any rejected documents will be returned by the Issuer to the CDA.
- 5.1.11 The Issuer will, after the authenticity of deposited Securities certificate is verified, register the Securities in the name of CDSC or its nominees.
- 5.1.12 The Issuer shall issue Jumbo certificates for securities deposited with the CDSC or on the basis of any agreed incremental deposits. The certificate will be in the name of the CDSC or its nominee.
- 5.1.13 Issuer will forward the Jumbo certificate to CDSC.
- 5.1.14 CDSC will acknowledge receipt of the Jumbo certificate in writing by issuing a receipt to the Issuer.
- 5.1.15 CDSC will then forward the Jumbo certificates to the Custodian selected for the safe Custody of such certificates.

5.2 DEPOSIT OF SECURITIES FOR DEMATERIALIZATION BY SHARE REGISTRARS INTO INVESTORS ACCOUNTS HELD BY THE ISSUER (DATA MIGRATION)

- 5.2.1 The Issuer will submit to CDSC, a file of investors' static details (in electronic format) of all shareholders whose shares are held in certificate form in their records.
- 5.2.2 Upon receipt of the information mentioned in 5.2.1 above, CDSC will create non – trading CDS accounts under the Issuer for the investors.
- 5.2.3 Investors accounts created under 5.2.2 will have the following features.
- 5.2.4 The accounts will be created in CDS under the Issuer as a participant and will be inaccessible to CDAs.
- 5.2.5 The accounts will be created as non-trading accounts.
- 5.2.6 CDSC will submit the file (in electronic form) of shareholders containing CDS account numbers to the Issuer.
- 5.2.7 Upon receipt of the file mentioned in 5.2.4, the Issuer will map and verify the data against the file submitted to CDSC in 5.2.1 and confirm acceptance to CDSC by stamping and signing a copy of the forwarding schedule.
- 5.2.8 Upon verification of the data as mentioned in 5.2.5, the Issuer will upload the file into their system and generate an upload file of the investors which will include their respective shareholding and submit it to CDSC.
- 5.2.9 Upon receipt of the upload file, CDSC will verify conformity of the CDS account details with the details contained in 5.2.4.
- 5.2.10 Upon verification, CDSC will credit the investors' accounts with their respective shares.
- 5.2.11 All such shares will be frozen and will only be transferred in the event of investors' instructions through the process provided in Procedure 5.2 of the CDS Operational Procedures.
- 5.2.12 CDSC will provide the Issuer with a report showing each certificated investor's account details inclusive of shareholding and CDS account numbers.
- 5.2.13 The Issuer will confirm conformity of the investors' static details and shareholding by stamping and signing a copy of the forwarding schedule.
- 5.2.14 Where the investor's shares are pledged, the Issuer will submit a separate upload file as provided in Procedures 5.2.1 to 5.2.6.
- 5.2.15 Upon receipt of the pledged shares upload file, CDSC will credit the shares into the investors account held under the Issuer and immediately record the pledge.
- 5.2.16 CDSC will inform the Pledgee of the recording of the pledge.
- 5.2.17 Upon receipt of a signed copy of the forwarding schedule provided for under Procedure 5.2.10, CDSC and the Issuer will sign off the data migration process.
- 5.2.18 Issuers will not be required to issue Jumbo certificates.

5.3 DEPOSITS OF SECURITIES FOR DEMATERIALIZATION BY INVESTORS

- 5.3.1 The client will submit in quadruplicate completed and signed Securities Deposit Form CDS 2 and the relevant Securities certificates to his CDA.
- 5.3.2 The CDA will verify the accuracy of information provided in the Securities Deposit form.
- 5.3.3 The CDA will acknowledge receipt of the documents by returning to the client a copy of the Security Deposit Form, duly signed, stamped and dated.
- 5.3.4 The CDA will deliver two copies of the duly signed Securities Deposit Form together with securities certificates and a forwarding schedule in duplicate to the Issuer
- 5.3.5 The Issuer will acknowledge receipt of deposit documents by handing over a copy of the forwarding schedule, duly signed, stamped and dated to the CDA.
- 5.3.6 The Issuer, upon receipt of the documents, shall verify their authenticity and ensure that the specimen signature and all other relevant information in their custody match the information on the deposit form(s).
- 5.3.7 The Issuer, after confirming their authenticity, will indicate the non-trading CDS number provided by CDSC on the CDS 2 form.
- 5.3.8 The Issuer will also indicate the Local Client ID in the non-trading account provided by registrar on the CDS 2 form.
- 5.3.9 The Issuer will deliver by its authorized personnel the deposit documents to CDSC summarized in a CDS 2 delivery schedule in duplicate. Deposit documents will be valid as verified only when signed by the authorized signatories of the Issuer/Registrar as instructed to CDSC.
- 5.3.10 CDSC will acknowledge receipt of the deposit documents by stamping and signing a copy of the forwarding schedule.
- 5.3.11 The CDSC, upon receipt of the deposit documents, will verify the deposit document by:
 - 5.3.11.1 Confirming correctness of the clients details indicated on CDS 2 form against the details in CDS system
 - 5.3.11.2 Confirming that the non trading CDS account number indicated on CDS 2 form conforms to the one in the CDS system
- 5.3.12 Upon verification of the deposit documents as mentioned in 5.3.11.2, CDSC will transfer the shares from the investors account held under the Issuer to the Investor's account held under a CDA.
- 5.3.13 Upon completion of the transfer, CDSC will submit a report to the Issuer/Shares Registrar showing the movement of shares from the issuer's account to the CDA's account.
- 5.3.14 The Issuer will be required to indemnify the CDSC of any consequences as a result of erroneous crediting of securities in accounts arising from any information contained in the deposit documents.

5.3.15 No jumbo certificate will be required.

5.3.16 Any rejected documents will be returned by the Issuer to the CDA.

5.4

5.5 DEALING WITH PRIVATE TRANSFERS AFTER DEMATERIALIZATION DATE

- 5.5.1 Where shares to be transferred are immobilized, applications for private transfers will comply with the new private transfers' procedures in accordance with the CMA regulations.
- 5.5.2 Where shares to be transferred are unimmobilized/certificated:
- 5.5.3 The beneficiary will contact a CDA and if he already has a securities account in the CDS, obtain a Private Transfer form (CDS 7) and indicate the account number thereof on the form.
- 5.5.4 Where the beneficiary does not already have an account with a CDA of his choice, he will appoint a CDA of his choice and open a CDS account.
- 5.5.5 The beneficiary will fill and sign a CDS 2 form and CDS 7 form to be provided by the CDA. The beneficiary will submit to the CDA all relevant and required documentation to support the application.
- 5.5.6 The CDA will acknowledge receipt of the documents by stamping, signing and returning a copies of the CDS 7 form and CDS 2 form to the beneficiary.
- 5.5.7 The CDA will verify conformity of the supporting documents with the requirements of private transfers.
- 5.5.8 The CDA will submit the documents of transfer to the Shares Registrar for verification.
- 5.5.9 Upon verification, the Shares Registrar will indicate the non trading account number on both the CDS 2 form and CDS 7 and return the documents to the CDA.
- 5.5.10 The CDAs will submit the documents to NSE for approval.
 - 5.4.2.1 Upon approval, NSE will submit the documents to the Share Registrars upon which the Share Registrars shall inform the CDSC to move the shares from the non-trading account to the beneficiary's CDS account.
 - 5.4.8.2 Upon receipt of duly verified and approved transfer documents, CDSC will effect a transfer from the investor's CDS account created under the Issuer to the beneficiary's account with a CDA.
- 5.5.11 CDSC shall submit a report to the Issuer (every two weeks) showing the share movement from the Investors non trading accounts held under the Issuer to the Investors accounts.

6 TRADES

This function describes the procedures to be complied with by the CDAs for trades effected on the Stock Exchange with respect to:

- 1.) Accepting buying/selling orders of the Securities from Clients
- 2.) Providing trade details and client information to CDSC

6.1 ORDER INPUT

- 6.1.1 Upon receipt of trade orders from clients, ATS operators will verify availability of the Securities in the Securities Account.
- 6.1.2 During the trading session, ATS Operators will in respect of all immobilized securities enter the trade orders in the ATS through their trading terminals, which are then transmitted, directly to the CDS for validation, acceptance and execution.
- 6.1.3 Upon an entry of an order by the ATS Operator, the ATS shall validate the order by confirming that the seller's CDS account holds the required number of securities and that the same are available for trading.
- 6.1.4 The CDS System will generate a unique CDS reference number for each trade executed.
- 6.1.5 CDSC will thereafter issue every broker with its broker trading summary schedule (Appendix 7) by **3.30 p.m.**
- 6.1.6 CDSC will make available to Custodian Banks Initial Settlement Reports in respect of transactions allocated to their clients by Stockbrokers on **T by 5.00p.m.** CDSC will ensure that the reports are collected by hand or other means agreed with each such Custodian Bank and that receipt thereof is acknowledged by a duly authorized representative of the Custodian Bank. Procedure 6.3 will thereafter apply.

6.2 AMENDMENTS TO TRADE INFORMATION

- 6.2.1 Any amendments will be subject to agreement among the Stockbrokers in the trade and the Exchange. Any such amendments will be submitted to the exchange within 30 minutes of the end of trading session.

6.3 NEGATIVE AFFIRMATION OF TRADES ALLOCATED TO SECURITIES ACCOUNTS OF CLIENTS OF CUSTODIAN BANKS

- 6.3.1 Custodian Banks will notify CDSC of any trades allocated to their clients erroneously and therefore not accepted, by indicating this on a copy of the respective Reports submitted to them under Procedure 6.1.6 and delivering the report to the CDSC. CDSC will then notify the relevant Stock broking Company in writing and remove the relevant custodian allocation.
- 6.3.2 In accordance with Procedure 6.3.1, Custodian Banks will have up to T+2, noon to refuse trades that have been erroneously allocated to their clients by Stock broking companies on T. The Custodian Bank must ensure that CDSC acknowledges such refusal in writing. Any trade not so refused shall be deemed to be accepted.
- 6.3.3 Any request for trade acceptance by the Custodian after the deadline prescribed in 6.3.2 above will be subject to a surcharge, in accordance with Procedures 17 (i.e. between T+2 noon and T+2 5p.m).
- 6.3.4 Where a custodian refuses to accept a trade, the Stock broking company may re-allocate the trade to another client. Once the trade is re-allocated, the trade may not subsequently be accepted by the Custodian.
- 6.3.5 If the trade is not allocated by 8.00 am on T+3, the trade shall be dealt with in accordance with procedures 7.4, 7.5 and 7.6.

7 CLEARING AND SETTLEMENT

This function stipulates the procedures to be complied with by CDAs in respect of reporting and confirming transactions to the CDSC to clear and settle such transactions through the services of CDSC.

This section was amended in December 2014

7.1 SECURITIES AND FUNDS SETTLEMENT

- (a) CDSC will provide CDAs and their Settlement Banks with their respective Initial Settlement Reports by 5.00 pm on T.
- (b) CDSC will provide CDAs and their Settlement Banks with their respective Final Settlement Reports by 5.00 pm on T+2.
- (c) Each CDA must have funds available in the Settlement Account with its Settlement Bank in accordance with the Final Settlement Report before 1.00pm on T+3.
- (d) The Settlement bank shall notify each CDAs' Settlement position to the CDSC by 1.00pm on T+3.
- (e) CDSC will submit the final settlement instructions to CBK by 2.30pm on T+3.
- (f) The CBK shall transfer funds for settlement in accordance with the Settlement Instructions by 3.00pm on T+3.
- (g) The CBK will confirm settlement of funds to CDSC immediately by electronic means (or any other mode as may be agreed from time to time)
- (h) CDSC will, upon receipt of the confirmation from CBK of successful settlement of funds, transfer the securities. The settlement of funds and movement of securities shall in any case occur not later than 3.15 pm on T+3.

7.2 AMENDMENTS TO SETTLEMENT INSTRUCTIONS

- 7.2.1 CDSC will provide Amended Settlement Schedules (Appendix 11) and Amended Settlement Instructions to the Settlement Bank in the event of funds or securities failure.
- 7.2.2 In case of funds default CDSC will effect funds settlement as outlined in Procedure 7.3.
- 7.2.3 In case of securities default CDSC will effect settlement as outlined in Procedure 7.4.

7.3 FUNDS SETTLEMENT DEFAULT

- 7.3.1 The defaulting CDA's Settlement Bank will inform CDSC of any shortfall in the funds settlement by 1.00 pm on T+3.
- 7.3.2 CDSC will seize the defaulting CDA's clients' shares and allocate them to the Guarantee Fund.

- 7.3.3 The defaulting CDA's Settlement Bank will provide for the shortfall in accordance with the terms of the Settlement bank agreement.
- 7.3.4 The defaulting CDA will be required reimburse the Settlement bank of the amount paid on its behalf including any interest charges by 12.00noon on the next business day.
- 7.3.5 In the event that the CDA does not reimburse the Settlement bank as stated in (e) above, the Settlement bank will immediately notify CDSC by 2.00pm on the same day.
- 7.3.6 CDSC will draw down the amount required (initial amount paid plus any accrued interest) from the GF and replenish the affected Settlement bank position within one business day of being notified by the Settlement bank.
- 7.3.7 CDSC will levy default penalties to the affected CDA in accordance with the GF Procedures.
- 7.3.8 In any event, the defaulting CDA will not be allowed to access the trading system until its contribution to the GF has been regularized.

7.4 FAILURE TO ALLOCATE TRADES BY SELLING CDA IN CASE OF NON-ACCEPTANCE BY A CUSTODIAN

- 7.4.1 Where a trade is not allocated by the selling CDA following non-acceptance by a Custodian the transaction will remain in the settlement cycle for settlement on T+3 but the procedures below will apply.
- 7.4.2 If the trade is not allocated before the commencement of trading on T+3, 9.00 am, it shall be marked as a failed trade and removed from the settlement cycle. The CDSC shall inform the Buying CDA of this and the date set for buy-in.
- 7.4.3 A penalty equivalent to 0.14 % of the value of the transaction shall be imposed for any trade NOT allocated on T+2 by **5.00** pm in accordance with Procedure 17.
- 7.4.4 If the trade fails as aforesaid the CDSC shall add 5 days to the settlement cycle and initiate a buy-in.
- 7.4.5 The defaulting CDA shall be required to buy the securities on the market within 5 trading sessions and the Trade shall be provisionally allocated to the defaulting **CDA's provisional account** established for this purpose for subsequent delivery to the initial buyer.
- 7.4.6 Trades affecting the CDA's provisional account shall only be allowed in procedures 7.4.5 and 7.5.3. No other type of transaction will be allowed on this account.
- 7.4.7 Once the defaulting CDA acquires the required amount of securities, the original failed trade shall be allocated to the defaulting CDA's provisional account and settled at most three days after allocation.
- 7.4.8 If the buy-in is not successful within five trading sessions, the Trade shall subject to the decision of the NSE Trading and Compliance Committee be cancelled and the defaulting broker shall be liable to pay a penalty of **2 %** of the value of the transaction **at the ruling market price** (pro-rata in case of a partial fill). **40%** of this amount will be given to the buyer in the failed transaction as compensation. The remaining **60%** shall be retained by CDSC as processing fee.

7.5 FAILURE TO ALLOCATE TRADES BY BUYING CDA IN CASE OF NON-ACCEPTANCE BY A CUSTODIAN

- 7.5.1 Where a trade is not allocated by the buying CDA following non-acceptance by a Custodian, the transaction will remain in the settlement cycle for settlement on T+3 but the procedures below will apply.
- 7.5.2 A penalty equivalent to 0.14 % of the value of the transaction shall be imposed for any trade not allocated on T+2 by **5.00 pm** in accordance with Procedure 17.
- 7.5.3 If the Trade is not allocated before the commencement of trading on T+3, 9.00 am, the trade shall be allocated to the **CDA's provisional account** and settled on T+3 along with the CDA's other obligations. If necessary the Guarantee Fund will be used, in accordance with the Guarantee Fund Procedures.
- 7.5.4 The Guarantee Fund Procedures shall thereafter apply.

7.6 PROCEDURES UPON DEFAULT

- 7.6.1 Buy-in will be effected by the Stockbroker, which has defaulted under the supervision of the Securities Exchange and procedures 7.4.5 to 7.4.8 above shall apply.
- 7.6.2 The CDSC will inform the Stock Exchange of the buy-in by 8:45 am on the third Business Day following the Business Day on which the trade took place (T+3), and will provide the Stock Exchange with the following details:
 - 7.6.2.1 The defaulting Stockbroker,
 - 7.6.2.2 The security, its price and quantity undelivered.
- 7.6.3 The Stock Exchange will ensure that the buy-in order is entered into the ATS at the highest possible price for the day on the same day set out in 7.6.2.
- 7.6.4 Partial fill for the quantity to be purchased will be allowed in each of the buy-in trade sessions.

7.7 ACCELERATION OF TRADES

This function stipulates the procedures to be followed with respect to acceleration of trades

This section was inserted in November 2016

- 7.7.1 Parties to a trade may change the settlement date to an earlier date (acceleration of trade), subject to an agreement between them.
- 7.7.2 Once all parties to a trade are in agreement to a trade acceleration, the buying CDA shall inform CDSC in writing and copy the contra CDA by 12.00 noon the day before the desired date of settlement.
- 7.7.3 The contra CDA shall inform CDSC in writing that they have accepted the proposed trade acceleration.
- 7.7.4 Upon receipt of the acceleration request from the buying CDA and confirmation of acceptance from the contra CDA, CDSC shall effect the trade acceleration in the CDS system.
- 7.7.5 The revised Final Settlement schedule shall be made available to all the parties involved on the same day the trade is accelerated, by 5pm.
- 7.7.6 The trades will thereafter settle in the usual manner as per Procedure 7.1

8 TRANSFER OF ACCOUNTS

This function describes the procedures to be complied with by the CDA with respect to accepting, verifying, filing of Securities Transfer Forms and submission of the transfer documents to CDSC.

- 8.1.1 The Client will submit in triplicate duly completed and signed Securities Transfer Form CDS 4A/B to his current CDA. (Appendix 13). The current CDA shall sign the CDS form 4A/B and return it to the client.
- 8.1.2 The current CDA shall prepare and submit to CDSC, a list of all CDS forms 4A/B that have been signed and returned the its clients on a daily basis.
- 8.1.3 The Receiving CDAs shall verify the instructions and signature of client and will acknowledge receipt of the transfer request by returning to the client a copy of the Securities Transfer Form, duly signed.
- 8.1.4 The Receiving CDA will deliver by its authorized personnel relevant copies of duly signed Securities Transfer Form CDS 4A/B to CDSC.
- 8.1.5 The CDSC will acknowledge receipt of transfer documents by handing over a copy of the Securities Transfer Form to the Receiving CDA, duly signed.
- 8.1.6 The CDSC will check whether the transfer request is in conformity with the Rules and Procedures and will immediately effect the transfer of Securities: or
- 8.1.7 The CDSC will within one business day effect the transfer or reject it. CDSC shall give reasons for rejection, and return for collection by thereceiving CDA's authorized personnel the rejected transfer documents.

9 PRIVATE TRANSACTIONS

This section stipulates the procedures to be complied with by CDAs with respect to:

1. Hereditary transfers of securities already deposited in the CDSC,
2. Transfer of eligible securities between custodians and between custodians and their clients where there is NO CHANGE IN BENEFICIAL OWENERSHIP,
3. Donations
4. Gifts
5. Other dispositions of eligible securities with prior approval of the Authority (Rule 44)

- 9.1.1 The Client will hand over duly completed and signed Securities Private transfer Form CDS 7 (Appendix 16) accompanied by relevant supporting documents to his CDA.
- 9.1.2 The CDA will verify instructions and signature of client and will acknowledge receipt of the transfer request by returning to the client relevant copies of the Private transfer Form duly signed, stamped and dated.
- 9.1.3 The CDA will deliver two copies of the duly signed Private transfer Form together with supporting documents to NSE.
- 9.1.4 The NSE will check whether the information provided in the Private transfer form is in conformity with the provisions of the CMA requirements for private transfers. If they fulfill all laid down requirements, NSE shall approve them for transfer and submit the documents to CDSC.
- 9.1.5 The CDSC will immediately effect the transfer of Securities.

10 PLEDGES & FORECLOSURES

This section stipulates the procedures to be complied with by CDAs with respect to:

1. Pledge of securities already deposited in the CDSC,
2. Release of pledge upon termination of the pledge,
3. Foreclosure on securities pledged in the CDSC, and
4. Foreclosure on securities pledged with the Issuer.
5. Foreclosure on securities held under a CDA who has gone under
6. Foreclosure on securities using a different CDA when the current CDA is still existing

10.1 PLEDGE IN THE CDSC

- 10.1.1 The Client will hand over duly completed and signed Securities Pledge Form CDS 5 (Appendix 14) to his CDA.
- 10.1.2 The CDA will verify instructions and signature of client and will acknowledge receipt of the pledge request by returning to the client relevant copies of the Pledge Form duly signed.
- 10.1.3 The Client/Pledgor will hand over the duly signed Securities Pledge Form to the pledgee and negotiate his pledge conditions.
- 10.1.4 The pledgee will forward the completed and duly signed Securities Pledge Form to the CDSC through his CDA.
- 10.1.5 The CDSC will check whether the information provided in the pledge documents are in conformity with the Rules and Procedures.
- 10.1.6 The CDSC will reject incomplete pledge documents, stating reasons for rejection and return the pledge document to the pledgee's CDA.
- 10.1.7 The CDSC will record the pledged Securities and will freeze the securities in the pledgor's account.
- 10.1.8 The CDSC will confirm to the pledgee's and the pledgor's CDA the completion of the pledge by forwarding a copy of the Securities Pledge Form, to each duly signed.

10.2 RELEASE TO PLEDGOR

- 10.2.1 The pledgee will submit instructions to his CDA, on the Securities Pledge Release/Foreclosure Form CDS 6 (Appendix 15), clearly stating that the pledge is being terminated for reason of payment or any other reason.
- 10.2.2 The pledgee CDA will forward the Securities Pledge Release / Foreclosure Form to the CDSC after verifying the details and signatories and completing the relevant section in the form.
- 10.2.3 Upon receipt of the instructions, CDSC will verify whether the form has been properly filled. CDSC will then release the pledge in favour of the pledgor in accordance with Rule [63] and the securities will be eligible for any other transaction.

10.3

10.4 FORECLOSURE ON SECURITIES PLEDGED WITH THE ISSUER

This section pertains to foreclosure on securities which have never been deposited in the CDS and which are pledged in the register of the Issuer. Sale of such securities implies deposit of the pledged securities in the CDS in a Securities Account for the purpose of clearing and settlement through the CDSC.

- 10.4.1 The pledgee CDA will ensure that the pledgee has the proper authority to deposit the securities for subsequent sale. The pledged
- 10.4.2 The pledgee CDA will ensure that the pledgee has the proper authority to deposit the securities for subsequent sale. The pledged securities will be deposited in a Securities Account in the name of the pledgor clearly marked “Foreclosure”.
- 10.4.3 The pledged certificate will be deposited in the CDSC in accordance with Procedures 5 accompanied by:
 - 10.4.3.1 Instructions pertaining to “Foreclosure on securities pledged with the Issuer” on the Securities Pledge Release / Foreclosure Form CDS 6.
 - 10.4.3.2 Documents evidencing the pledge.
- 10.4.4 After verification and processing, the CDSC will forward the following documents to the Issuer:
 - 10.4.4.1 Deposit Form;
 - 10.4.4.2 Certificates;
 - 10.4.4.3 Copy of the CDSC Pledge Release/Foreclosure Form, and
 - 10.4.4.4 The Schedule for Provisional Deposits.
- 10.4.5 When the Issuer confirms the authenticity of the deposited certificates, CDSC will credit the securities to the client’s Securities Account marked “Foreclosure” and record the pledge.
- 10.4.6 Prior to effecting the sale through its CDA, the pledgee will give sufficient notice to the pledgor as required by any applicable law or agreement. CDSC will issue a letter to the pledgor notifying the pledgor that the securities are being released for sale by the pledgee.
- 10.4.7 The executing Stockbroker will inform CDSC immediately after the securities are sold. CDSC will then release the pledge and make the securities available in the Securities Account of the pledgee for clearing and settlement purposes.
- 10.4.8 The pledgee shall be required to indemnify the CDSC in the event of any wrongful foreclosure

10.5 FORECLOSURE ON SECURITIES PLEDGED IN THE CDS

This section pertains to foreclosure by the pledgee on securities, which have been pledged in the CDS. Upon receipt of a request for foreclosure on pledged securities, CDS will release the pledge and make the securities available in the Securities Account of the pledgee for sale, clearing and settlement purposes. The release is effected only upon confirmation of the sale by the executing Stockbroker appointed by the pledgee.

- 10.5.1 The pledgee will submit instructions pertaining to “Foreclosure on securities pledged in the CDSC” on the Securities Pledge Release / Foreclosure Form (Appendix 15).
- 10.5.2 The pledgee CDA will forward the Securities Pledge Release / Foreclosure Form to the CDSC after verifying the details and signatories and completing the relevant section in the form.
- 10.5.3 Prior to effecting the sale through its CDA, the pledgee will give sufficient notice to the pledgor as required by any applicable law or agreement. CDSC will issue a letter to the pledgor notifying the pledgor that the securities are being released for sale by the pledgee.
- 10.5.4 The executing Stockbroker will inform CDSC immediately after the securities are sold. CDSC will then release the pledge and transfer the securities to the Securities Account of the pledgee for clearing and settlement purposes. The executing Stockbroker will allocate the sale to the pledgee’s Securities Account.
- 10.5.5 The pledgee shall be required to indemnify the CDSC in the event of any wrongful foreclosure.

10.7 FORE CLOSURE ON SECURITIES HELD UNDER A CDA WHICH IS UNDER STATUTORY MANAGEMENT

This section pertains to foreclosure by the Pledgee on securities held by a CDA which is under statutory management

- 10.7.1 The pledgee dully completes a CDS 6 form, CDS 4A/4B and a letter to release the securities, signed by the Pledgee in place of the Pledgor.
- 11.5.2 The forms should be approved by the Statutory Manager before submission to CDSC.
 - 11.5.2.1 The Pledgee should fully indemnify the Central Depository for releasing the securities and subsequently transferring them to another CDA without the Pledgor's consent, by dully completing the CDS 11 a (where securities are in certificate form and have to be immobilized), or CDS 11 b (where securities are already in the CDS).
 - 11.5.2.2 Where securities are in certificate form, the Pledgee should also fill a CDS 1 form to open a CDS account in the name of the Pledgor and a CDS 2 form for immobilization.
 - 11.5.2.3 Where the securities are already in the CDS, CDS 4A/4B are used to open a CDS account with the new CDA.
- 10.7.3 The Pledgee's CDA forwards the documents together with a cheque KES 1200 addressed to CDSC as payment of both the pledge transfer and pledge release to another CDA for subsequent sale.
- 10.7.4 CDSC writes to the client a foreclosure letter to notify them of the impending release and subsequent sale of the securities by the Pledgee.
- 10.7.5 The Central Depository, through the use of the CDS 4A/4B will transfer the pledge.
- 10.7.6 Once the pledge has been transferred, the securities will be released for sale.
- 10.7.7 As soon as the securities have been sold and settled, the Pledgee will inform the Central Depository to close the foreclosure account opened with the Pledgee's CDA.

10.8 FORECLOSURE ON SECURITIES USING A DIFFERENT CDA WHEN THE CURRENT CDA IS STILL EXISTING.

This section pertains to the foreclosure of securities where a Pledgee wants to foreclose the shares using a different CDA other than the one currently holding the pledged securities.

- 10.8.1 The Pledgee dully completes CDS 6,4A/B and a letter to release the securities, signed by the Pledgee in place of the Pledgor.
- 10.8.2 The current CDA also dully fills all the relevant sections of the charge documents
 - 10.8.2.1 The Pledgee fully indemnifies the Central Depository by dully filling CDS 11b
- 10.8.3 The Pledgee's CDA uses CDS 4A/B to open a new foreclosure account in the name of the Pledgor.
- 10.8.4 The foreclosure documents are then forwarded to the Central Depository with a cheque of KES 1200 addressed to the Central Depository.
- 10.8.5 The Central Depository writes to the Pledgor a foreclosure letter notifying them of the impending foreclosure.
- 10.8.6 The Central Depository, through the use of the CDA 4A/B will transfer the pledge to the new CDA.
- 10.8.7 Once the pledge has been transferred the securities will be released for sell.
- 10.8.8 As soon as the securities have been sold and settled, the Pledgee will inform the Central Depository to close the foreclosure account opened with the Pledgee's CDA.

11 PUBLIC OFFERS

This function describes the procedures to be complied with by Issuers for Securities to be credited directly to clients Securities Accounts in respect of Initial and other Public Offers (IPOs)

This section was amended in December 2013

- 11.1.1 The Client will, if he already has a securities account in the CDS, indicate the account number thereof in the subscription form. If the client does not already have a CDS account, he will open one and have the number indicated on the subscription form.
- 11.1.2 Upon completion of IPO, the Issuer will provide CDSC with an Allotment upload file indicating the respective securities account numbers.
- 11.1.3 At the close of the Business Day before the trade date CDSC will credit client Securities Account with the number of Securities allotted to them as per the Allotment file e.
- 11.1.4 CDSC will make available to the Issuer a New Issues file.
- 11.1.5 Issuer will register the Securities as per the New Issues file in the name of CDSC nominees.

12 BONUS ISSUES

This function describes the procedures to be complied with by the Registries for Bonus Securities to be credited directly to clients Securities Account.

This section was amended in December 2013

- 12.1.1 The Issuer will inform CDSC in writing of any proposed Bonus Issue, the record and the Entitlement Date.
- 12.1.2 Following settlement of all transactions that took place on or before the last cum-date, CDSC will provide the Issuer with an Entitlement Schedule with respect to shareholders registered as at Entitlement Date.
- 12.1.3 The CDSC will provide the Shares Registrars with the Entitlement Schedule at the close of business 4 days after the Entitlement Date.
- 12.1.4 The Issuer will forward letters of allotment to ALL CDS Securities Accounts holders indicated in the Entitlement Schedule notifying them that their Securities Accounts would be credited with the number of Bonus Securities.
- 12.1.5 The Issuer will submit to CDSC an upload file for the incremental numbers of securities 4 days before commencement of trading.
- 12.1.6 At the close of Business Day before the trade date, CDSC will credit the clients Securities Accounts with the number of Bonus Securities allotted to them.
- 12.1.7 The CDSC will make available to the Issuer a Bonus/Rights Schedule
- 12.1.8 The Issuer will register the Securities as per the Bonus/Rights Schedule in the name of the investor
- 12.1.9 The Issuer will forward the Securities certificate to CDSC.
- 12.1.10 CDSC will acknowledge receipt of the Securities certificate by issuing a receipt to the Issuer.

13 RIGHTS ISSUES

This function describes the procedures to be complied with by Issuer and CDAs with respect to Rights Issues and trading of Rights.
This section was amended in December 2013

13.1 RIGHTS ENTITLEMENT

13.1.1 The Issuer will inform CDSC of:

13.1.1.1 The Rights Issue,

13.1.1.2 The Entitlement Date,

13.1.1.3 The period during which the Rights will be traded, and

13.1.1.4 The opening and closing dates of subscription.

13.1.2 The Securities Exchange shall ensure that the last cum-date will be the Entitlement Date (Record Date).

13.1.2.1 Following settlement of all transactions that took place on or before the last cum-date, CDSC will provide the Issuer with an Entitlement Schedule with respect to shareholders registered as at the Entitlement Date.

13.1.2.2 CDSC will provide the Entitlement Schedule on the 4th day after the Entitlement Date.

13.1.3 The Issuer will forward Provisional Letters of Allotment (PAL) for Securities Account holders indicated in the list.

13.1.4 The Issuer/ will submit to CDSC a Rights Allotment Schedule (upload file) after Rights Issue processing.

13.1.5 If the Rights Allotment Schedule contains errors, CDSC will return the Allotment Schedule to the Issuer for rectification.

13.1.6 On the Business Day before the trade date of Rights, CDSC will credit the Securities Accounts (including the accounts held under the Issuer) with the number of Rights as per the Rights Allotment Schedule.

13.1.7 CDSC will make available to CDAs and Issuer a Schedule of Rights Allotted

13.2 TRADING OF RIGHTS

13.2.1 Rights holders not in the CDSC, but wishing to trade their Rights will have to open a Securities Account and deposit their Provisional Allotment Letters in accordance with Procedure 5.

13.2.2 Rights will be traded and settled in accordance with Procedures 6 and 7 respectively.

13.2.3 Subscription of rights bought on the trading floor will be effected in accordance with Procedures.

13.2.4 Following settlement of transactions effected on the trading floor on the last trade date, CDSC will provide a Trade Schedule to the Issuer for the trading period of the rights.

13.3 SUBSCRIPTION OF RIGHTS

13.3.1 Rights holders, including Securities Accounts holders, who accept all or part of the shares offered will submit the relevant subscription forms together with the remittances to the Issuer.

- 13.3.2 Securities Account holders who have bought Rights on the Stock Exchange will submit the relevant subscription forms and their remittances to the Issuer through their CDAs.
- 13.3.3 Transfer of rights for subscription by the transferee will be dealt with by the Issuer. Such requests will be submitted directly to the Issuer together with the remittances and the relevant approval.
- 13.3.4 Upon receipt of subscription forms from the rights holders, the Issuer shall ascertain from the Trade Schedule to be provided by CDSC that the subscriber has not already disposed of his/her rights.

13.4 TRANSFER OF RIGHTS BETWEEN DEPOSITOR'S ACCOUNTS

- 13.4.1 In case of transfer of rights, between securities accounts of the same Depositor, procedure 9 shall apply.

13.5 APPLICATION FOR EXCESS SHARES

- 13.5.1 Application for excess shares will be submitted directly to the Issuer for processing.

13.6 ALLOTMENT OF SHARES

- 13.6.1 The Issuer will forward to the CDSC an Allotment Schedule that will contain the list of Securities Account holders who have been allotted shares after exercising their rights as well as those who have been allotted excess shares.
- 13.6.2 If the Allotment Schedule contains errors, CDSC will return the Allotment Schedule to the Issuer for rectification.
- 13.6.3 At the close of business day before trade date, CDSC will credit the clients Securities Accounts with the number of Securities as per the Allotment Schedule.
- 13.6.4 CDSC will make available to the Issuer a Schedule of Securities Allotted.
- 13.6.5 The Issuer will register the Securities as per the Rights Schedule in the name of the Rights holders.

14 DIVIDENDS/CORPORATE ACTIONS

This function describes procedures to be complied with by Registries in respect of dividends payment and Corporate Actions.

This section was amended in December 2013

- 14.1.1 The Issuer will inform CDSC in writing of the Entitlement Date and the last cum-date, in respect of dividend payment and corporate actions.
- 14.1.2 The Securities Exchange shall ensure that the last cum-date will be the Entitlement Date (Record Date).
- 14.1.3 Following settlement of all transactions that took place on or before the last cum-date, CDSC will provide the Issuer/ with an Entitlement Schedule with respect to shareholders registered as at the Entitlement Date.
- 14.1.4 CDSC will provide the Entitlement Schedule 4 days after the Entitlement Date.
- 14.1.5 The Issuer will effect payment of dividends to its shareholders and handle other Corporate Actions.

15 STATEMENTS OF SECURITIES ACCOUNTS

This function describes the procedures to be complied with regarding submission of statements to Securities Account holders.

- 15.1.1 The CDSC will make available statements of accounts to holders of active Securities Accounts on a monthly basis (Appendix20)
- 15.1.2 The CDSC will provide statements of accounts to holders of inactive Securities Accounts on an annual basis.
- 15.1.3 CDSC will provide interim statements to a depositor upon request and upon payment of the prescribed fee.
- 15.1.4 Statements of accounts will be made available, issued or delivered using such means as shall be suitable from time to time to ensure each account holder gets their statement

16 FEES AND SURCHARGES

A) Investors

	CDSC Fees (%)
Transaction Levy	0.06% of the value of each transaction

B) Central Depository Agents

▪ Appointment Fee for CDAs who are members of a Securities Exchange	Kshs. 20,000
▪ Appointment fee for CDAs who are not members of a Securities Exchange	Kshs. 75,000
▪ Annual Subscription Fee for CDAs	Kshs. 2,500
SURCHARGE	2 % of the value of transaction with a minimum of Kshs <u>3,000</u> and a maximum of Kshs <u>10,000. per day</u>
▪ In respect of client re-allocation or acceptance after T+2	
▪ Change of CDA, transfer of securities between different accounts of the same Depositor.	Kshs. 200 per change
▪ In respect of statements issued upon request from the account holder	Kshs. 50 per statement
▪ In respect of withdrawal of securities	Kshs. 500 per certificate
▪ Fee for recording, releasing or foreclosing of pledges	Kshs.1, 000 per pledge

C) LISTED COMPANIES

A fee of Kshs 90/= per transaction payable quarterly in arrears commencing on 1st April 2005, with a maximum of Kshs 1,000,000/= and a minimum of Kshs 50,000/= per annum

D) STATEMENT & PAYMENT

- 16.1.1 CDSC will forward a CDSC Fees and Surcharge Statement to CDAs at the end of each week.
- 16.1.2 All payments will have to be effected to CDSC by CDA before the expiry of 14 days following receipt of statement.
- 16.1.3 The mode of payment will be by cheque or direct debit to the CDSC bank account.
- 16.1.4 Any amount due but unpaid will attract interest at the rate of 2% above the rate charged by the Settlement Bank to CDSC on its facilities.

E) PENALTIES

- 16.1.5 Where a trade remains unallocated following an amendment the following charges shall apply:
 - 16.1.5.1 Daily fine of 0.14 % of the value of the transaction subject to a minimum of Kshs. 3, 000 and a maximum of Kshs. 10, 000 until the situation is rectified by T+4 9.00 am.
 - 16.1.5.2 If the buy-in is unsuccessful, the defaulting broker will pay a penalty of 2 % of the value of the failed transaction (pro rata in case of partial fill). 40% of this amount will be given to the buyer in the failed transaction as compensation. The remaining 60% shall be retained by CDSC as processing fee.
- 16.1.6 Where a trade fails due to funds settlement default, an absolute and irrevocable penalty of Kshs. 10,000 shall be payable immediately.

17 SUBDIVISION (SPLIT) OF SHARES

This function describes the procedures to be complied with by Issuers for subdivision of shares, whereupon the shares will be posted directly to clients Securities Account.

- 17.1.1.1 The Issuer and Securities Exchange will inform CDSC in writing of the Subdivision of Shares, the Record Date and the last effective date.
- 17.1.1.2 The last Cum-Date will be set at five Business Days before the Record Date.
- 17.1.1.3 The Securities Exchange will suspend trading on these shares between the Ex Date and the next Business Day following the Record Date.
- 17.1.1.4 The CDSC will not accept deposit of certificates of this security between the Ex Date and the next Business Day following the Record Date.
- 17.1.2 Following settlement of all transactions that took place on or before the last cum-date, CDSC will provide the Issuer with an Entitlement Schedule with respect to shareholders registered as at Record Date.
- 17.1.3 The Issuer will perform the subdivision of the shares and submit to CDSC, on the next Business Day following the Record Date, an Allotment Schedule for the crediting of Securities Accounts with the subdivided shares.
- 17.1.4 If information contained in the Allotment Schedule cannot be processed, CDSC will return the Allotment Schedule to the Issuer for rectification.
- 17.1.5 On the next Business Day following the Record Date, CDSC will expire the original security, create the new subdivided security and credit the clients Securities Accounts with the subdivided shares as per the Allotment Schedule.
- 17.1.6 Following the crediting of accounts, CDSC will provide the Issuer with a list of the shareholders with their respective shareholdings. CDSC will also return the Jumbo Certificates for the original security to the Issuer.
- 17.1.7 The Issuer will register the subdivided shares in the name of CDSC and issue a share certificate for the subdivided shares in the name of CDSC. The Issuer will forward the Securities certificate to CDSC. CDSC will acknowledge receipt of the Securities certificate by issuing a receipt to the Issuer
- 17.1.8 Issuer will instruct CDSC regarding acceptance of deposits of old certificates issued prior to the subdivision.

18 REDEMPTION OF SECURITIES

This function describes the procedures to be complied with by Registries and CDAs for full redemption of securities, whereupon the redeemed securities will no longer be available in the Securities accounts of clients.

- 18.1.1 The Issuer and the Stock Exchange will inform CDSC in writing of
 - 18.1.1.1 The redemption
 - 18.1.1.2 The redemption date, and
 - 18.1.1.3 The last trade date which will be fixed at 7 business days prior to the redemption date.
- 18.1.2 CDSC will inform CDAs and the Issuer of the
 - 18.1.2.1 Last date for acceptance of deposits of securities being redeemed, which will be set at 5 business days prior to the last trade date.
 - 18.1.2.2 The last date for any other transactions in the securities, which will be set at 2 business days prior to redemption date.
- 18.1.3 The CDSC will verify whether any of the securities being redeemed are pledged.
- 18.1.4 To enable redemption of the pledged securities, CDSC will request pledgee CDA to submit pledge release instruction of the pledgee in accordance with Rule 100.
- 18.1.5 If the pledgee instructs CDSC to release the pledge in favour of the pledgor, the CDSC will unfreeze the securities in the pledgor's Securities Account.
- 18.1.6 If the pledgee instructs CDSC to release the pledge in its favour, then the pledgor CDA must submit the pledgor's confirmation of such instruction. CDSC will then transfer the securities to the pledgee's Securities Account.
- 18.1.7 Any instructions submitted by the pledgor and pledgee must be duly authenticated by their respective CDAs.
- 18.1.8 Following settlement of transactions effected on the last trade date, CDSC will debit clients Securities Accounts and will provide the Issuer with two Entitlement Schedules for the following purposes:
 - 18.1.8.1 Entitlement Schedule to be used for the payment of interests. All pledged Securities will be in the name of the pledgor in this list
 - 18.1.8.2 Entitlement Schedule to be used for redemption. This list will contain the list of securities holders after release of pledge. Securities released from pledge may appear in the name of the pledgor or pledgee depending upon the pledge release instructions received. (Procedure 19.1.5 and 19.1.6 above)
- 18.1.9 The CDSC will return all securities certificates in the name of CDSC.
- 18.1.10 The CDSC shall ensure that entitlements (dividends, interests, bonus shares, rights and so on) on securities pledged as collateral are transmitted to the depositor as the “owner” of the securities as long as the said securities have not been duly seized by the lender.
- 18.1.11 Where neither the pledgor nor the pledgee submits release instructions, the CDSC shall release the pledge form to the Issuer together with the Entitlement Report.

19 MISCELLANEOUS

19.1 COMPLAINTS PROCEDURE

- 19.1.1 Complaints regarding CDAs or transactions on a CDSC account shall be forwarded to the CDSC in the Complaints Form.
- 19.1.2 Complaints that cannot be resolved by management shall be heard by the Business Conduct Committee at the earliest opportunity.
- 19.1.3 Upon hearing both parties, the Business Conduct Committee shall issue directions on what should be done.

19.2 DE-LISTING OF IMMOBILISED SECURITIES

- 19.2.1 The Issuer will inform the Securities Exchange which will in turn inform the CDSC in writing of the proposed date of delisting.
- 19.2.2 The CDSC will write to the Issuer within 7 days of the notice of delisting asking for instructions on dealing with the securities accounts.
- 19.2.3 If on the 30th day, no instructions are received to transfer the delisted securities to individual holders, CDSC will infer that the issuer intends to have the securities to continue being so held in the CDS.
- 19.2.4 An Issuer of delisted securities held in the CDS will be charged a depository fee in accordance with the Fees and Surcharges Structure

19.3 RETENTION PERIOD

The retention period in respect of Service records by CDAs will be 7 years.

19.4 NOTICE

Any Notice to CDSC shall be addressed to: -

Central Depository & Settlement Corporation Ltd.
10th Floor, Nation Centre
Kimathi Street
NAIROBI
Tel: (020) 253078
Fax: (020) 253077

19.5 FORMS

- 19.5.1 The forms set out in Appendices 1,2,12,13,14,15,16 and 20 to the Procedures shall be prescribed Forms to be used for the purposes stated in the Forms.

20 LIST OF APPENDICES

20.1 Appendix

- 1 Securities Account Opening/Maintenance Form (CDS 1)
- 2 Securities Deposit Form (CDS 2)
- 3 Provisional Deposit Schedule- (to be generated from the system)
- 5 Schedule of Securities Allotted- (to be generated from the system)
- 6 Unsubscribed Rights Schedule- (to be generated from the system)
- 7 Broker Trading Summary schedule- (to be generated from the system)
- 8 Initial Settlement Report (Broker & Custodian) - (to be generated from the system)
- 9 Final Settlement Schedule- (to be generated from the system)
- 10 Settlement Instruction - (to be generated from the system)
- 11 Amended Settlement Instruction- (to be generated from the system)
- 12 Securities Withdrawal Form (CDS 3)
- 13 Securities Transfer Form (Receiving CDA CDS 4b and current CDA CDS 4a)
- 14 Securities Pledge (CDS 5)
- 15 Securities Pledge Release/Foreclosure Form (CDS 6)
- 16 Private Transfer form (CDS 7)
- 17 Entitlement Schedule (ENTITLEMENT) - (to be generated from the system)
- 18 Subscription Schedule- (to be generated from the system)
- 19 Bonus/Rights Schedule- (to be generated from the system)
- 20 Statement of Securities Accounts (CDS 8)
- 21 Fees and Surcharge Statement (BILLING)
- 22 Withdrawal Schedule- (to be generated from the system)