

## Introduction

The Central Depository and Settlement Corporation (CDSC) is dedicated to collaborating with Central Depository Agents (CDAs) to enhance the efficiency, speed, and quality of services provided to all clients. To achieve this objective, we have developed comprehensive and easy-to-follow guidelines for all CDSC processes. These guidelines are designed to assist CDA staff in effectively attending to clients regarding CDSC services, ensuring a seamless experience for all stakeholders.

### 1. Account Opening

- i) The attending CDA representative should request the client to complete and sign the account opening form. The form can be downloaded from the CDSC website using the following link: <https://www.cdskenya.com/products-services/cds-forms>. Clients are required to provide the following documents:
  - a) Identification documents (National ID, Passport, Registration Certificate, or Birth Certificate).
  - b) Two recent passport-size photographs (less than 5 years old).
  - c) Copy of KRA PIN (where applicable).
- ii) The CDA should ensure that the CDS 1 form is fully completed and certify all the supporting documents as true copies of the originals.
- iii) The CDA verifies the authenticity of the information provided and signs the form.
- iv) An authorized CDSC system user at the CDA should initiate account registration in the system by scanning and attaching all the documents before submitting the application for approval.
- v) A second authorized system user at the CDA verifies the accuracy of the captured information and submits the transaction for final approval by CDSC.

- vi) CDSC verifies the accuracy and completeness of the information provided and approves the transaction.
- vii) If any information is missing or captured incorrectly, CDSC will reject the transaction and provide reasons for the rejection.
- viii) Once approved, the account is created, and a confirmation is sent to the CDA.
- ix) The CDA should then communicate the account number to the client.

**Note:**

- Ensure you select the correct ID type when registering CDS accounts, as different ID types are applicable.
- For self-help group registrations, use the registration number rather than the serial or certificate number.
- For minor accounts using a Birth Certificate, use the entry number, not the certificate number.
- Tax category depends on the country of residence:
  - Residents: 5%
  - Non-residents: 15%
  - Investors residing in East African countries are categorized as residents.

## **2. Account Maintenance Process**

A client can amend or update the following details:

- Postal address.
- Dividend disposal preference.
- Telephone number.
- Email address.
- Tax status/category.
- Signatories.

### **Amendment Process**

- i) The client is required to complete and sign the CDS 1 form.

- ii) The client must indicate the desired changes on the form and provide the identification document used during account opening (National ID, Passport, Registration Certificate, or Birth Certificate).
- iii) The CDA verifies the accuracy of the information provided, signs the form, and certifies the supporting documents as true copies of the originals.
- iv) An authorized CDSC system user at the CDA initiates the changes in the system, scans and attaches all the documents, and submits the transaction for approval.
- v) A second authorized user verifies the accuracy of the captured information and submits the transaction for final approval by CDSC.
- vi) CDSC verifies the correctness and completeness of the information provided and approves the transaction. The changes are immediately reflected in the system.
- vii) If any information is missing or incorrectly captured, CDSC will reject the transaction and provide reasons for the rejection.

### **Important Notes**

1. The following fields/details **cannot** be edited:
  - Names
  - National ID, Passport, Company Registration, or Birth Certificate number
  - Gender
  - Investor/Trading category
2. Clients must update their dividend disposal preferences with **all CDAs** where they hold shares.

### **3. Suspension or Closure of a CDS Account:**

Accounts requiring corrections or updates to Names, National ID/Passport/Registration/Birth Certificate number, Gender, or Investor/Trading category must first be suspended to allow for the opening of a new account with the correct details. The following steps outline the process:

- i) The CDA must send a formal letter to CDSC requesting the suspension or closure of the account. The letter should include:
  - The CDS account number.

- The account holder's name(s).
- The reason for the suspension or closure request.

The letter must be accompanied by:

- A certified copy of the identification document(s) used when opening the account.
- An indemnity from the CDA for the request.

**Note:**

- **Accounts can only be closed** if they do not hold any shares.
  - **Accounts with shares** can only be suspended, not closed.
- ii) CDSC will verify the documents provided against the information in the system. Upon successful verification, CDSC will process the request accordingly.

#### 4. Certificate Deposits

Clients holding share certificates are required to deposit them to facilitate transactions involving their shares. These shares are initially held in non-trading accounts under the issuer. The process of transferring securities from non-trading accounts to trading accounts is as follows:

- The CDA should request investors to open a CDS account if they do not already have one.
- The investor presents the share certificate(s) to the CDA and completes and signs the securities deposit form (CDS 2).
  - **Note:** If the certificate is lost, the client must first obtain an indemnity from the share registrar.
- The CDA verifies the authenticity of the documents, then signs and stamps the CDS 2 form(s).
- The CDA forwards the securities deposit (CDS 2) form to the respective share registrar along with:
  - The share certificate(s) (or indemnity if the certificate is lost).
  - A copy of the client's national ID, Passport, or Registration Certificate.

- v) The registrar verifies the authenticity of the client's signature and the documents provided. If satisfied, the registrar signs and stamps the CDS 2 form.
- vi) The registrar submits the documents to CDSC for processing.
- vii) CDSC verifies the completeness of the information provided and checks it against the information available in the system. Once verified, CDSC processes the transaction.
- viii) Once the transaction is processed, the securities are moved to the client's CDS account, making them available for any subsequent transactions.

## 5. Private Transfer of Securities in Certificate Form

For private transfers of securities held in certificate form, where the beneficial ownership of the shares is changing, the following process should be undertaken:

- i) If the beneficial ownership of the shares being deposited is changing, the investor must complete and sign the **CDS 7 form** in addition to the **CDS 2 form**.
- ii) The CDA should submit the completed forms and accompanying documents to the **Nairobi Securities Exchange (NSE)** for approval before forwarding them to the share registrar.
- iii) Once approved by the NSE, the documents should be submitted to the share registrar, and the standard process for certificate deposits will then be followed.

## 6. Own Account Transfers

This process involves transferring shares from one CDA to another. The steps are as follows:

- i) The investor should first open a CDS account with the CDA to which they intend to transfer the shares.
- ii) The investor must then visit the CDA where the shares are currently held to complete and sign the **CDS 4A/B form** and provide a copy of the identification document used to open the CDS account.
- iii) The originating CDA shall verify the authenticity of the information provided on the CDS 4A/B form, ensure the form is duly completed, and certify the copy of the identification document.
- iv) An authorized CDSC system user at the originating CDA should initiate the transfer in the system and submit it for approval.

- v) A second authorized user at the originating CDA must verify the correctness of the captured information and submit the transaction.
- vi) The originating CDA should then request the investor to submit the documents to the new CDA where the shares will be transferred.
- vii) Upon receiving the documents, the new CDA should confirm the authenticity of the information provided and ensure it is correctly captured in the CDS system before approving the transaction.
- viii) A second authorized user at the new CDA must counter-check the information before approving the transaction.
- ix) The transaction is then submitted to CDSC for final approval. CDSC verifies the information and, if satisfactory, approves the transaction.
- x) Once approved, the shares are successfully transferred to the investor's account under the new CDA.

## 7. Private Transfers

Private transfers involve the movement of securities from one CDS account to another under specific circumstances. The following categories of private transfers are permitted:

- a. Transfer to a close relation as a gift
- b. Settlement of a will or estate of a deceased person
- c. Restructuring, mergers, or acquisitions
- d. Transfers of an exceptional nature
- e. Transfers not resulting in any change in beneficial ownership.

### Process for Private Transfers

- i) The CDA should request the client to complete and sign the **Private Transfer (CDS 7) form** and provide the required supporting documents as outlined in the private transfer checklist.
- ii) The CDA should verify that the CDS 7 form is duly completed and that the supporting documents meet the stipulated requirements.
- iii) An authorized CDS system user at the CDA should initiate the transfer in the system and submit it for approval.

- iv) A second authorized user at the CDA should verify the accuracy of the information captured and approve the transaction.
- v) The submitted transaction is then sent to CDSC for final approval. CDSC will review the information provided, and if found satisfactory, approve the transaction.
- vi) Once approved, the shares will be transferred to the beneficiary's CDS account.

## 8. Pledging of Securities

Pledging refers to the process of placing a lien on securities that are used as collateral for a loan. Below is the procedure for pledging securities:

- i) The CDA should request the investor to complete and sign the **Pledge (CDS 5) form** and submit it to the financier for verification and signing.
- ii) The financier, upon agreeing with the client on the terms of the loan, signs the CDS 5 form and attaches a letter addressed to CDSC requesting that a lien be marked on the securities on behalf of the financier.
- iii) The client submits the completed CDS 5 form and the financier's letter to the CDA.
- iv) The CDA verifies the completeness and authenticity of the information provided on the form and signs their designated section.
- v) An authorized CDSC system user at the CDA initiates the transaction in the system, scans the documents, and submits them to CDSC for processing.
- vi) A second authorized user at the CDA verifies the accuracy of the captured information and approves the transaction.
- vii) Once processed, CDSC confirms the lien placement and sends a confirmation to the CDA, the client, and the financier.

## 9. Pledge Release

Pledge release refers to the termination of a pledge once the client has fully repaid their loan. The following procedure should be followed:

- i) The CDA requests the client to complete and sign the **Pledge Release (CDS 6) form** and submit it to the financier for verification and signing.

- ii) The financier reviews and signs the CDS 6 form and attaches a formal letter addressed to CDSC requesting the release of the pledged securities.
- iii) The client submits the completed CDS 6 form and the financier's letter to the CDA.
- iv) An authorized CDSC system user at the CDA captures the details of the pledge release in the system, scans the documents, and submits them to CDSC for processing.
- v) A second authorized user at the CDA verifies the accuracy of the captured information and approves the transaction.
- vi) CDSC reviews and approves the transaction, and the pledged shares are released.

### Important Notes

To ensure efficient and accurate processing of transactions, Central Depository Agents (CDAs) must adhere to the following guidelines:

- i) All client requests must be submitted to CDSC within **24 hours** of receipt.
- ii) CDAs are responsible for verifying that the individual submitting instructions is the rightful owner of the CDS account before accepting or processing any transactions.
- iii) Any alterations made on CDS forms must be certified appropriately to ensure authenticity and compliance.
- iv) All transactions should be thoroughly verified against the applicable checklists before submission. This will help minimize rejections and improve turnaround times.