



CENTRAL DEPOSITORY &  
SETTLEMENT CORPORATION  
*Invested in Progress*

## PRESS RELEASE

### CDSC GETS A NO OBJECTION TO ENGAGE RETIREMENT BENEFITS SCHEMES IN SECURITIES LENDING AND BORROWING

**Nairobi, 23 October 2020:** The Central Depository & Settlement Corporation (CDSC) has received a no objection from the Retirement Benefits Authority (RBA), to engage retirement benefits schemes in the Lending and Borrowing of Securities.

This follows a review by the Retirement Benefits Authority (RBA) on the safeguard mitigation measures put in place by CDSC in the implementation of the Screen-Based Securities Lending and Borrowing.

On 4 August 2020, CDSC commenced pilot phase testing of the Screen Based Securities Lending and Borrowing (SLB), before the official rollout. This was after a successful admission of CDSC to the Capital Markets Authority (CMA) regulatory sandbox on 7 April 2020.

The Retirement Benefits Authority (RBA), Chief Executive Officer, Mr. Nzomo Mutuku, in his no objection approval noted “the screen-based model of the Securities Lending and Borrowing will result in increased liquidity in the market and also increase income to securities owners”.

He further reiterated “RBA has no objection to retirement benefits schemes participating in Lending and Borrowing of Securities provided that the Managers obtain requisite approval from Trustees”.

CDSC, Chief Executive, Nkoregamba Mwebesa, lauded the move by RBA and said “the endorsement will undoubtedly prove to be beneficial for the pension industry as individual schemes stand to earn extra income from Equities assets held for long term”.

Nkoregamba further expressed optimism and said “the success of Securities Lending and Borrowing (SLB) will certainly increase the liquidity within our market making it more attractive to both local and international clients and CDSC takes pride in being the pioneer CSD in the region to introduce the SLB product.”

Nkoregamba congratulated the Securities Lending and Borrowing Agents who have taken lead role in ensuring the product is brought to fruition and urged those who have not signed up to do so.

**-Ends-**

#### **About Securities Lending & Borrowing**

Securities Lending and Borrowing (SLB) is the temporary transfer of securities from one party, the lender, to another, the borrower, with a simultaneous agreement to return the securities either on demand or at a future date. The lender can be any individual or an institution who hold a substantial number of shares on a long-term basis. The lender would therefore loan out their securities for a specific period and earn a cash return.

For institutional investors, securities lending is a good instrument, with a low risk profile, for generating extra returns on securities that will remain in a portfolio for a longer period. It is considered to have a low risk profile because the transactions are carried out between market parties in a fully collateralized manner. By lending these securities, pension funds and other lenders receive extra income, while still maintaining the right to recall the securities at any time. Securities lending has traditionally acted as a lubricant for the financial markets. In addition, securities lending helps market parties with their risk management and creates greater liquidity in the market where securities lending and borrowing is available.

For more information visit: <https://www.cdsckenya.com/products-services/securities-lending-and-borrowing>

#### **About CDSC**

The Central Depository & Settlement Corporation Limited (CDSC) is a limited liability Company approved by the Capital Markets Authority to provide automated clearing, delivery and settlement facilities in respect of transactions carried out at Nairobi Securities Exchange as well as holding of listed and non-listed securities including other documents of title on behalf of investors. CDSC has a subsidiary Company, CDSC Registrars; a private company duly incorporated in Kenya in 2009, and a sister company incorporated in Rwanda in 2010. The CDSC Registry combines experience, innovation and customer centricity approach to offer timeouts and meticulous services to businesses, Issuers, their shareholders and other stakeholders.

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#### **About Retirement Benefits Authority (RBA)**

Retirement Benefits Authority (RBA), established in 2000 pursuant to the enactment of the Retirement Benefits Act, is a regulatory body under the National Treasury and Planning. The Retirement Benefits Act was enacted in 1997 as part of the on-going reform process in the financial sector in order to bring the retirement benefits industry under a harmonized legislation, to address the many problems that have hitherto faced the industry. The enactment of this Act filled a regulatory vacuum which had existed in Kenya. At the time the Authority came into existence, retirement benefits schemes in Kenya were regulated by fragmented legislation, mostly Trust and Income Tax Laws. The absence of specific retirement benefits regulations allowed schemes to adopt different styles of operation. As a result of effective regulatory framework, the pension sector in Kenya has witnessed tremendous growth with the assets under management increasing to Kshs. 1,322 Billion as at 30th June 2020 from Kshs 100 Billion in 2000 and also level of coverage to the workforce is now at 22%.

For more information please visit: <http://www.rba.go.ke/>