

## **THE CMA APPROVES CDSC'S SECURITIES LENDING AND BORROWING (SLB)**

**Nairobi, 15 February 2022:** The Central Depository and Settlement Corporation (CDSC) has officially received approval from the Capital Markets Authority (CMA) to formally exit the regulatory sandbox and offer Securities Lending and Borrowing (SLB) in a live-market environment. The approval is a culmination of extensive stakeholder engagement and successful tests towards guaranteeing robust operational, risk management, and technology structures to facilitate an attractive and efficient securities lending and borrowing product.

CDSC was admitted to the CMA Regulatory Sandbox in April 2020 to test SLB in a live but controlled regulatory environment. CDSC also received a letter of “No Objection” from the Retirements Benefits Authority (RBA) in September 2020, allowing pension and retirement benefit schemes to engage in SLB as an additional investment return avenue. Within the Regulatory Sandbox, the financial, legal, operational, and risk management frameworks for SLB have been validated by successful transactions carried out on the Central Depository System (CDS) – the versatile underlying platform supporting SLB. CDSC has to date onboarded ten (10) SLB Agents to facilitate the rollout of SLB to investors and is in the process of onboarding all other Central Depository Agents to facilitate the accessibility of this new product to investors.

The CDSC's Chief Executive, Nkoregamba Mwebesa remarked, “We are quite pleased and grateful that our regulator has granted us approval to go live with SLB. This is a major milestone not only for CDSC but also for the entire market as investors have the opportunity to earn positive returns from the stock market during both bull and bear market conditions. We also expect that as SLB transactions grow, we shall be able to release significant volumes of valuable shares that currently lie idle in CDS accounts for trading. This will have a positive effect on market liquidity and other products such as short selling and day trading, thereby increasing our market's competitiveness both regionally and globally. Over the last few years, the CDSC has committed significant resources towards ensuring our technology, people, processes, and products are world-class. This, coupled with close collaboration with our stakeholders will ensure that our market continues to deliver value and grow as per the collective vision and aspirations of all stakeholders.”



CMA Chief Executive Officer Wyckliffe Shamiah noted, “The approval granted to CDSC after successful testing in the Regulatory Sandbox marks a critical milestone towards the realization of sound market infrastructure, institutions and operations, as envisioned in the Capital Markets Authority Strategic Plan (2018-2023). The implementation of SLB is expected to improve efficiency, liquidity and collateral management in the secondary market.”

Commenting on the roll out of the SLB platform, the NSE Chief Executive, Mr. Geoffrey Odundo said, “This is a significant milestone in the capital markets as Securities Lending and Borrowing is geared towards improving liquidity in the market. The more liquid the market is, the lower the costs of transactions and the faster new entrants experience price discovery. This also serves as a big attraction for foreign investors. The Kenyan capital market continues to drive innovation with initiatives such as this and Day Trading which will propel activity, diversification and risk mitigation within the market. We congratulate CDSC on launching this platform and will work together to promote this product.”

**-Ends-**

### **About Securities Lending and Borrowing (SLB)**

Securities Lending and Borrowing (SLB) is the temporary transfer of shares from one party (*lender*) to another (*borrower*), with an agreement to return the shares either on-demand or at a future date. The lender can be an individual or an institution that holds shares on a long-term basis. To lend or borrow shares through SLB, investors can reach out to appointed SLB Agents listed below:

- Faida Investment Bank
- AIB-AXYS Africa
- Dyer & Blair Investment Bank
- Kestrel Capital (East Africa)
- Standard Investment Bank
- Sterling Capital Kenya
- KCB Bank Kenya
- Equity Bank (Kenya) Limited
- KCB Capital Limited
- NCBA Investment Bank

### **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 services in respect of transactions carried out at Nairobi Securities Exchange as well as holding of listed and non-listed securities on behalf of investors.

For more information, please email CDSC Corporate Affairs via [corporate@cdsckenya.com](mailto:corporate@cdsckenya.com)

