

CDSC technological platform

In just five years, the Central Depository and Settlement Corporation (CDSC) has flung the doors of the capital markets wide open for many more investors to trade in securities. Through various technological platforms, CDSC has made it easier for investors to transact business at the bourse.

In a nutshell, CDSC's services have been central to the success that has been witnessed in the Kenyan capital market. In 2004, CDS operations kicked off with a mere 30,000 client accounts and an average of 200 deals that settled through the CDS system. Today, the client accounts have grown tremendously to about 1.8 million as at June 2010, with an average of 3,500 deals settling daily through the CDS system.

CDSC has implemented austere measures to reduce its operational expenses while continuing to offer efficient services to the market. To this end, CDSC has launched three key services to ensure that investors can access reliable, accurate and timely information about their investments:

SMS Service

The SMS service which CDSC launched in 2008 continues to gain popularity. Investors appreciate receiving real time information about any activity on their accounts, being able to check their account balances, receive announcements on corporate actions and other information through their mobile phones. They thus keep track of any transactions in their account as CDSC sends them alerts.

To register, send the word "Register" to 2372 and follow the instructions. Each SMS costs Sh.10.

Email Service

This service was introduced in 2009 to hasten the speed with which CDSC clients receive their statements compared to sending them by post. CDSC has received positive feedback from the public. To enjoy this service, please send an e-mail to helpdesk@cdskenya.com with the following details:- CDS Account details, CDS account number, CDS account name, ID number and address. The service is Absolutely Free!

Website
(www@cdskenya.com)

Introduced in July 2009, the CDSC website allows investors to log onto their accounts and view their balances and transaction history directly, download/print their statements or chat online to the corporation's customer care representatives. All the necessary firewalls and safety features have been put in place to ensure the sanctity of investors' information and the immunity of the main CDS data base from unauthorized access. This service is Absolutely Free and has been received with great appreciation by investors.

Introduction of Settlement Limits

CDSC's core mandate requires it to address and mitigate against settlement risks in the market. In this regard, we introduced settlement limits in the market with effect from January 11th 2010. This is in line with the G30 standards which provide, among other things, recommendations on standards of performance for securities settlement systems.

The settlement limits have been set by reviewing each CDA's settlement activity over the past 12 months, taking an average of the total exposure to the market over a four day settlement period, and using a formula that takes into account the contributions made to the guarantee fund. This means that the CDA can only trade within the limit as set, and will need to provide additional collateral to CDSC to trade outside of the limit.

Immobilization of Corporate Bonds

In 2009, CDSC successfully facilitated the listing of the first automated bond in the region, the KenGen's PIBO which was the first immobilized corporate bond. The KenGen PIBO has traded successfully as an immobilized security at the Nairobi Stock Exchange, with all the deals settling through the CDS system. This generated a lot of interest from various stakeholders to immobilize the other corporate bonds in the market, and is in keeping with CDSC's strategic plan on the immobilization of fixed income securities. In addition to the KenGen PIBO, there are nine other issued corporate bonds in the market. These have been issued by Shelter Afrique, Athi River Mining Limited, Sasini Limited, Safaricom



Rose Mambo. The Central Depository and Settlement Corporation Chief Executive

Limited, East African Development Bank Limited, PTA Bank Limited, Barclays Bank Limited, CFC Stanbic Bank Limited and Mabati Rolling Mills Limited.

The procedure for declaring a listed security eligible for immobilization is set out in Part 3, Section A of the Central Depositories Act 2000.

In accordance with these procedures, CDSC together with the NSE issued a public notice on 8th and 9th April, 2010 announcing the commencement of the immobilization of the other corporate bonds. The first day of trading of immobilized securities was 21st April, 2010. This marked the end of the open-outcry system of trading for corporate bonds and the beginning of the automated system of trading, clearing and settlement. So far, 217 Corporate Bonds trades valued at Sh. 2,409,650,000 have been cleared through the CDSC system and a total of 35 Certificates worth Sh. 2,512,500,000 have been deposited and immobilized in the CDS. It is important to note that with effect from 21st April 2010, all transactions in listed corporate bonds shall be carried out electronically and cleared and settled through the CDS.

Any investor intending to trade in corporate bonds must therefore have or open a CDS account if they don't have one already. If the intention is to sell, then the Bonds certificate(s) must be submitted for immobilization through a Central Depository Agent (CDA), and shall only be permitted to trade in those securities once the immobilization process is complete.

Investors who already have a securities account need not to open a new account to deposit their corporate bond certificates. Their existing securities account shall be used for holding debt securities. This ensures that an investor is able to conveniently manage his investment portfolio within the same account.

CDSC Registrars

CDSC has incorporated a fully owned subsidiary, CDSC Registrars Ltd.(CDSCR). This company will offer value added services to the market by offering registrar services for both local and regional markets. This will include services directly to issuers of securities as well as services to existing registrars. CDSC has an IPO module in place which offers end-to-end electronic processing of an IPO. CDSCR has already bagged its

first IPO processing business, having won a tender to provide registrar services to Rwanda's brewing company, Bralirwa, the first to list on the Rwandan Market.

Other Initiatives within the Region

In line with the East African community integration initiatives, CDSC is actively working together with other East African Capital and Financial markets to set up a single central depository for all capital markets and financial markets securities.

Thomas Murray Ratings

CDSC continues to play its part in making Kenya an attractive destination for foreign investment. In a CDSC Risk report prepared by Thomas Murray, CDSC achieved an overall rating of 'A-', classifying the CDSC market as "low risk" – a high a for a developing country market. The Corporation is, however, committed to continue working towards achieving the best rating possible.

For any enquiries please visit the CDSC customer service desk at Nation Centre, Kimathi Street, 11th Floor or log on to: www.cdskenya.com

KEEP TRACK OF YOUR SHARES!

ON
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CDSC

CENTRAL DEPOSITORY &
SETTLEMENT CORPORATION LIMITED

Safer, Faster, Easier ...

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Tel: 2229407 | Fax: 222 9405 | Cell: 0724256130, 0733222033

**STAY INFORMED ABOUT YOUR SHARES ANYWHERE AND AT
ANYTIME BY REGISTERING WITH OUR NEW ELECTRONIC SERVICES.**

1. WEBSITE SERVICE

www.cdskenya.com

You can now view your investments at the Nairobi Stock exchange (NSE) by logging onto www.cdskenya.com

Benefits

- View/print/download your cds statements
- Change/ amend your cds account details
- Chat online with our customer care representatives

2. SMS SERVICE

The SMS service allows you to access your CDS account and keep track of your shares on your mobile phone anywhere and at anytime.

The SMS service is currently available to Zain and Safaricom Subscribers.

To register: SMS the word "register" to 2372 and follow instructions

Benefits of our SMS service

- Query & view your portfolio balance.
- View mini-statements (last 5 transactions)
- Receive Alerts whenever there is an activity in your account (Sell, buy, deposits, share transfers, pledge & release of share)

3. EMAIL SERVICE

CDSC can now send your monthly CDS account statements to your email!

To enjoy this service, please send an email to helpdesk@cdskenya.com with the following details: CDS account number, CDS account name, ID number and address.

Monthly statements are only sent to active accounts within that month

Benefits of our email service

- E-mail delivery is faster than postal dispatch
- Convenient accessibility to your statements from anywhere and at anytime
- Statements are delivered right at your desk, saving the hustle of collecting them at the post office box
- E-mail is confidential