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CDSC roots for single custodian of shares in EAC

INVESTMENT Corporation also pushes for merger with Central Bank's depository

BY DAVID MUGWE

The Central Depository and Settlement Corporation (CDSC) is pitching for a single custodian of investors' shares in East Africa and a merger with Central Bank's depository.

This comes at a time when the Capital Markets Authority is gearing up to license more depositories, a move that CDSC says will not threaten its position.

"We are well established in the market with a proven track record and it would be difficult for a new central depository to give us any serious competition," the corporation said in a statement to *Business Daily*.

CDSC holds custody of shares at the Nairobi Stock Exchange (NSE) while Central Bank of Kenya (CBK) does the same for government securities.

CDSC said the markets authority's

Act and wishes to establish a central depository to apply to the Authority," said the CDSC.

"However for a market of our size, introducing another central depository would be unsustainable," it said.

The CDSC's core mandate is to operate a system for the central handling of deliveries and settlement of securities. The CDSC gets 0.06 and 0.002 per cent of the value of equity and bond transactions traded respectively while the CBK runs their CDS for free.

"It has been recommended that the two CDSs should be merged," said the settlement corporation, which has been handling depository services in Kenya and most recently Rwanda.

"There is a regional initiative under the auspices of the International Finance Corporation Efficient Securities



USA Under Secretary for Public Diplomacy and Public Affairs Ms Judith McHale at the Nairobi bourse. The markets regulator will license more central depositories. FILE

open for comment for 30 days, CMA will "license central depositories and supervise, monitor and regulate their activities" and, "set standards of competence for central depository agents". The CMA during a sensitisation workshop last week said the proposed laws were supposed to "set standards of op-

required to maintain at all times, a minimum paid-up capital which will be set by the CMA and have a board of directors constituted in according to CMA specifications.

"The law allowing competition is already in force and CDSC has a well articulated and laid down strategic plan

Proposals

■ The CMA has also proposed for the establishment of a central depository guarantee fund to ensure settlement of trades through the central depository under the new rules.

■ It will consist of contributions from central depository agents, penalties and fines imposed by the central depository and interest and profits from the funds investments.

that the CBK would resist a move to merge until full demutualisation was done to bring in more confidence in the integrity of the NSE and by extension CDSC.

"There has been talk not just for the merging of both depositories, but also establishing one for the entire region," said an analyst with one of the leading investment banks.

"The thing is there seem to be a trust issue with the CBK preferring to control the government bonds. I do not see this merging going through anytime soon," he said. The CDSC is 50 per cent owned by Capital Markets Challenge Fund Ltd. The NSE, CMA investor compensation fund and AKS Nominees hold 20, 7 and 18 per cent respectively.

The Uganda Securities Exchange and Dar es Salaam Stock Exchange hold 2.5 per cent each.

The NSE has 55 listed companies - the highest number in the East African region. Tanzania has 16; Uganda has 14 while Rwanda has three.

The Institute of Certified Public Secretaries of Kenya secretary and chief executive officer Joshua Wambua said that, "the market is fairly small," and