

Kenya's shares custodian wins Rwanda contract

▶ BOURSE Central Depository and Settlement Corporation will provide services for a year

BY DAVID MUGWE

Rwanda has contracted Kenya's Central Depository and Settlement Corporation (CDSC) to serve its equities market for a year, boosting the firm's plans to expand into the East African region.

In a statement, the company said it will also train the Central Bank of Rwanda (RSE) staff to enable them run the CDS when the contract expires.

"This is a one-year contract during which time Bank National Du Rwanda (BNR) anticipates that it shall have procured and installed a system to enable them run a CDS for their equities market," said the CDSC.

First IPO

"All the securities for their first IPO, Bralirwa, have been deposited in the CDS, and the depository, clearing and settlement processes are being carried out by CDSC," the company added.

The move will boost the company's revenues but analysts already expect last year's results to be at record highs following the high equity and bond turnover of Sh110 and Sh493 billion, according to data from the Nairobi Stock Exchange (NSE) and prices on majority of the counters having appreciated.

The CDSC's core mandate is to operate a system for the central handling of deliveries and settlement of securities and gets 0.06 and 0.002 per cent of the value of equity and bond transactions.

Its 2009 financial statements showed a drop to Sh8.2 million from Sh45 million in 2008 following poor performance of the bourse.

In addition to regional expansion, the CDSC said it had also started offering registry services in the over-the-counter market both locally and regionally, having been contracted by Bralirwa Brewery in Rwanda, a move that will increase competition in the share registry business.

"At the moment we support all the company registrars by giving them the data in our systems to enable them carry out corporate actions for the listed companies," said the CDSC, adding that as the business grows, it would hire additional staff.

"At the beginning of last year we took up additional office space, taking into account our expanding services," said the company.

Livingstone Registrars Limited Kathryne Maundu, manager, Company Secretarial Department said: "The experience is that only the capable firms have thus far remained in business. This will expose companies to the need for quality registration services."

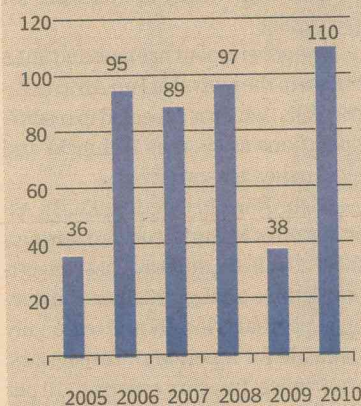
"The competition has significantly increased over the years, more so from companies who provide this service as their core business," she said, adding that the company was also offering company secretarial services and was using a software system that can be tailored to client and regulator needs.

The move to offer consultancy services, expand into the region and offer



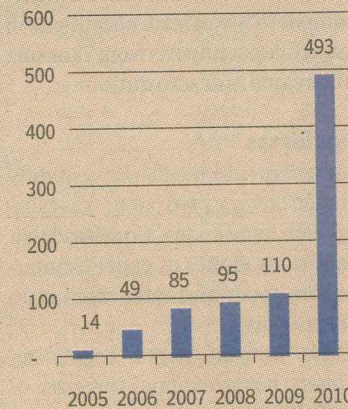
The Nairobi Stock Exchange: The Rwanda Central Bank has contracted Kenya's CDSC to provide services for its equities market. FILE

Equity turnover (Sh billion)



SOURCE: NSE

Bond turnover (Sh billion)



SOURCE: NSE

registry services comes as the number of new CDSC accounts opened has been on the decline, with revenue dependent on the markets activity.

According to the Capital Markets Authority's full year statistical bulletin, 125,939 CDS accounts were opened compared to 55,549 the previous year, but this was due to 73,880 accounts

taken up by a custodian bank from the defunct Discount Securities to facilitate the trading of the affected investors as they decided on a broker of their choice.

Other companies in the share registry business have also been focused on expanding into the East African region while offering added value

services through the use of technology to attract and maintain clients as competition intensifies.

Image Registrars Limited said the company was in the final stages of putting up operations in Uganda and Rwanda. "With registry services we are also offering preparation of reports, company secretary services and others to add value to clients. It is not just about keeping the register, our clients also want these other services so there is more to it," said Lawrence Kibet, operations manager, Image Registrars.

Custody & Registrars Services Limited general manager Kerry-Ann Makatiani said that the company was leveraging on its SharePower that provides online and mobile phone access and reduces costs to clients.

"Shareholders are able to access shareholding and dividend history. This improves opportunity costs as well as transparency of information access for both shareholders and listed companies" she said.

She said the platform facilitates electronic trends in investor management including electronic communications, e-annual reports, e-dividend payments and short message service alerts in relation to corporate activities.

"There will be significant direct cost savings to listed companies by having an e-annual report, which can be hosted on our system," said Ms Makatiani, whose clients include 18 of the listed companies at the NSE.

Comprite Kenya Limited head of operations Steve Kiwinda said, "In Kenya the market is limited and therefore there is a general trend to expand into the region not just for the registrars but stockbrokers as well. We are actively looking towards that also".