



CENTRAL DEPOSITORY &  
SETTLEMENT CORPORATION  
*Invested in Progress*

# SECURITIES LENDING AND BORROWING

EARNING POSITIVE RETURNS FROM THE STOCK  
MARKET WITHOUT SELLING YOUR SHARES



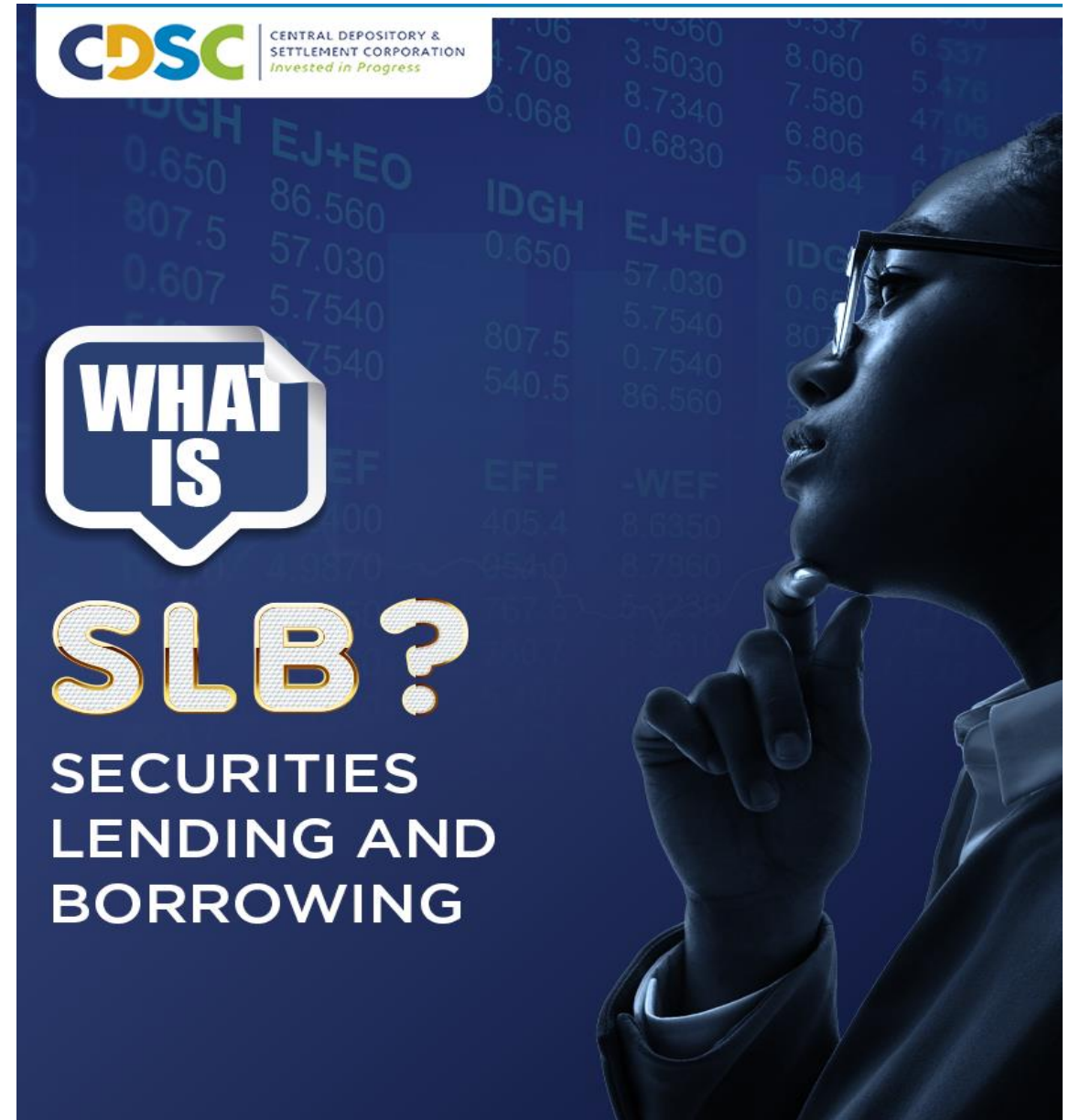

# SECURITIES LENDING AND BORROWING (SLB)

**CDSC's SLB** is a solution that offers investors the opportunity to make money from the stock market without having to sell their shares while allowing knowledgeable and speculative investors to take advantage of short-term price movements to earn lucrative returns.

**Lenders** are both individuals and institutions who are holding shares for the long term. A **borrower** can be anyone with deep knowledge about the stock market and has a CDS account.

You can access this product through **SLB Agents**. These are the authorized stockbrokers/ custodians appointed by CDSC to carry out SLB transactions for and on behalf of investors.

You can find active SLB contracts on the NSE daily pricelist.



**WHAT IS**

**SLB?**

**SECURITIES LENDING AND BORROWING**



## To Lenders

- **Additional income** from their share investment regardless of whether share prices rise or fall.
- Lender does not need to look for a borrower as CDSC provides a marketplace.
- **Automated transfer of securities** after lending and borrowing transactions have been matched.
- Lenders **receive cash dividends or bonus shares** that are announced while the shares are lent out.
- **No counterparty risk** as transactions are guaranteed by CDSC.

**SLB VALUE  
PROPOSITION**



## SLB VALUE PROPOSITION

### To Borrowers

- **Additional income** when share prices fall.
- Ability to engage in multiple investment strategies like short selling.
- Borrowers have full view of all securities available and can take advantage of opportunities that arise.
- No counterparty risk as transactions are guaranteed by CDSC.
- Immediate automated transfer of securities ensures borrowers receive securities in a timely manner.



# HOW TO LEND OR BORROW SHARES WITH SLB

## How to Lend

- 1 Contact an SLB Agent.
- 2 Submit your lending instructions (The shares you are willing to lend, the lending fees and the period you wish to lend).
- 3 The SLB Agent upon confirmation of the availability of shares in your account, shall capture the lending request in the CDS.
- 4 The securities shall then be reserved, and your lending request added to the lending pool or matched with an existing borrowing request.

## How to Borrow

- 1 Contact an SLB Agent.
- 2 Submit your borrowing request (The shares you want to borrow and the borrowing period).
- 3 The SLB Agent upon receiving your collateral and 10% initial margin, shall capture the borrowing request in the CDS.
- 4 The request is added to the pool or matched with an existing lending request.

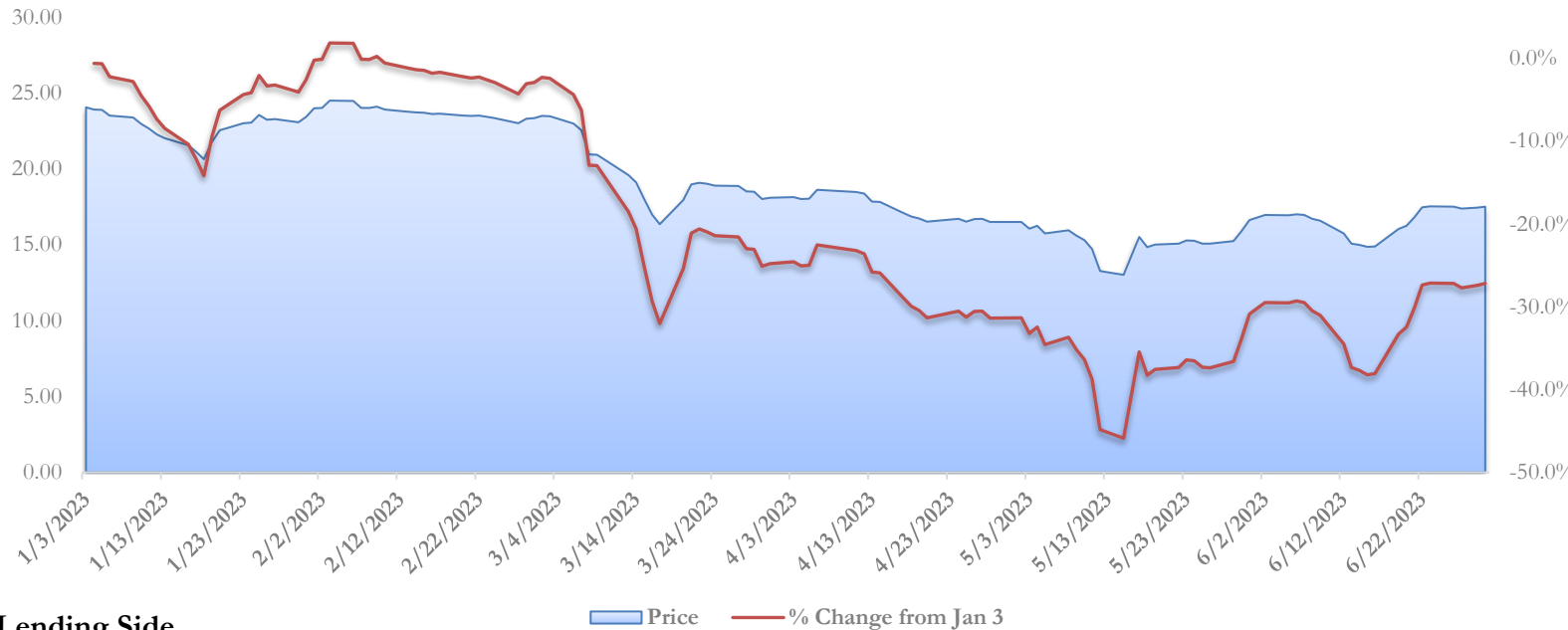
## Approved SLB Agents



# INVESTMENT OPPORTUNITIES

## Opportunities in SAFARICOM

Safaricom PLC Price Change from January to July 2023



### Lending Side

Share Quantity	Lending Rate (%)	Lending Date	Price at Lending Date	Share Value	Return Date	Lending Period (Days)	Dividends Paid	Total Return (KES)
10,000	9%	1/03/2023	24.04	240,400	5/23/2023	140	5,800	12,771

### Borrowing Side

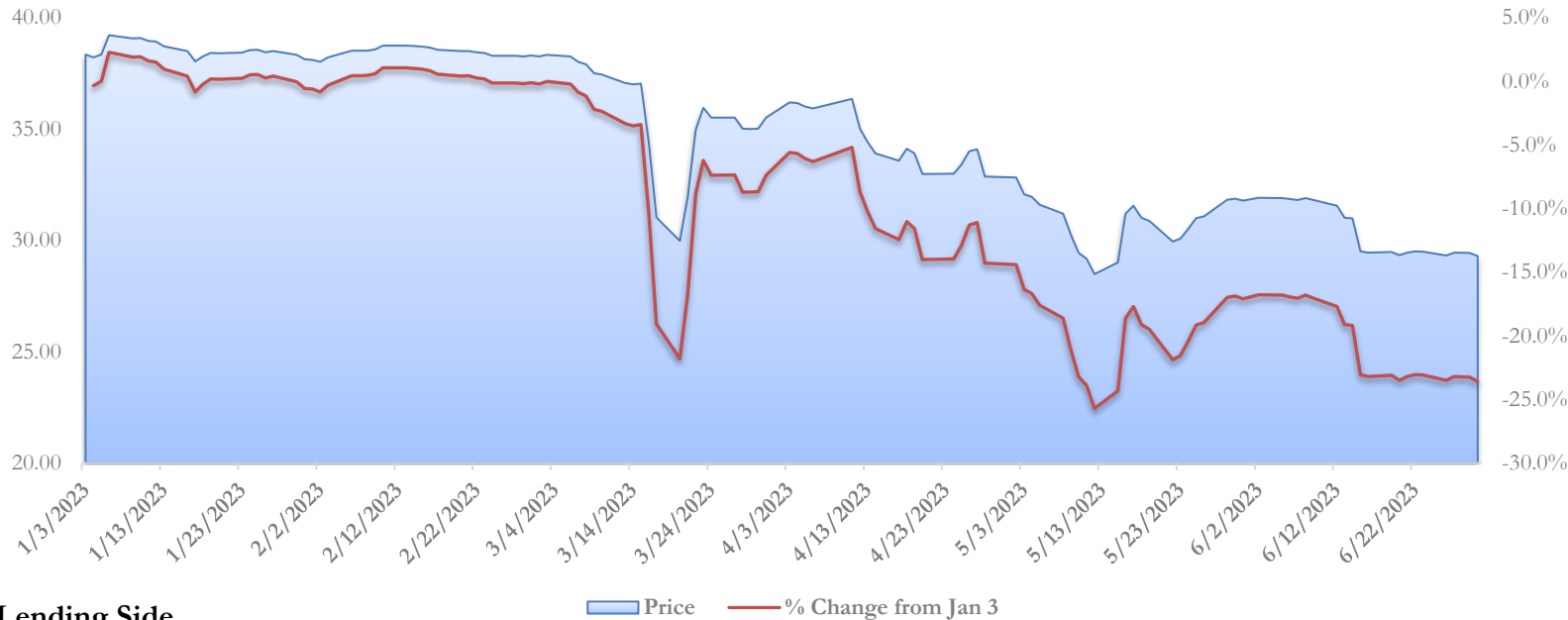
Share Quantity	10,000
Lending/Borrowing Rate (%)	9%
Borrowing Date	1/03/2023
Return Date	5/23/2023
Borrowing Period (Days)	140
Borrowing Price	24.04
Return Price	15.28
Price Change	(8.8)
SLB Net Gain (KES)	65,917
Earnings From Collateral	4,159
Total Borrower Earnings (KES)	70,075



# INVESTMENT OPPORTUNITIES

## Opportunities in KCB GROUP

KCB Group Share Price Change from January to July 2023



### Lending Side

Share Quantity	Lending Rate (%)	Lending Date	Price at Lending Date	Share Value	Return Date	Lending Period (Days)	Dividends Paid	Total Return (KES)
10,000	9%	1/03/2023	38.3	383,400	6/30/2023	178	10,000	24,135

### Borrowing Side

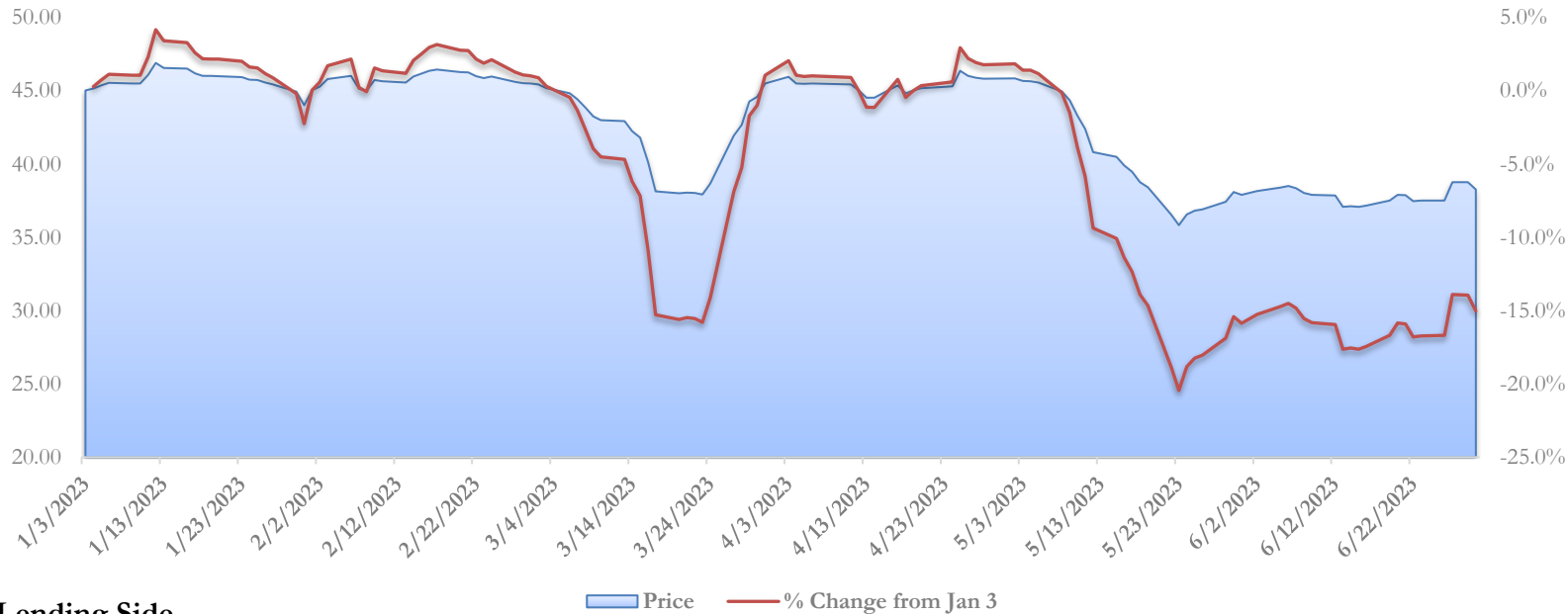
Share Quantity	10,000
Lending/Borrowing Rate (%)	9%
Borrowing Date	1/03/2023
Return Date	6/30/2023
Borrowing Period (Days)	178
Borrowing Price	38.34
Return Price	29.29
Price Change	(9.1)
SLB Net Gain (KES)	50,471
Earnings From Collateral	8,432
Total Borrower Earnings (KES)	58,903



# INVESTMENT OPPORTUNITIES

## Opportunities in EQUITY GROUP

Equity Group Share Price Change from January to July 2023



### Lending Side

Share Quantity	Lending Rate (%)	Lending Date	Price at Lending Date	Share Value	Return Date	Lending Period (Days)	Dividends Paid	Total Return (KES)
10,000	9%	1/03/2023	45.03	450,300	6/15/2023	163	40,000	55,203

### Borrowing Side

Share Quantity	10,000
Lending/Borrowing Rate (%)	9%
Borrowing Date	1/03/2023
Return Date	6/15/2023
Borrowing Period (Days)	163
Borrowing Price	45.03
Return Price	37.08
Price Change	(8.0)
SLB Net Gain (KES)	5,516
Earnings From Collateral	9,069
Total Borrower Earnings (KES)	14,585

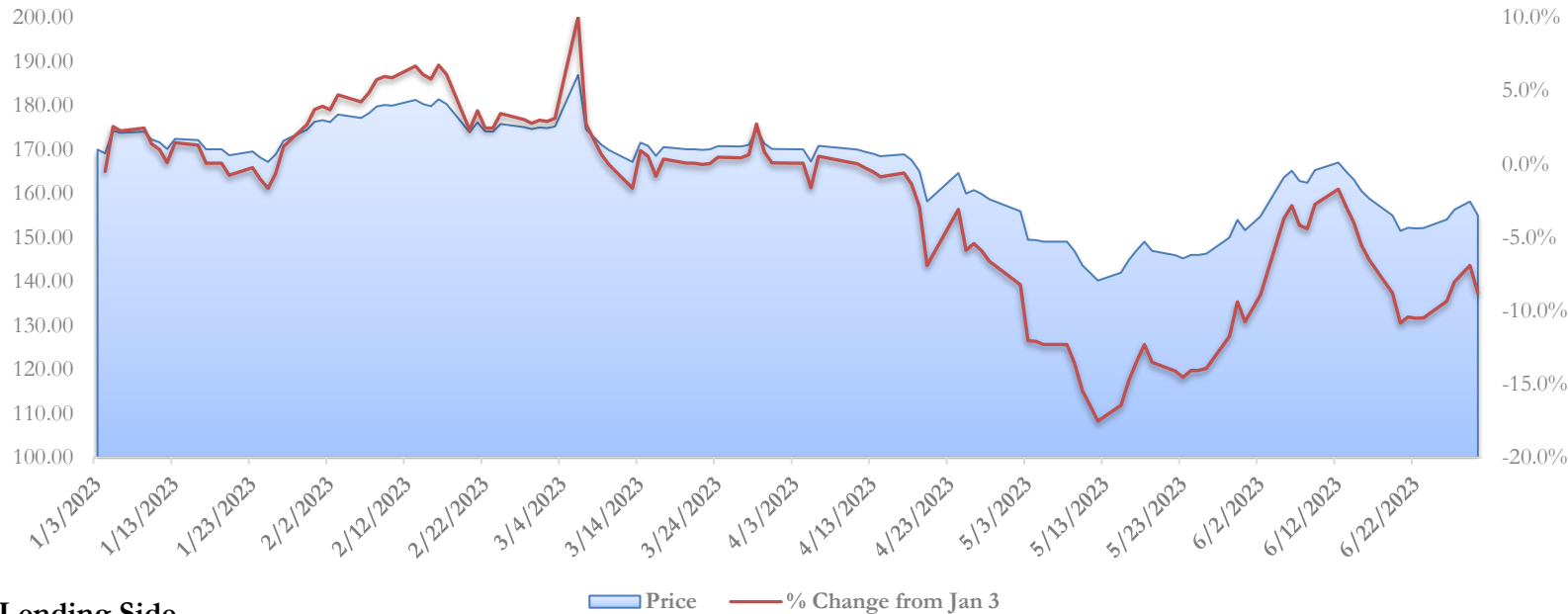




# INVESTMENT OPPORTUNITIES

## Opportunities in EABL

EABL Share Price Change from January to July 2023



### Lending Side

Share Quantity	Lending Rate (%)	Lending Date	Price at Lending Date	Share Value	Return Date	Lending Period (Days)	Dividends Paid	Total Return (KES)
10,000	9%	1/03/2023	169.9	1,699,200	5/15/2023	132	37,500	83,957

### Borrowing Side

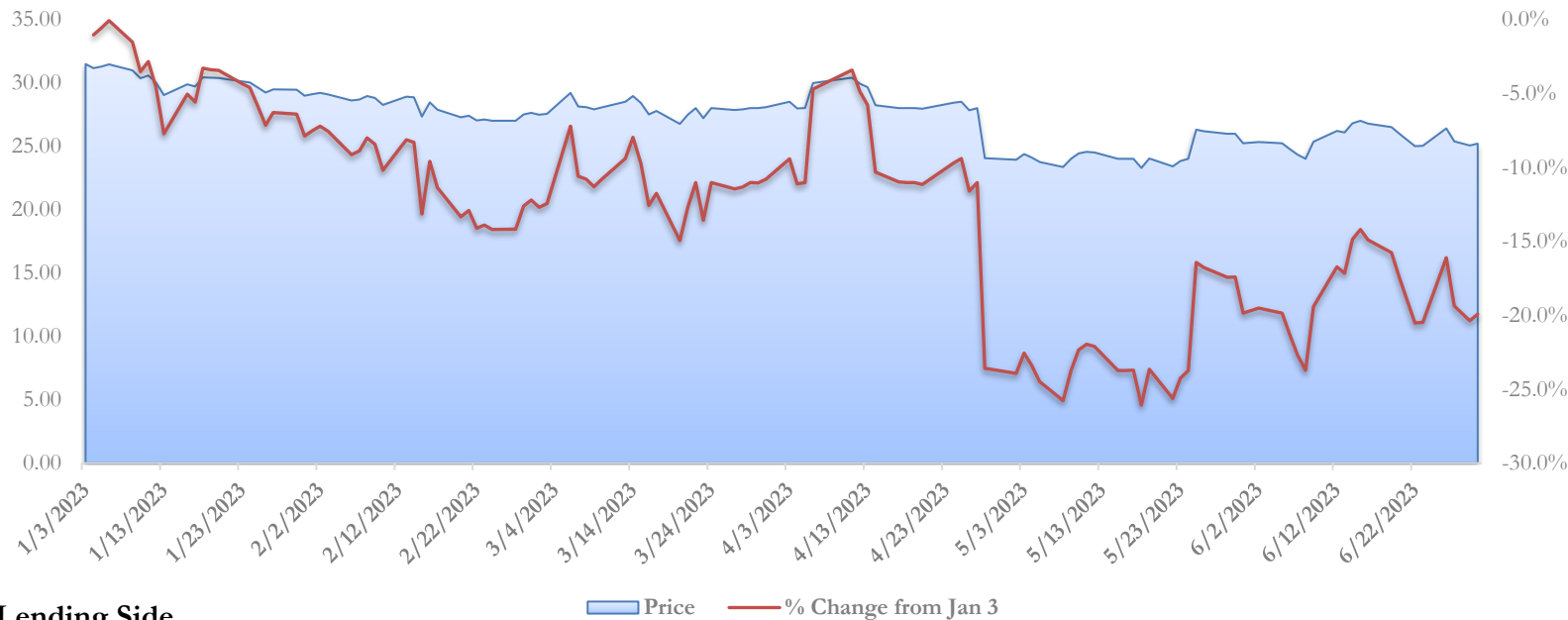
Share Quantity	10,000
Lending/Borrowing Rate (%)	9%
Borrowing Date	1/03/2023
Return Date	5/15/2023
Borrowing Period (Days)	132
Borrowing Price	169.92
Return Price	141.97
Price Change	(28.0)
SLB Net Gain (KES)	127,175
Earnings From Collateral	27,714
Total Borrower Earnings (KES)	154,889



# INVESTMENT OPPORTUNITIES

## Opportunities in BAMBURI

BAMBURI Share Price Change from January to July 2023



### Lending Side

Share Quantity	Lending Rate (%)	Lending Date	Price at Lending Date	Lending Value	Return Date	Lending Period (Days)	Dividends Paid	Total Return (KES)
10,000	9%	1/03/2023	31.47	314,700	6/08/2023	156	7,500	17,668

### Borrowing Side

Share Quantity	10,000
Lending/Borrowing Rate (%)	9%
Borrowing Date	1/03/2023
Return Date	6/08/2023
Borrowing Period (Days)	156
Borrowing Price	31.47
Return Price	24.0
Price Change	(7.5)
SLB Net Gain (KES)	44,370
Earnings From Collateral	6,066
Total Borrower Earnings (KES)	50,437



# SLB FEES

Lending fee you can charge	Market determined %
<b>Lending Commission</b>	<b>16%</b>
<b>Breakdown of Lending Commission</b>	
SLB Agent	8%
CDSC	7%
SLB Guarantee Fund	1%
<b>Borrowing Commission</b>	<b>0.55%</b>
<b>Distribution of Borrowing Commission</b>	
SLB Agent	0.30%
CDSC	0.20%
SLB Guarantee Fund	0.05%
<b>Collateral Cover</b>	<b>110%</b>

- Lending commission is on the lending fee earned. Borrowing commission is on the value of securities borrowed.
- Collateral is provided by borrower before securities are transferred to their account.



# PRODUCT FRAMEWORK

1. **Model:** CDSC is implementing the Screen-based model of SLB
2. **Duration of SLB Contracts:** 1 day to 365 days.
3. **Eligible Shares:** Stocks in the NSE 20-Share-Index.
4. **Number of shares:** Minimum 100 and NO Maximum.
5. **Income:** Lender earns interest income in form of lending fees. Borrower earns by engaging in short selling.
6. **Lender** has the **right to recall** the lent securities and consequently, securities lending does not hinder asset managers from actively managing their portfolios.
7. **Collateral** of 100% of the value of shares is provided by the borrower and an initial margin of 10% before borrowing is allowed. Accepted collateral is cash.
8. **Corporate Actions:** Lender as the beneficial owner still enjoys dividends, bonus shares, stock splits and can participate in rights issues.
9. **Regulation:** The overarching legal and regulatory framework for SLB is the Capital Markets Act and the Capital Markets (Securities Lending, Borrowing and Short Selling) Regulations 2017.
10. **CDSC guarantees SLB transactions** and ensures robust risk management measures are put in place.

## Credit and Liquidity Risk Management

- **Collateral** of at least 110% of the value of shares required before releasing shares to borrower.
- **Prompt closing/terminating of contracts** on default by the borrowers.
- **Settlement Guarantee Fund** in place.
- Only shares that are part of the **NSE 20-Share Index** can be lent/borrowed.
- Lenders to give at least **10 working days recall notice** to borrowers.
- **Cash settlement** (compensation to the lender) in case of failure to get shares in the market.
- **Collateral required** in a securities lending or borrowing transaction is restricted to Cash.

## SLB RISK MANAGEMENT





# SLB RISK MANAGEMENT

## Other Risk Mitigation Measures

- **SLB Rules and Procedures** approved by CMA.
- **a Letter of No Objection from RBA** allowing Retirement Benefit Schemes to participate subject to their Investment Policy Statements (IPS).
- SLB Agents are **regulated entities**
- **SLB Collateral (cash)** held with reputable commercial banks.

# THANK YOU



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