

NSE DERIVATIVES MARKET MEMBERSHIP CRITERIA & FEES

	Clearing Member	Trading Member	Trading Members (Proprietary Trading)	Non-Executing Member (Custodians)
Undertaking to Comply with NSE Rules	Signed undertaking to comply with Rule 3 on NEXT Membership.	Signed undertaking to comply with Rule 3 on NEXT Membership.	Signed undertaking to comply with Rule 3 on NEXT Membership.	Signed undertaking to comply with Rule 3 on NEXT Membership.
Key Responsibilities	Perform clearing and settlement for the market.	Trade on behalf of clients or own proprietary account.	Trade only for own proprietary account.	Acceptance of trades executed on behalf of custodial clients in order to facilitate settlement.
Net Worth/Capital Adequacy	KES 1 Billion and as mandated by the Central Bank of Kenya.	Thirteen weeks operating costs.	Ten weeks operating costs.	Thirteen weeks operating costs.
NEXT Membership Fees	Joining: KES 500,000 Annual: KES 100,000	Joining: KES 100,000 Annual: KES 100,000	Joining: KES 50,000 Annual: KES 50,000	Joining: KES 100,000 Annual: KES 100,000
Guarantee Fund Deposit	All clearing members must make an undertaking with the clearing house to cover their obligations to the Clearing House to the extent of their market positions and their balance sheets.	N/A	N/A	N/A
Investor Protection Fund	N/A	Onetime, refundable maximum of KES 200,000. Contributions also based on regular directives issued by the NSE.	Onetime, refundable maximum of KES 100,000. Contributions also based on regular directives issued by the NSE.	Onetime, refundable maximum of KES 200,000. Contributions also based on regular directives issued by the NSE.

	Clearing Members	Trading Members	Trading Members – Proprietary Trading	Non-Executing Member – Custodian Banks
Hardware Requirements	<p>Application server – minimum specs (recommended in brackets)</p> <ul style="list-style-type: none"> • Quad core CPU; • 8gb (16GB) RAM; • 50GB (100GB) free on HDD; • 100Mbps (1Gbps) connection to email server; and • 100Mbps (1Gbps) LAN <p>Database server – if sitting separate from application (recommended in brackets)</p> <ul style="list-style-type: none"> • Quad core CPU • 8GB (16GB) RAM • 150GB RAID 1 + 0 HDD/ SAN • 100mbps (1Gbps) LAN 	<ul style="list-style-type: none"> • Workstations (min dual core CPU, 5GB free on HDD, 4GB RAM, 100Mbps LAN) • Minimum 4Mbps connection internet/VPN connection to the Exchange <p>N/B: Trading members connect directly to the Exchange through web or thin client.</p>	<ul style="list-style-type: none"> • Workstations (min dual core CPU, 5GB free on HDD, 4GB RAM, 100Mbps LAN) • Minimum 4Mbps connection internet/VPN connection to the Exchange <p>N/B: Trading members connect directly to the Exchange through web or thin client.</p>	<ul style="list-style-type: none"> • Workstations (min dual core CPU, 5GB free on HDD, 4GB RAM, 100Mbps LAN) • Minimum 4Mbps connection internet/VPN connection to the Exchange <p>N/B: Non-Executing Members connect directly to the Exchange through web or thin client.</p>
Software Costs	GCMS USD 1,000 per terminal, per month	N/A	N/A	N/A
Software Requirements	<p>Clearing system</p> <ul style="list-style-type: none"> • MS .NET 4.5 • X86 or X64 package dacframework.msi • X86 or X64 package SQLSysClrTypes.msi • X86 or X64 package SQLDom.msi • SAP Crystal Reports runtime – 64 or 32bit CRRuntime.msi • SQL Server 2008 R2 or later (if also hosting database) 	<p>None (web based front end)</p> <p>If a Trading Member wishes to connect a wider mass of clientele using Independent Software Vendor (ISV), a collocated server will be required.</p>	<p>None (web based front end)</p>	<p>None (web based front end)</p>

	Clearing Members	Trading Members	Trading Members – Proprietary Trading	Non-Executing Member – Custodian Banks
Application Documents Required	<ul style="list-style-type: none"> • Cover letter • Memorandum and Articles of association • Most recent audited financial statements of the applicant and details of the auditor • A copy of the applicant’s licence • Compliance/risk procedure manual (extract) • IT procedures manual • Copy of NSE Clearing House Agreement • Names and profile of key personnel to be involved in the project (Head of Operations, Chief Financial Officer/Designated Accountant, Head of Risk and Compliance) 	<ul style="list-style-type: none"> • Cover letter • Certificate of Incorporation. • Company CR12. • Memorandum and Articles of Association • Most recent audited financial statements of the applicant and details of the auditor. • A copy of the applicant’s licence • The company’s profile. • Copy of Clearing Agreement with an approved Clearing Member • Compliance/risk procedure manual (extract) • Completed capital adequacy returns • Names and profile of key personnel to be involved in the project (Head of Operations, Chief Financial Officer, Chief Dealer, Dealers/Traders, Compliance and Risk Officers) • Names and profile of CEO and directors who are fit and proper as described under section 24A of the CMA Act • A plan indicating the manner in which continuous capacity of the firm’s derivatives staff shall be achieved , 	<ul style="list-style-type: none"> • Cover letter • Certificate of Incorporation. • Company CR12. • Memorandum and Articles of Association • Most recent audited financial statements of the applicant and details of the auditor • A copy of the applicant’s licence • Compliance/risk procedure manual (extract) • Completed capital adequacy returns • IT procedures manual • Copy of Clearing Agreement with an approved Clearing Member • Names of key personnel to be involved in the project (Head of Operations, Chief Financial Officer, Compliance and Risk Officers) 	<ul style="list-style-type: none"> • Cover letter • Memorandum and Articles of Association • Most recent audited financial statements of the applicant and details of the auditor • A copy of the applicant’s licence • Compliance/risk procedure manual (extract) • Completed capital adequacy returns • IT procedures manual • Copy of Clearing Agreement with an approved Clearing Member • Names of key personnel to be involved in the project (Head of Operations, Chief Financial Officer, Compliance and Risk Officers)

		<ul style="list-style-type: none">• Organizational structure.• Policy document on Operations and Risk Management• IT procedures manual• Details of the applicant's operating systems to conduct the derivatives business• Up to date professional indemnity cover• A statement that the applicant does not have as its directors or officers any person who was a director or officer of a Trading Participant whose trading rights as a Trading Participant have been revoked or suspended by the Exchange.• A disclosure of any material litigation against the applicant.• A statement disclosing the applicant's multiple licenses (if any) and the procedures in place to mitigate possible conflicts of interest arising from such.		
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	Clearing Members	Trading Members	Trading Members – Proprietary Trading	Non-Executing Member – Custodian Banks
Letter of No Objection	<p>After the NSE has issued the Clearing Member (CM) with a letter of admission indicating that the CM has demonstrated preparedness and capacity to undertake the derivatives clearing and settlement business, the CM will thereafter be required to make a submission to the Central Bank of Kenya with supporting documentation that includes the NSE admission letter, seeking a No Objection to proceed with offering of derivatives products and services.</p>	<p>After the NSE has issued the Trading Member (TM) with a letter of No Objection indicating that the TM has demonstrated preparedness and capacity to undertake the derivatives business, the TM will thereafter be required to make a submission to the Capital Markets Authority (CMA) for approval with supporting documentation that includes the NSE letter of No Objection.</p> <p>Upon approval by the CMA, the NSE will admit the applicant as a TM in the Derivatives Market.</p>	<p>After the NSE has issued the Trading Member (TM) with a letter of No Objection indicating that the TM has demonstrated preparedness and capacity to undertake the derivatives business, the TM will thereafter be required to make a submission to the Capital Markets Authority (CMA) for approval with supporting documentation that includes the NSE letter of No Objection.</p> <p>Upon approval by the CMA, the NSE will admit the applicant as a TM in the Derivatives Market.</p>	<p>After the NSE is satisfied that the NEM has demonstrated preparedness and capacity to undertake the derivatives business, the NSE will issue the NEM with a letter of admission and notify CMA of the same.</p>