

PRESS RELEASE

FOR IMMEDIATE RELEASE

**NAIROBI SECURITIES EXCHANGE RECEIVES CAPITAL
MARKET AUTHORITY APPROVAL FOR PILOT PHASE
TESTING OF ITS DERIVATIVES MARKET**

May 15, 2018

Nairobi May 15, 2018: The Nairobi Securities Exchange (NSE) has received approval to undertake a Pilot Phase Test for the Derivatives Market within the next six months. This follows NSE's satisfactory fulfillment of the requirements set out in Section 36A of the Capital Markets Act and The Capital Markets (Derivatives Markets) Regulations, 2015.

The approval will enable the Exchange to commence a Pilot Phase Test of the Derivatives Market, which will be restricted to select market participants and a select product category. It will focus on Equity Indexes and selected Single Stock Derivatives. The overarching aim of the pilot phase, is to test the functionality and process of end to end transactions in a live environment.

In line with its mandate to maintain efficient and smooth functioning financial markets, the Central Bank of Kenya (CBK) has granted a provisional approval to the Stanbic Bank of Kenya and the Co-operative Bank of Kenya to participate as clearing and settlement members during the pilot testing phase.

Commenting on the announcement, the NSE Chief Executive, Mr. Geoffrey Odundo said "The Exchange is deeply grateful for the continued support it has received from the regulators - Capital Markets Authority (CMA) and CBK, the two banking institutions (Stanbic Bank of Kenya Ltd and the Co-operative Bank of Kenya Ltd), trading members and other stakeholders; and looks forward to a successful completion of the pilot phase which will inform stakeholders and regulators decisions on the official roll out of the Derivatives Market.

He added "The establishment of a globally competitive Derivatives Market is in line with the NSE's 2015 - 2019 strategic plan, which aims to increase listings in the Exchange while enhancing product innovation. The Derivatives Market will further enable trading and clearing of multi-asset classes, while providing our investors with an opportunity to further diversify their portfolios."

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Notes to the Editor

Derivative

A derivative is a financial instrument between two parties based upon the assets. Its price is determined by fluctuations in the underlying asset (which includes stocks and market indexes).

Globally, derivatives markets have played an important role in the hedging and price discovery in markets with growing GDPs, instability in the pricing of underlying products and volatile rates of inflation. As at the end of the year 2017, the World Federation of Exchanges (WFE), noted a total number of 25.03 billion derivatives contracts traded in 2017. Total volumes traded as compared to 2005, are up 170.4%, representing an average annualised growth rate of 9.3% over the last twelve years.

About Nairobi Securities Exchange (NSE)

The Nairobi Securities Exchange (NSE) is the principal securities exchange of Kenya. Besides equity securities, the NSE offers a platform for the issuance and trading of debt securities. The NSE is a member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). It is a full member of the Association of Futures Markets (AFM) a full member of the World Federation of Exchanges (WFE), and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE).

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