



NAIROBI STOCK EXCHANGE LTD

## **For Immediate Release**

### **NAIROBI, 31 MAY 2011: UCHUMI SUPERMARKETS SUSPENSION LIFTED AND SHARES RESUME TRADING AT THE NAIROBI STOCK EXCHANGE**

Addressing the President at the ceremony to mark the resumption of trading of the Uchumi Supermarkets shares on the Main Investment Market Segment of the NSE, Mr. Eddy Njoroge, the Chairman of the NSE, said: *“Your swift response in appointing of the Government of Kenya Taskforce, appointment of an interim management team responsible for formulating and implementing a rescue plan, and additionally the capital from the Government of Kenya is what we owe this great success.”*

Further on, Mr. Njoroge noted: *“the last day that the shares of Uchumi Supermarkets traded was on May 31 2006, when they closed at an average trading price of Kshs.14.50. Much has happened in those five (5) years. In order to facilitate price discovery, and allow market forces to determine the price, I am pleased to inform you that today, the Exchange will open the limits on the trading bands for the Uchumi Supermarkets shares.”*

With regards to structural weaknesses in the current laws on Insolvency, and the current Companies Act (Cap. 486) of the Laws of Kenya Mr. Njoroge added: *“We would like to urge your Government to speed up reforms in Insolvency, Bankruptcy regulations, and implement the new Companies Act (Revised Edition 2009). We are convinced that these reforms will spur the growth of the private sector, by making it easier for firms to emerge out of bankruptcy and insolvency. It will therefore support achievement of Vision 2030.*

On reducing of the settlement cycle the Chairman noted: *“I am happy to report that the commencement of the T+3 settlement cycle will take effect starting July 4 2011.*

*Henceforth, investors will be able to get their money, three (3) days from the sale of their shares”*

Mr. Njoroge reported that the Exchange is working on introducing a Treasury Bond Index. Mr. Njoroge noted: *“We believe it will enable our investors to more accurately measure the performance of their bond portfolios.”* The Exchange is also working on reclassifying the business segments, under which our listed companies are placed. *“We believe, this will provide a more accurate reflection of the diversity of the companies listed on the Nairobi Stock Exchange.”*, Mr. Njoroge informed the gathering.

**Ends**

## **NOTE TO THE EDITORS**

### **On May 31 2011, Uchumi relisted on the Main Investment Market Segment of the Nairobi Stock Exchange.**

- The last day that the shares of Uchumi Supermarkets traded on the Nairobi Stock Exchange was on May 31 2006, they closed at an average trading price of Kshs.14.50.
- Uchumi Supermarkets was suspended from NSE on June 1 2006, after registering a loss estimated Kshs 1.2 billion.
- The firm posted a net profit of Kshs 718 million in the year ended June 2010 on revenues of Kshs 8.5 billion compared to a loss of Kshs 1.2 billion in 2005.
- The lifting of the suspension in the trading of the shares of Uchumi Supermarkets Ltd, is on the 5<sup>th</sup> anniversary of the day after the shares were suspended.

## **FOOTNOTES**

### **DEMUTUALIZATION**

The Government is very keen on ensuring the delivery of demutualization, as it will both improve corporate governance and boost investor confidence in our markets. This process is bound to be completed by end of second half of the year.

### **REDUCTION OF THE SETTLEMENT CYCLE**

The Capital Markets Authority recently approved the revision of the NSE Trading Rules and the Central Depository and Settlement Corporation (CDSC) Operational Rules for the purposes of reducing the Equities Settlement cycle from the current T+4 to T+3. The move to the T+3 cycle is in line with international best practice. The efficiency that will come with a shorter settlement cycle will improve liquidity in the market for listed equity securities making our market more attractive to domestic and foreign investors.

### **NSE BROKER BACKOFFICE**

December 2010 NSE signed an agreement with Chella Soft Ltd for the implementation of a standard Broker Back office (BBO) System for the Kenyan market. The BBO system hopes to achieve straight through processing i.e. automating the entire process of transacting in shares without manual interventions and is interfaced with the Automated Trading System (ATS) and Central depository System (CDS). The system will reduce the risk of trading in securities listed on the Nairobi Stock Exchange, boost investor confidence and facilitate greater access by enabling internet trading.

### **Benefits**

The BBO system has the following benefits:-

1. Completely automates back office activities and complies to applicable regulations
2. Permits major scaling up, to handle hundreds of branches and thousands of clients
3. Permits internet access to the system, helping brokers expand their geographical reach, while at the same time centralizing risk management, control and audit
4. Provides full visibility on operations to senior management, with actionable and summarized information, linked to suitable alerts and exception reports
5. Comes with workflow support for security and operational best practice
6. Supports other products like IPO's management, portfolio management and complaints processing

## **Completed Milestones**

1. Stakeholder consensus reached
2. System users have standardized their operations around this application
3. Data clean up, validation and migration to the new system has been successfully completed.
4. System customization for security, bond trading, portfolio management, custodial trading and the Know Your Customer (KYC) requirements as prescribed by the Authority, has been agreed.

## **Next Phase**

The test phase is to optimise system customization for security, bond trading, portfolio management, custodial trading and the Know Your Customer (KYC) requirements as prescribed by the Authority.

The next phase of implementation entails the following two critical stages:-

1. **User Acceptance Testing (UAT)** – this stage will ensure users across the industry have a chance of testing the application as per existing business rules. This is a critical component of an application implementation and is highly structured with test results being recorded and analyzed against expected results. Notable variances are explained and follow up on respective resolutions has to be managed.
2. **Gap Delivery** – the expected customization features are delivered, installed and tested against the expected results. Once the gaps have been addressed satisfactory, the implementation process moves to a phased go-live.
3. **Go-Live** – after having a parallel run for at least 30 days

## **FOR FURTHER INFORMATION PLEASE CONTACT**

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