

**SPEECH BY THE SECOND VICE CHAIRMAN OF THE NAIROBI STOCK EXCHANGE
(NSE)
MR. JOB KIHUMBA
ON THE COMMENCEMENT OF TRADING OF THE NEW SHARES OF
STANDARD CHARTERED BANK
ON THE 29th OF OCTOBER 2010**

The Chairman, Standard Chartered Bank Ltd, Mr. Wilfred Kiboro;
The Board of Directors, Standard Chartered Bank Ltd.;
The Managing Director, Standard Chartered Bank Ltd., Mr. Richard M. Etemesi;
The Chairman, Kenya Association of Stock Brokers and Investment Banks, Mr. Michael Gichohi;
The Chief Executive Officer, Capital Markets Authority, Ms. Stella Kilonzo;
The Chief Executive Officer, Central Depository and Settlement Corporation, Ms. Rose Mambo;
The Chief Executive, Kenya Association of Stock Brokers and Investment Banks, Ms. Jane Njeru;
The Chief Executive, Nairobi Stock Exchange, Mr. Peter Mwangi;
The Board of Directors and Member Firms, Nairobi Stock Exchange;
Invited guests, ladies and gentlemen

I welcome you all to the Nairobi Stock Exchange (NSE) as we mark the commencement of trading of the new Standard Chartered Bank Limited shares arising from the August 2010 rights issue.

Owing to the successful equity transactions that have taken place this year - Kenya Commercial Bank, TPS Serena, Standard Bank of Kenya Limited, and rumours of more coming, 2010 has been dubbed 'The year of the rights issues'. Out of a total of Kshs. 28Billion raised since 1989, Kshs. 16 billion, i.e. 56% has raised in 2010 alone.

This demonstrates the improving efficacy of the Nairobi Stock Exchange as a platform for listed companies who wish to manage their capital structure and fund growth and acquisition strategies. The market has proven time and again that it is ready and willing to support business expansion and growth.

We note that in the Standard Chartered Bank transaction, 92.12% of the existing shareholding participated in the rights issue that was made for the purpose of acquiring a new business line by the Bank. There was however much heavier demand by existing and other investors and there was an oversubscription of over 60%.

Corporate value can be enhanced through good corporate communication strategies and as the NSE we wish to encourage more information flow to the investors. The 2006 Research work entitled "The Value of Investor Relations" by Alexander V. Laskin: Ph.D. Student: Department of Public Relations: College of Journalism and Communications: University of Florida; mentioned four potential ways investor relations contribute to the organizational bottom line:

1. Securities Valuation;
2. Trading Volume (liquidity);
3. Analysts coverage; and
4. Relationship with the investment community.

Common logic dictates "that more informative disclosures, by allowing investors to monitor managers more effectively and efficiently, increase demand for the firm's securities and ultimately lower its cost of capital. We urge our listed companies to continually engage the investor base and particularly when they are going to raise capital, in good time. Investors need to be given adequate time to not only be aware of the issue, but also to arrange their finances so that they are able to participate. We also wish to challenge issuers to be more innovative in the assessment of their capital requirements considering the dynamism of the markets they operate in.

The market is fairly deep and liquid, willing to support sound business strategies. To this end, we would encourage flexibility and request issuers to factor in green shoe options that allow them to take advantage of oversubscriptions. This is evident through the 160% subscription rate for the Standard Chartered Bank rights issue, where they received a total of Kshs. 4 Billion when the offer was for Kshs. 2.5 Billion.

Our vision as an Exchange is 'To be leading securities exchanges in Africa, with a global reach' and this will only be realised by enhanced activity by both issuers and investors of capital. We need more listings and all concerned, including the regulators and the players, should diligently work towards this goal.

The NSE equity trading has had a stellar performance this year, with turnover at the end of September at Kshs. 85 Billion, which is a 122% increase over the annual equity turnover witnessed in FY2009 of Kshs. 38 Billion. Currently, the NSE 20 Share Index is up 43%, a double digit return which places the NSE amongst the top performing markets in Africa. Comparable indices performance with regional markets shows (Uganda up 52 %, Ghana up 23 %, Nigeria up 11%, Egypt up 7 %, and South Africa up 7%). The fixed income securities market segment has performed even better. The value of bonds traded YTD stands at over Kshs. 420.82 billion compared to Kshs. 110.64 Billion traded in 2009. Indicating that the liquidity of the bonds trading now has surpassed that of equities. This can be attributed to the introduction of ATS for these securities. The NSE automated bond trading in November 2009. Monthly bond turnover averaged Kshs. 35 Billion during the period between October 2009 and October 2010 marking an increase of 84.6% over the monthly turnover of Kshs. 8 Billion traded during the prior year October 2008 – October 2009. In June 2010, a turnover high of Kshs. 95 Billion was traded with the lowest activity traded in November 2009 of Kshs. 9.2 Billion just before the automation process.

The Exchange believes that its investment in automation has not only increased liquidity and reduced operational risk but has also provided value through the more efficient and transparent dissemination of bond pricing and yield information from a centralized, credible source – the Exchange ATS.

It is now my pleasure to invite the Chief Executive Officer of the Capital Markets Authority, Ms. Stella Kilonzo to address us.

JOB KIHUMBA
29.10.2010