

Thursday, February 2, 2023

NSE AMENDS TRADING RULES TO SUPPORT BLOCK TRADES

The Nairobi Securities Exchange (NSE) has amended its Trading Rules to allow for Block Trades, following a green light from the regulator Capital Markets Authority (CMA) on 30th January, 2023.

Block trades shall constitute the sale of shares whose value: exceeds Kshs. 3 Billion in value and constitute 5% or more of an Issuer's total issued shares subject to a maximum of 24.99%; or is less than Kshs. 3 Billion in value and which constitutes more than 15% of an Issuer's total issued shares subject to a maximum of 24.99%.

This amendment is premised on the fact that large transactions in the equities market may require other than the current provision that guide price movement as well as the need for real-time reporting of such large transactions in the interest of maintaining market transparency. As such the new provision has provided for a more flexible pricing provisions that allows for a 30% price range based on a one month average.

"The NSE has noted a trend where there is an increase in block trades and given the inability to conclude such via the normal board, investors have been seeking exceptions for transfer outside the NSE, thereby compromising transparency given that such trades are not reported. This has necessitated the need for the NSE to accommodate such transactions which may be prearranged by the parties involved." said Mr. Geoffrey Odundo, Chief Executive, NSE.

The block Board is guided by international best practices in other exchanges and is expected to drive more liquidity in our market. The new provision captured under clause 6.5.3 of the NSE trading Rules is highlighted here under for ease of reference. A copy of the rules is available in the we

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Notes to the Editor

6.5.3 The Block Trade Board

- 6.5.2.1** There shall be a separate board to be known as the Block Trades Board on which all Block Trades shall be recorded.
- 6.5.2.2** A Block Trade shall constitute the sale of shares whose value:
 - i. exceeds Kshs. 3 Billion in value and constitute 5% or more of an Issuer's total issued shares subject to a maximum of 24.99%; or
 - ii. is less than Kshs. 3 Billion in value and which constitutes more than 15% of an Issuer's total issued shares subject to a maximum of 24.99%.
- 6.5.2.3** Block Transaction trades shall be concluded within a 30 % range based on the average price of the affected security for the last one month, from the date of execution.
- 6.5.2.4** Where a Block Transaction is concluded outside the 30% range as indicated under Rule 6.5.3.3 above, the Trading Participant(s) shall seek approval from the NSE before the transaction is executed in the ATS.
- 6.5.2.5** Where an application under Rule 6.5.3.3 is made, the NSE shall process such application within 24 hours of receipt.
- 6.5.2.6** The NSE shall report Block Transactions as off market transactions and shall not affect the market statistics with the exception of the total market turnover.
- 6.5.2.7** Block transactions may be settled Free of Payment. Where the parties have consented to settle Free of Payment, such consent shall be filed with the CDSC for action before the transaction is concluded

About NSE

The Nairobi Securities Exchange (NSE) is the principal securities exchange in Kenya. It offers a world class trading facility for local and international investors and issuers looking to gain exposure to Kenya's and Africa's economic growth. NSE plays a vital role in the growth of Kenya's economy through mobilization of domestic resources and international capital. The NSE is a founder member of the African Securities Exchanges Association and the East African Securities Exchanges Association. It is a full member of the World Federation of Exchanges and the Association of Futures Markets, and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE). NSE operates under the jurisdiction of the Capital Markets Authority of Kenya

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