



THE NAIROBI SECURITIES EXCHANGE DIRECT MARKET ACCESS GUIDELINES

CMA APPROVED OCTOBER 04, 2019

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1. Definition of Terms

As used in these Guidelines and unless the context otherwise requires:

“Automated Order Routing” or **“AOR”** means a type of Direct Market Access effected by contractual arrangement in which a Trading Participant permits its clients to transmit orders for execution directly to the ATS through its infrastructure. This shall be the first type of DMA to the ATS, therefore all references to DMA herein shall refer to access by AOR.

“ATS or Trading Platform” means the Exchange’s electronic trading system.

“Authority” means the Capital Markets Authority.

“Direct Market Access” or **“DMA”** means an arrangement whereby a Trading Participant’s client is permitted to enter orders to buy or sell securities including any modifications and cancellations directly into the NSE trade matching system for automatic execution without any intervention by the Trading Participant.

“DMA Client” shall refer to the Trading Participant’s client to whom the DMA Services are made available.

“DMA Facility” shall refer to any infrastructure (i.e. technical systems and/or connecting systems) that may be used by Trading Participants for the provision of DMA Services or DMA Clients for the provision of DMA Services.

“DMA Orders” shall refer to orders to buy or sell securities placed through the DMA Facility.

“DMA Trading Participant” shall refer to a NSE Trading Participant or Trading Member in the Derivatives Market who, upon application and payment of the Application Fees set out in Schedule 5 hereto, has been allowed by the Exchange to offer DMA Services to its clients upon the NSE Trading Participant’s compliance with the requirements herein.

“Exchange or NSE” shall mean the Nairobi Securities Exchange.

“Person” - Use of the word “person” is used for convenience and includes individuals, as well as entities such as corporations.

“Security” or “Securities” shall have the same definition as in the Capital Markets Act.

2. Introduction

These Guidelines recognize the ongoing need to enhance efficiency and to facilitate the swift and orderly processing and execution of orders through the development and usage of electronic order routing systems. The NSE recognizes that technological developments and DMA will facilitate the handling of a significantly higher order volume but also increase the prospect of order errors and concerns regarding sufficient internal controls. Accordingly, the NSE has developed these Guidelines to provide the eligibility criteria, internal control procedures and standards to be adhered to by Trading Participants, their DMA Facilities and their DMA clients when permitting access or accessing the Trading Platform through electronic order routing systems.

3. DMA Services

The DMA Services under these Guidelines shall mean services that allow the bona fide clients of a DMA Trading Participant to place buy or sell orders for securities without Trading Participant intervention. This shall initially be through Automatic Order Routing (AOR), where a Market Participant permits its DMA Clients to send orders electronically to the DMA Trading Participant’s infrastructure, which in turn automatically sends the order to the Trading Platform.

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4. Requirements for Providing DMA Services

Any Market Participant intending to provide DMA Services shall submit an application to the Exchange and comply with the following requirements prior to commencement:

- 4.1 DMA Facility has been certified by the NSE pursuant to this Rule 4 and Schedule 1 of these Rules
- 4.2 DMA Trading Participant shall execute an agreement with NSE governing the privilege granted to the DMA Market Participant to connect to the ATS, which agreement shall include the minimum information set out in Schedule 2 hereto;
- 4.3 DMA Trading Participant shall execute an agreement with its DMA Clients, setting out the the matters provided in Rule 4(i), and the undertakings set out in Schedule 3 hereto.;
- 4.4 DMA Trading Participant shall provide such information and documents as the NSE may require including, but not limited to, the following:
 - 4.4.1 A template of the agreement to be executed between the DMA Trading Participant and its DMA Client, which, at the minimum, shall state:
 - (a) The duties, obligations and rights of the DMA Trading Participant and the DMA Client in relation to the provision of the DMA Services;
 - (b) DMA Client's obligation to execute orders in compliance with the Capital Markets Act and subsidiary Regulations and NSE Rules and Guidelines ;
 - (c) The risk parameters that the DMA Trading Participant shall set;
 - (d) Situations in which DMA Client's orders may not be executed or cancelled;
 - (e) Process of DMA Order posting and execution;
 - (f) Service level commitment which shall include guaranteed processing time of order instructions and the maximum order capacity of the DMA Facility;
 - (g) Alternative means of order posting, modification or cancellation, if any;
 - (h) DMA Client's consent to the submission of any automated recording of online transactions to the Authority and the Securities Exchange;
 - (i) DMA Trading Participant's right to act (i.e., modify or cancel) on a DMA Order to ensure fair and orderly trading;
 - (j) Instances when DMA Services may be cancelled or terminated by the DMA Trading Participant or by the Securities Exchange ;

- (k) Possibility of discrepancy in the data displayed, technical glitches, delayed execution and other risks associated with DMA transactions;
- (l) DMA Client shall explicitly agree to be bound by the Capital Markets Act and subsidiary Regulations and Guidelines and the Exchange Rules and any amendments from time to time and shall be held liable for any breach of such laws, regulations and rules; and
- (m) Statement that the NSE, its Directors, Officers and employees shall not be liable to the DMA Client for all damages directly or indirectly suffered as a result of the use or provision of the DMA Services.

4.4.2 Evidence that the DMA Market Participant has written policies and procedures covering, at the minimum, the following:

- (a) Risk management and supervisory procedures;
- (b) Monitoring and managing of DMA Orders;
- (c) Handling of DMA Orders breaching the trading thresholds and other circumstances which may require confirmation;
- (d) Handling of errors and/ or exceptions including, but not limited to:
 - recommended solutions; or
 - escalation procedures;
- (e) Business continuity and disaster recovery;
- (f) Validation of identity of the person accessing the DMA Service;
- (g) Hiring and training of qualified technical personnel supporting the DMA Service of the DMA Market Participant; and
- (h) Training of DMA Clients, whether online, in-person or through such other appropriate means, covering relevant rules, regulations and policies and the use of the DMA Facility.

4.5 DMA Trading Participant shall appoint designated and alternate personnel for monitoring and managing DMA Clients and DMA Orders. The designated and the alternate personnel must be ATS certified who are proficient in the use of the facility for managing DMA Orders. The names of the DMA Trading Participant's designated and alternate personnel must be submitted to the Exchange.

4.6 The DMA Facility shall have audit trail capabilities that show details of each instruction executed through the DMA Facility including, but not limited to, the items stated herein.

4.7 Automated risk management system for controlling exposure to DMA Clients before the order is sent to the ATS. The DMA Trading Participant shall define the minimum risk filters as provided herein.

4.8 DMA Trading Participants shall inform the Exchange in writing of the commencement of DMA Services at least five (5) trading days ahead of the scheduled date of commencement.

5. System Certification

5.1 The Trading Participant's DMA Facility is required to pass the system certification process and comply with the minimum functional requirements set out in Schedule 1 before the commencement of DMA Services.

5.2 DMA Trading Participant shall provide to the Exchange the following information, in addition to the requirements indicated in Rule 4 and Schedule 1:

5.2.1 Measures to ensure the operational integrity, security, reliability;

5.2.2 Server size and capacity; and

5.2.3 Mechanisms to prevent the execution of unintended duplicate orders.

5.3 Executable copy of the certified version of the DMA Facility software shall be provided by the DMA Trading Participant to the Exchange together with its application to offer DMA Services.

6. System Re-Certification

6.1 The DMA Trading Participant shall notify the Exchange in writing of any enhancements or modifications to the previously-certified DMA Facility, with a complete description of the enhancements or modifications.

6.2 If the intended enhancements or modifications are determined by the Exchange to be significant in nature:

6.2.1 The Exchange shall conduct a re-certification of the DMA Facility prior to conducting live trading;

6.2.2 The DMA Trading Participant shall pay re-certification fee; and

6.2.3 The DMA Trading Participant shall provide the Exchange a copy of the executable file of the modified version of the DMA Facility software.

7. Security System

7.1 The DMA Trading Participant shall ensure that the following minimum security measures are built into the DMA Facility:

7.1.1 Authentication process (i.e., use of user ID and password);

7.1.2 Automatic expiry of passwords for a maximum of ninety (90) days;

7.1.3 System to ensure that the authentication process shall not be by-passed;

7.1.4 Automatic log-out or session time-out if there is no activity for a period of at least ten (10) minutes; and

7.1.5 A firewall configured for the provision of DMA Services.

7.2 The DMA Trading Participant shall ensure that the following minimum measures are observed in operating the DMA facility:

7.2.1 The access to and from the location of the DMA facility is controlled, recorded and monitored;

7.2.2 The DMA facility is regularly maintained and the procedures for maintenance are accessible to the authorized personnel;

7.2.3 The DMA Trading Participant shall have a facility and procedure to disconnect any user of its DMA Service in the event of a security breach, and to reconnect the user upon resolution of said breach. The DMA Trading Participant shall notify its DMA Client in writing of the security breach, the disconnection, and the resolution made. The DMA Trading Participant shall furnish the Exchange with a copy of such notice within five (5) days from resolution.

8. Restrictions on the Use of the DMA Facility

8.1 The DMA Trading Participant shall observe the following restrictions:

- 8.1.1 The DMA Trading Participant shall limit access to the DMA Facility to its clients and authorized employees;
- 8.1.2 The DMA Trading Participant shall provide DMA Services only to clients who comply with the requirements set out in Schedule 4 hereto;
- 8.1.3 Simultaneous multiple log-in using the same user account shall not be allowed; and
- 8.1.4 The DMA Facility shall not be used for High-Frequency and/or Algorithmic trading.

8.2 In case the DMA Trading Participant fails to strictly adhere to these requirements, the Exchange may take any of the actions enumerated in Rule 13 as the Exchange may deem necessary, without prejudice to any action that the Authority may take pursuant to its Regulations.

9. Responsibilities of DMA Trading Participants

- 9.1 The DMA Trading Participant shall be ultimately responsible for all DMA Orders entered by its clients, whether such DMA Orders were entered with or without DMA Trading Participant's knowledge.
 - 9.2 The DMA Trading Participant shall undertake the necessary measures that will ensure that the DMA Clients are knowledgeable of the NSE Trading Rules, and other pertinent laws, rules and regulations and proper use of the DMA Facility. The DMA Trading Participant shall maintain a record showing the participation or attendance by its DMA Clients in its training program, whether online, in-person or other appropriate means, which record shall be made available to the Authority and the Exchange.
 - 9.3 The DMA Trading Participant warrants that it shall undertake the necessary measures that will ensure that all revisions and updates to laws and rules are communicated promptly to the DMA Clients.
 - 9.4 The DMA Trading Participant warrants that it shall update its DMA Service, if necessary, in order to comply with changes under pertinent laws, rules and regulations.
 - 9.5 The DMA Trading Participant shall notify the Exchange of any change in the designated and the alternate personnel five (5) trading days prior to effective date.
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- 9.6 The DMA Trading Participant shall furnish the Exchange a copy of the template of the DMA Agreement between the DMA Trading Participant and its DMA Client in the event of any revisions.
- 9.7 The DMA Trading Participant shall perform daily reconciliation of DMA Client accounts (between DMA Facility and back office system) to ensure accuracy of information.
- 9.8 The DMA Trading Participant warrants that it shall ensure that the DMA Facility has built-in measures to prevent Market Manipulation.
- 9.9 The DMA Trading Participant shall make available the executed agreement between the Trading Participant and the DMA Client to the Exchange upon request.
- 9.10 The DMA Trading Participant shall, upon the directive of the Exchange or CMA, make such enhancements or modifications to the DMA Facility as may be necessary to comply with these Rules and regulatory requirements that may be issued subsequent hereto. If the enhancements or modifications are significant in nature, the Exchange shall require system re-certification.
- 9.11 The DMA Trading Participant shall conduct a disaster recovery test at least once a year. The results of the test shall be made available to NSE and the Authority as may be required.
- 9.12 The DMA Trading Participant shall engage a third party to conduct a capacity stress test and penetration/vulnerability test at least once a year. The results of the tests shall be made available to NSE and CMA as may be required.
- 9.13 The DMA Trading Participant shall maintain a client complaint log, which record shall be made available to NSE & CMA as may be required.
- 9.14 The DMA Trading Participant shall establish, document, and maintain a system of risk management controls and supervisory procedures reasonably designed to manage the financial, regulatory, and other risks of this business activity. Such DMA Trading Participant shall preserve a copy of its supervisory procedures and a written description of its risk management controls as part of its books and records for a minimum period of seven (7) years and shall avail these to the Exchange or the Authority upon request.
- 9.15 The DMA Trading Participant shall establish, document, and maintain a system for regularly reviewing the effectiveness of the risk management controls and supervisory procedures required by paragraph 9.14 of this section and for promptly addressing any issues.
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9.16 The DMA Trading Participant shall review, no less frequently than annually, its business activity in connection with the provision of DMA Services to its DMA Clients to assure the overall effectiveness of such risk management controls and supervisory procedures. Such review shall be conducted in accordance with written procedures and shall be documented. The DMA Trading Participant shall preserve a copy of such written procedures, and documentation of each such review, as part of its books and records for a minimum period of seven (7) years and shall avail these to the Exchange or the Authority upon request.

9.17 The Chief Executive (or equivalent officer) of the DMA Trading Participant shall, on an annual basis, certify that such risk management controls and supervisory procedures comply with paragraphs 9.15 and 9.16 of this section, and that the DMA Trading Participant conducted such review, and such certifications shall be preserved by the DMA Trading Participant as part of its books and records for a minimum period of seven (7) years and shall avail these to the Exchange or the Authority upon request.

10. Risk Management Protocols

10.1 The DMA Trading Participant shall define the automated pre-trade risk filters before a DMA Client is allowed access to the DMA Facility, for the purpose of ensuring that the DMA Order is within the capacity of the DMA client to execute and settle. For this purpose, the DMA Trading Participant shall put in place a system for assessing the risk profile of its DMA Clients.

10.2 The DMA Trading Participant shall, at the minimum, put in place the following types of risk filters according to the risks that are being managed:

10.2.1 **Trade exposure** – parameter for identifying the exposure in which a DMA Client can trade. The parameter shall be based on:

- a) Gross buying/selling transactions; or
- b) Net buying/selling transactions.

10.2.2 **Order size** – parameter for identifying the maximum of each DMA Order which a DMA Client can enter. The parameter shall be based on:

- a) Value in KShs.; or
 - b) Volume (number of shares); or
 - c) A combination of any of the above.
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10.2.3 **Price limit** – parameter for identifying the maximum price of the DMA Order which a DMA Client can enter. The parameter shall be based on:

- a) percentage (%) away from the last traded price; or
- b) percentage (%) away from the last adjusted closing price; or
- c) ticks (bid/offer) away from the last traded price; or
- d) ticks (bid/offer) away from the last adjusted closing price; or
- e) a combination of any of the above.

10.3 The DMA Trading Participant shall have internal policies and procedures in place for setting the risk parameters, review the same on at least a quarterly basis or on any shorter period as may be necessary, and adjust the risk parameter values as it may deem necessary, and ensure that all changes to the values are immediately updated and logged. The DMA Trading Participant shall ensure that the risk parameters are set up only by persons authorized by the DMA Trading Participant.

11. System Log

11.1 The DMA Trading Participant shall maintain a system log which includes, without limitation, the following details:

11.1.1 Trading Account, user ID and IP address of the DMA Client responsible for the DMA Order;

11.1.2 Unique code to identify DMA Orders and trades;

11.1.3 Date and time-stamp of all system logs including confirmations/acknowledgments of ATS;

11.1.4 DMA Client log-in and log-out and how the DMA Client was logged out of the system (i.e., manual or automated);

11.1.5 Result of risk parameter check (i.e., accept or reject and risk parameters that triggered rejection); and

11.1.6 All instructions related to the DMA Order made by the DMA Client (i.e., order posting, modification, and cancellation).

11.2 The DMA Trading Participant shall maintain a copy of all system logs for at least seven (7) years and make the same available for inspection by the Exchange and/or the Authority upon demand.

12. Termination of DMA Services

12.1 The DMA Trading Participant shall notify the Exchange of the termination of DMA Services no less than thirty (30) days prior to the effective date of the end of service.

12.2 The DMA Trading Participant shall notify its DMA Clients in writing, no less than thirty (30) days before the effective date of end of service, of the termination of its provision of DMA Services. The notification shall include the following:

12.2.1 Contact information of the Trading Participant; and

12.2.2 The DMA Service end date.

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13. Suspension or Revocation of DMA Services

The Exchange may, without prior notice, take any of the actions enumerated below:

- 13.1 Immediately disconnect the DMA Facility if such facility or any component thereof causes any problem to the ATS;
- 13.2 With the approval of the Authority, suspend or revoke the authorization of a DMA Trading Participant to offer DMA Services; or
- 13.3 With the approval of the Authority, direct a DMA Trading Participant to suspend or terminate the provision of DMA Services to any one or more of its DMA Clients.
- 13.4 The Exchange shall not be liable to the DMA Trading Participant, its DMA Clients, or any other party in the event of disconnection.
- 13.5 The DMA Trading Participant may, with the approval of the Exchange suspend or terminate the provision of DMA Services to one or more clients in the event of any violation of the Capital Markets Act and its subsidiary Regulations and Guidelines and the Exchange Rules .
- 13.6 The Exchange shall lift the suspension imposed pursuant to sections 13(c) and 13(e) above and reinstate the DMA Services if the reason or cause of the suspension has been resolved to the satisfaction of the Exchange and upon approval of the Authority.

14. Limitation of Liability

The Exchange, its Board of Directors and employees shall not be liable for damages arising from the availing or the use of DMA Services.

15. Non-Waiver

No failure or delay by the Exchange in enforcing any of the provisions of these Rules shall prejudice and/or restrict the rights of the Exchange to require compliance with said provision and it shall not operate as a waiver for any subsequent breach.

16. Applicability of the NSE Rules

The NSE Rules, including but not limited to the NSE Trading Rules and the NSE Trading Participants Rules, including the classification of violations and sanctions, shall apply to the

buying and selling of Securities *via* the DMA Facility insofar as they are not inconsistent with these Guidelines.

Schedule 1 – Trading Participant Requirements

A. Application Compliance Checklist

- 1) Provide a detailed written description of the Firm's DMA business and operations which should include a description of:
 - a) The technology used by DMA participants to enter and execute orders;
 - b) Each type of account utilized by DMA participants and how they are structured (master/sub-accounts, omnibus accounts, standalone accounts, etc.);
 - c) Trading access per account and whether multiple trader log-ons are permitted per account;
 - d) Commission and fee structure associated with the DMA Services.
 - e) Copies of documentation provided by the Firm to the customer or trader when establishing a DMA relationship, including but not limited to, instructive or informational documentation, new account forms, margin agreements, and trading authorizations.
 - 2) Provide all written supervisory procedures in place that govern the Direct Trading Access business at the Firm.
 - 3) Provide a complete set of the Firm's written policies and procedures that relate to, refer to, or concern all aspects of the Firm's DMA's program.
 - 4) Provide a detailed description of all independent testing for AML compliance performed. Include the name and background of the individuals conducting the testing. Also provide a copy of the results of the testing, including but not limited to, written reports, memoranda and analyses. Identify any undertakings by the Firm as a result of the testing.
 - 5) A narrative describing the firm's process in establishing standards for position and credit limits for DMA accounts. Describe any monitoring the firm will conduct on an ongoing basis of position and credit limits.
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- 6) A detailed description of the Firm's procedures for reviewing for suspicious activities, the types of tools employed in the monitoring, and the manner in which they are utilized. Suspicious activities include suspicious securities trading, securities movement, and money movement. The response should include, but not be limited to:
- a) A list of each type of exception, surveillance or risk monitoring report or other tools used by the Firm to monitor for suspicious activities. Provide a detailed explanation of the tool or report, including information on the frequency with which the report is run or the tool is utilized, the type of activity the tool or report is set up to monitor (including the parameters set), and the manner in which the data is gathered, interpreted and used by the Firm;
 - b) Identification of individual(s) responsible for using the tool or reviewing the report and the names of all individuals receiving copies of the report or a sub-set of the report;
 - c) Copies of all procedures, explanatory documents or Guidelines used in connection with each report or tool; and
 - d) Should come up with surveillance or risk monitoring reports or tools to be utilized.

B. ICT Requirements for Trading Participants' Infrastructure

The Trading Participants' ICT infrastructure must have the following controls in place in order to be approved by the NSE:

1. Operational Controls
 - a. Information Security Controls
 - i. Perimeter security through tiered firewalls/Creation of a DMZ
 - ii. Strong Client authentication mechanisms such as 2 factor authentication.
 - iii. Data Encryption for all data on transit (AES /RSA 256 bit).
 - iv. The system must have a password policy configuration that supports the following:
 - a. Password complexity
 - b. Password history
 - c. Account lockout
 - d. Session timeout
 - e. Password expiry
 - f. Optional two factor authentication

- v. The system must have the ability to store audit trails which include system and activity logs for at least 7 years.
- vi. The system must have the ability to generate email and/or sms alerts for change of sensitive information such as password and client static data
- vii. The system must have the ability to define user rights and access privileges with proper segregation of duties.
- viii. The system must have the ability for the Trading Participant to assign, amend and revoke user access privileges.
- ix. The system must have the ability to reset client passwords
- x. The system must have the ability for clients to reset their own passwords
- xi. The system must have the ability to enable and disable DMA accounts
- xii. The system must provide for monitoring of DMA accounts.
- xiii. Installation of an up-to-date Antivirus and/or anti-malware software on the hosting server(s).
- xiv. The system must be deployed in a primary and secondary/DR site setup with elaborate failover mechanisms. A report of the failover tests must be submitted to the Exchange prior to rollout.
- xv. Penetration testing by an external party must be carried out before rollout with reports shared with the Exchange.
- xvi. Annual audit of the hosting environment (IT Estate) to be performed by an independent party and a report submitted to the Exchange.
- xvii. Ability to carry out daily backups of the DMA clients activity/transactions. Trading Participant to submit a record of backup tests to the Exchange twice a year.

b. Operational controls/Functionality

- i. Ability for the client to view their own transactions
- ii. Ability to place, amend, cancel orders
- iii. Ability to generate/view/download reports
- iv. Ability for the client and broker to be notified through email and/or SMS of market events; e.g. Margin calls, breach of limits etc.
- v. Client details can't be changed from OST.
- vi. Ability to define and set client transaction limits
- vii. Ability for the Trading participant to create, update and archive clients.
- viii. Ability to validate sell orders against client holdings.
- ix. Ability to validate client buy orders against available client funds checks.
- x. Ability to verify DMA account status; Dormancy/inactivity status.
- xi. Ability to enforce price limit checks.
- xii. Ability to immediately confirm DMA client instruction
- xiii. Ability to differentiate DMA orders from Trading Participant's orders
- xiv. Ability to provide the DMA clients with real time market data.
- xv. The system should have an inbuilt system user manual.

- xvi. The system to provide a mechanism for clients to raise complaints or give feedback

2. Compliance Controls

- i. The system must support proper KYC procedures to capture all mandatory details.
- ii. The system must provide the ability for monitoring and surveillance of DMA client orders and trades.

Schedule 2

Minimum Provisions for DMA Trading Participant's Agreements with the Exchange

1. Trading Participant to be liable for DMA trades

The DMA Trading Participant shall be fully responsible and liable for all orders emanating through its DMA facility. The Trading Participant shall ensure that only clients who fulfill the eligibility criteria are permitted to use the DMA facility.

2. Cross Trades

The DMA Trading Participant shall not cross trades of their clients with each other. All orders must be offered to the market for matching.

3. Undertaking to continue to comply with existing obligations

The Trading Participant will continue to comply with all existing regulatory and other obligations.

4. Statement on Limitation of Exchange's Liability

The NSE, its Directors, Officers and employees shall not be liable to the DMA Client for all damages directly or indirectly suffered as a result of the use or provision of the DMA Services.

5. Undertakings on Operational Matters

The DMA Trading Participant confirms and warrants that it has, and complies with written policies and procedures covering the following:

- (a) Risk management and supervisory procedures;
- (b) Monitoring and managing of DMA Orders;

- (c) Handling of DMA Orders breaching the trading thresholds and other circumstances which may require confirmation;
- (d) Handling of errors and/ or exceptions including, but not limited to:
 - recommended solutions; or
 - escalation procedures;
- (e) Business continuity and disaster recovery;
- (f) Validation of identity of the person accessing the DMA Service;
- (g) Hiring and training of qualified technical personnel supporting the DMA Service of the DMA Trading Participant; and
- (h) Training of DMA Clients, whether online, in-person or through such other appropriate means, covering relevant rules, regulations and policies and the use of the DMA Facility.

Schedule 3

Minimum Standards for Agreement between DMA Trading Participant and DMA Client

The agreement between a DMA Trading Participant and its client in respect of DMA Services shall include the following provisions as a minimum-

- 1.1. The Trading Participant's warrants that it:
 - 1.1.1. Is duly authorised by the Exchange to provide AOR Services to its Clients;
 - 1.1.2. Will at all times provide the Client with AOR Services through infrastructure that has been duly approved by the Exchange;
 - 1.2. The Client's undertaking that they shall:
 - 1.2.1. At all times conduct themselves in a manner that promotes the fairness, efficiency, transparency and integrity of the Market;
 - 1.2.2. Ensure that adequate safety measures are in place to prevent unauthorized use of AOR;
 - 1.2.3. At all times abide by all procedures, protocols and guidelines of the Exchange;
 - 1.2.4. Immediately contact their Trading Participant if they have any queries regarding market conduct;
 - 1.2.5. Acquaint themselves with the relevant provisions of the Capital Markets Act and Regulations thereunder, and all applicable Rules and Guidelines of the Exchange;
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- 1.2.6. Not use AOR to commit insider trading, market manipulation or any offences under the Capital Markets Act and Regulations and the Rules and Guidelines of the Exchange;
 - 1.2.7. Be fully responsible for keeping their passwords confidential and for all orders placed under the allocated log in credentials;
- 1.3. The Trading Participant shall collect and retain records of all necessary documentation from the Client in line with its Know Your Client protocols
 - 1.4. The Trading Participant shall retain the right to withdraw AOR Services with immediate effect in the event that a Client breaches its trading limits, its Agreement with the Trading Participant or any of the Act and the NSE Rules.
 - 1.5. The Client shall be bound by the trading limits sent by the Trading Participant
 - 1.6. The Client shall only use AOR Services to execute its own trades and shall not use if for transactions on any other person's behalf.

Schedule 4

Eligibility requirements for DMA Clients trading through Direct Market Access

A DMA Trading Participant may allow the following types of clients to trade via the DMA Facility:

1. Institutional investors, as defined according to the Capital Markets Act (CAP 485A)
 - i.e. any legal entity with the following qualifications:
 - i. Having a stable financial position.
 - ii. Having experience in investment in the capital market, domestic or international market.
 - iii. A management team that has not been accused of or charged with improper trading practices by the Capital Markets Authority (CMA) or the Nairobi Securities Exchange.
2. An individual who meets the following requirements:
 - I. A Qualified Investment Buyer on the basis of:
 - Financial sophistication to ensure ability to meet applicable credit risk factors that may arise.

- Sufficient financial resources to fulfill trade obligations and sufficient understanding of relevant provisions of securities regulations.
 - Knowledge of the trading rules and regulations and ability to comply with the market rules
 - The DMA client's users should be authorized, qualified and competent.
 - Knowledge of the order entry system that the DMA Client is permitted to utilize
- II. The funds used by the DMA Client for investments purposes shall not be obtained from illegal activities.
- III. The DMA client shall have legal access to his/her CDS account.
3. The DMA Client will be required to attend a training (organized by the DMA Trading participant) covering relevant rules, regulations and policies covering the use of the DMA facility.
4. The DMA Client will need to have an internal system of monitoring their own risk and controls to monitor orders and trades on a real time basis.

The DMA Client will enter into a legally binding DMA agreement with the DMA Trading Participant.

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