



NAIROBI SECURITIES EXCHANGE LIMITED

LISTING RULES

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INTRODUCTION

The purpose of these Rules is to set out the operational and procedural rules issued by the Nairobi Securities Exchange Limited for the purpose of ensuring orderliness, efficiency of the market in the initial admission of securities to the Official list of the Exchange, the listing of additional shares, and the continuing listing obligations in compliance with the Capital Markets Act and the Regulations and Guidelines issued thereunder.

These Rules are divided into six main parts.

Part I sets out the constitution and mandate of the Committee with respect to admission to listing, suspension and de-listing of securities under the general direction of the Board. This Part also sets out the procedures for admission to listing, suspension and de-listing of securities.

Part II outlines the requirements relating to Transaction Advisors who shall undertake to accept the responsibilities laid out in Part 1 of Schedule 3 of these Rules.

Part III explains the methods of listing securities on the exchange, the market segments and eligibility and disclosure requirements for listing of securities.

Part IV outlines the continuing listing obligations which an issuer is required to observe.

Part V consists of an appendix which stipulates the continuing listing obligations applicable to REITs and ETFs.

Part VI outlines the Schedules and Forms.

DEFINITIONS

The definitions contained herein apply to these Rules and shall be as prescribed under the Capital Markets Act (Cap. 485A) and where appropriate, are repeated

verbatim. In relation to an issuer which is not a company, unless the context requires, reference in these Rules to a company, and expressions appropriate to a company shall be construed as references to the issuer or to the corresponding persons, places, documents or organs, as the case may be appropriate to the issuer. In relation to a REIT unless the context requires, a reference in these Rules to a REIT shall be construed as references to the issuer and, where these Rules or the REIT Regulations impose any obligation on the REIT Manager (from time to time) or on the REIT trustee (from time to time) to prepare any document; make any disclosure or provide a notice, or to the corresponding persons, places, documents or organs, as the case may be appropriate to the issuer. This provision shall apply *mutatis mutandis* to an ETF Issuer.

Act means the Capital Markets Act, Cap 485A and includes Regulations and Guidelines issued thereunder;

Additional Issue means a capitalisation, rights , scrip dividend, bonus issue or any other distribution;

Allotment Committee means a committee comprising of representatives of the issuer and advisors whose mandate is to oversee allotment of securities;

Associated Person has the meaning assigned to it under Section 3 of the Capital Markets Act and in the case of a REIT, includes a connected party under the REIT Regulations;

Authority means the Capital Markets Authority established under the Capital Markets Act, Cap 485A;

Books Closing Date refers to the day (including time) set by a company, ETF Issuer or REIT Issuer, as the case may be, for purposes of determining shareholders or securities holders (as the case may be) for the issue of entitlements;

Borrowing Company	means an issuer with respect to debt securities;
Board	refers to the Board of Directors of the Nairobi Securities Exchange Limited;
Capitalisation or bonus issue	is an issue of fully paid securities capitalised from the issuer's, ETF's or REIT's (as applicable) share premium, capital redemption reserve fund or reserves (or combinations thereof) to existing shareholders or securities holders in proportion to their security holdings at a specific date;
Central Depository	means a company approved by the Authority under section 5 of the Central Depositories Act, 2000 to establish and operate a system for the central handling of securities and to provide other facilities and services incidental thereto;
Committee	means a committee of the Board of the Exchange acting as the listing committee constituted and assigned the mandate with respect to listing of securities under the general direction and guidance of the Board;
Constitutive Documents	means means the principal documents governing the formation of an Issuer, an ETF or a REIT and includes the memorandum and articles of association and trust deeds;
Convertible securities	are securities which are convertible into or exchangeable for other securities or securities accompanied by warrant or options to subscribe or purchase other securities. For the purposes of this definition, conversion and convertible shall be construed accordingly;
Day	means calendar days excluding Saturdays and Sundays and public holidays unless stated otherwise;

Debenture	in relation to loan securities, means debenture or debenture stock which in addition to any other security in respect thereof, are secured by a charge over the whole or substantially the whole of the assets and undertaking of the borrowing or guarantor companies;
De listing	means removal of a security or a company from the Official List of The Exchange;
Equity Securities	means shares, units, rights or interests (whether described as units, shares or otherwise) and rights or options to subscribe for any of the foregoing and includes ETF Securities and REIT Securities;
ETF	means an Exchange Traded Fund as defined in the ETF Guidance Note;
ETF Issuer	means: <ul style="list-style-type: none"> (i) in the case of an initial issue, the Promoter; and (ii) for subsequent issues, the Fund Manager;
ETF Guidance Note	means the Exchange Traded Funds Guidance Note issued by the Capital Markets Authority in September 2015, and any amendments thereto;
ETF Securities	means a unit or interest offered under an ETF;
Exchange	means the Nairobi Securities Exchange Limited;
Fixed Income Securities	include debentures or debenture stocks, secured or unsecured, within the meaning of the Companies Act, securities of the Government of Kenya, securities guaranteed by the Government of Kenya, corporate bonds and commercial papers;
Foreign investor	means any person who is not a resident of Kenya;
Foreign issuer	means any corporate body incorporated outside Kenya and registered in Kenya;

Green Bond means a fixed income instrument whose proceeds are used to finance or refinance new or existing projects that generate climate or other environmental benefits that conforms to the Green Guidelines and Standards listed on the Exchange and is approved by the Authority

Green Guidelines and Standards means green guidelines and standards including-

- (a) Green Bond Principles, as may be amended, issued and governed by International Capital Markets Association;
- (b) Green Bond Standards such as the Climate Bonds Standard, as may be amended, issued and governed by the Climate Bonds Initiative.
- (c) Government policies and guidelines such as the Kenya National Policy on Climate Change, National Policy on Climate Finance and Green Economy Strategy, among other Government policies; or
- (d) any other standard acceptable to the Exchange and the Authority

Green bond label means a label assigned to a bond by the Exchange to identify the bond as green;

Guarantor Company used in relation to a Borrowing Company, means a Company which has guaranteed or has agreed to guarantee the repayment of any money received or to be received by the Borrowing Company in response to an invitation to the public to subscribe for or purchase loan securities of the Borrowing Company;

IAS means International Accountings Standards;

Independent Verifier means an entity appointed by the issuer under Rule 2.13.1

Information Memorandum means any prospectus or document, notice, circular, advertisement, or other invitation in print or electronic form containing information on a company or other legal person authorized to issue securities or an ETF or a REIT or a collective

investment scheme aimed at inviting offers from the public or a section of the public to subscribe for the purchase of securities;

Introduction means the listing of securities which are listed on another securities exchange or which are publicly held other than as a result of an immediately preceding public offer;

Issuer means a company or other entity incorporated in or established under the laws of Kenya that offers securities to the public or a section thereof, whether or not such securities are the subject of an application for admission or have been admitted to listing and includes an ETF and an ETF Issuer in case of ETFs and, a REIT and a REIT Issuer, in the case of REITs;

Listed means admitted to the Official List of the Exchange, and listing shall be construed accordingly;

Listed Company means a company any part of whose shares have been listed;

Market Segment means a separate segment of the Official List established by the securities exchange, with the approval of the Authority, with respect to listings of securities for which specific eligibility and disclosure requirements are prescribed;

Material Contract is any contract the details of which would be necessary for the purpose of making an informed assessment of the financial position and prospects of the issuer, ETF or REIT and in the case of a REIT the relationships between the various parties including the REIT manager, REIT Trustee, valuer, the property manager, any structural engineer, any project manager certifier and the Shariah adviser, as applicable;

Material Information means any information that may affect the price of a security or influence investment decisions and includes but is not limited to information on -

- (a) a merger, acquisition or joint venture;
- (b) a block, split, stock dividend or any form of distribution;
- (c) earnings, dividends or distributions of an unusual nature;
- (d) the acquisition or loss of a significant contract;
- (e) a significant new product or discovery;
- (f) a change in control or significant change in management;
- (g) a call of securities for redemption;
- (h) the public or private sale of a significant amount of additional securities;
- (i) the purchase or sale of a significant asset;
- (j) a significant labour dispute;
- (k) a significant law suit against the Issuer or the REIT Trustee (in its capacity as such REIT Trustee) ;
- (l) where the issuer is a company issuing its own shares, the establishment of a programme to make purchases of the issuer's own shares;
- (m) a tender offer for another issuer's securities;
- (n) significant alteration of the constitutive documents of the issuer, ETF or the REIT;
- (o) the resignation or change of a manager or trustee, whether in a REIT or in an ETF;
- (p) a significant change in valuation of a REIT or ETF asset, or the underlying asset in an ETF,
- (q) the level of borrowings by the trustee in respect of the REIT;
- (r) the happening of any event which may give rise to a REIT failing to be classified as a REIT for taxation purposes, or
- (s) any other peculiar circumstances that may prevail with respect to the issuer, ETF, REIT or the relevant industry.

Nominated Advisor	means a company registered to undertake the responsibilities set out in Part IV of the Nairobi Securities Exchange (Nominated Advisor) Rules, 2012;
Public Offers Regulations	means the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002
Professional Investor	means - (a) any person licensed under the Capital Markets Act; (b) an authorized scheme or collective investment scheme; or (c) a bank or subsidiary of a bank , insurance company, co-operative, statutory fund, pension or retirement fund; or (d) an individual, company, partnership, association or a trustee on behalf of a trust which, either alone, or with any associates on a joint account subscribes for REIT securities with an issue price equal to at least five million Kenya shillings.
Real Estate Investment Trust or REIT	means a trust established in Kenya and authorized by the Authority under the REIT Regulations for investment in real estate but does not include an exempted real estate investment trust.
REIT Issuer	means: (a) in relation to the first issue of REIT securities made after the authorisation of the REIT, the Promoter; and (b) in relation to any subsequent issue or offer of REIT securities or in the case of a conversion as provided for under Regulation 86 of the Capital Markets (Real Estate Investment Trust) (Collective Investment Schemes) Regulations 2013 the REIT manager at the time of issue, but does not include the trustee

REIT manager means the manager appointed from time to time under regulation 55 of the REIT Regulations in respect of a particular REIT

REIT Regulations means the Capital Markets (Real Estate Investment Trust) (Collective Investment Schemes) Regulations 2013.

REIT Security or Securities means any unit or interest offered under a Real Estate Investment Trust

REIT trustee means the trustee from time to time of a REIT

Restricted Offer means an issue or an offer of Securities made only to Professional Investors on a Restricted Market Sub-Segment.

Transaction Advisor means a person eligible for appointment as prescribed under regulation 5A of the Public Offers Regulations and appointed by an issuer in accordance with Rule 4;

Underwriting means the purchase or commitment to purchase or distribute, by dealers or other persons approved by the Authority of any securities that have not been subscribed during the offer of securities to the public by the issuer.

Unrestricted Offer means any issue or offer which is not a Restricted Offer.

PART I

PROCEDURE FOR ADMISION TO THE OFFICIAL LIST, SUSPENSION AND DELISTING OF SECURITIES

This Part sets out the constitution and mandate of the Committee with respect to admission, suspension and de-listing of securities from the official list. This Part also sets out the procedures for admission to listing, suspension and de-listing of securities.

1. *Constitution and general mandate of the Committee*
2. *Procedure for admission to official list*
 - *Procedure for admission to official list*
 - *Over subscription*
 - *Cross border listing*
 - *Introductions*
3. *Procedure for Suspension and de-listing of securities*
 - *Procedure of suspension of securities of securities*
 - *Voluntary Suspension*
 - *Lifting of Suspension*
 - *De-listing of securities*
 - *De-listing of fixed income securities*
 - *Voluntary De-listing*
 - *Censure and financial penalties*

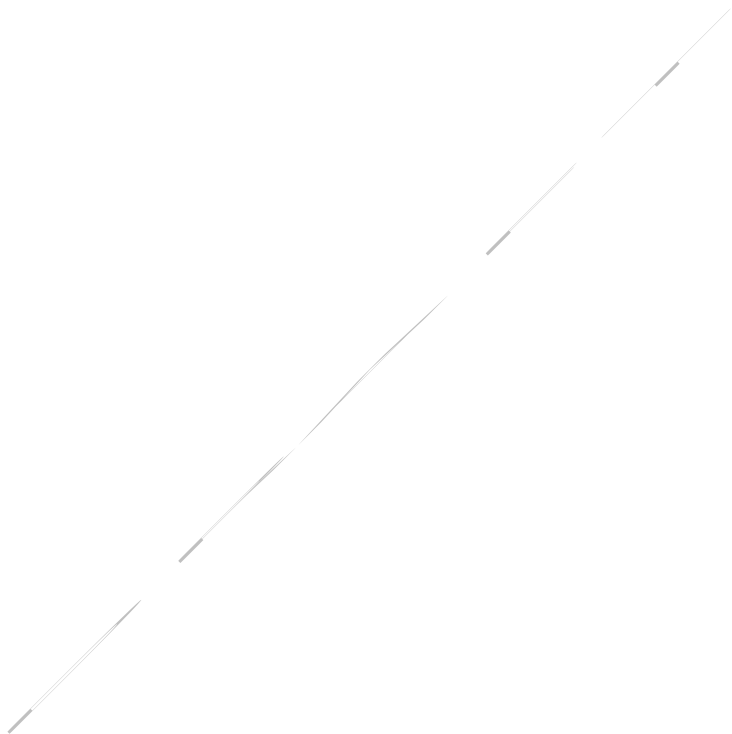
1. CONSTITUTION AND GENERAL MANDATE OF THE COMMITTEE

1.1 The Committee shall be constituted by the Board and assigned the following mandate with respect to the listing of securities-

- (i) subject to these Rules, to review and recommend approval of applications for admission to listing of new and additional securities in any of the market segments;
- (ii) to review the procedure for admission of securities to listing and make recommendations for amendment to these Rules in accordance with the procedures provided under the Rules of the Exchange;
- (iii) to review compliance with continuing listing obligations by listed companies, ETFs and REITs Issuers, and make recommendations to the Board on the necessary action for non-compliance including imposing penalties and other sanctions as provided for under these Rules;
- (iv) to recommend suspension of listing of securities for a predetermined period as may be necessary and restoration of such securities to listing in line with the procedures provided in these Rules;
- (v) to identify impediments to listing of securities at the Exchange and make recommendations of ways and measures to address such impediments;
- (vi) to make proposals on any incentives necessary to promote and attract listing of securities;
- vii) to review the listing fees on an annual basis and make recommendations on necessary revisions with a view of ensuring that listings are encouraged.

1.2 The Committee shall be subject to the right and power of the Board to review, vary, ratify or supplement the decisions of the Committee. The Committee

shall make recommendations to the Board and the Board shall have the discretion to make and carry out the decisions on such recommendations.



2. PROCEDURES FOR ADMISSION TO LISTING

Procedure for admission to listing for equity securities other than REIT and ETF Securities

An issuer shall submit an information memorandum or a prospectus (as the case may be) to the Authority for approval and a copy to the Exchange for comments through the sponsoring stockbroker, transaction advisor.

- 2.1 An issuer shall submit its information memorandum or prospectus approved by the Authority to the Exchange.
- 2.2 The admission procedure shall be as follows-
 - (i) An issuer submits its application and prospectus for approval to the Authority with a copy to the Exchange through the sponsoring stockbroker or transaction advisor.
 - (ii) The Exchange shall submit its comments, if any, to the Authority within ten working days of receipt of the copy of the application.
 - (iii) The Authority shall consider as appropriate the comments of the Exchange while granting approval to listing.
 - (iv) On receipt of a letter of approval to listing from the Authority in compliance with the Act, the Exchange shall approve the listing without any other conditions save the attainment of the prescribed minimum shareholding following a public offering or offer for sale, attainment of minimum subscriptions (if any) as disclosed in the information memorandum or prospectus, as the case may be, payment of listing fees and signing of the memorandum of listing.
 - (v) In case of Introductions and additional listings approved by the Authority, the Exchange shall admit securities to listing upon the payment of listing fees by the Issuer without any further condition. The statutory requirements for additional issues are prescribed by the Authority in the Public Offers Regulations.
 - (vi) Other issues applicable to additional listings are set out in Schedule 2 under Part VI.

- (vii) The sponsoring stockbroker or transaction advisor shall ensure the Issuer complies with the documentation required under these Rules.

Procedure for admission to listing for REIT Securities

2.3 An Issuer shall simultaneously submit its Offering Memorandum or Prospectus, as relevant, to the Authority and the Exchange for review and subsequent approval by the Authority, through the transaction advisor.

2.4 The admission procedure shall be as follows-

- (i) An Issuer submits its application and Offering Memorandum or Prospectus for simultaneous review by the Authority and the Exchange through the sponsoring stockbroker or Transaction Advisor.
- (ii) The Exchange shall submit its comments, if any, to the Authority within ten working days of receipt of the application.

2.5 The Exchange shall, upon receipt of the following documents:

- (i) the Offering Memorandum or Prospectus in the form set out in schedule 1 duly signed by or on behalf of the Issuer;
- (ii) the supporting documents specified in schedule 5; and
- (iii) the Letter of Approval from the Authority,

approve the listing of the REIT without any other conditions except the attainment of the prescribed minimum number of investors following a public offering or offer for sale, attainment of minimum subscriptions (if any) as disclosed in the information memorandum or prospectus, as the case may be, payment of listing fees, as provided in the REIT Regulations, and signing of the memorandum of listing.

2.6 In case of additional listings approved by the Authority, the Exchange shall admit securities to listing upon the payment of listing fees, as provided in the REIT Regulations, by the Issuer without any further condition.

2.7 The transaction advisor shall ensure the Issuer complies with the documentation required under the Act, these Rules and the REIT Regulations.

Procedure for admission to listing for ETF Securities

2.8 An Issuer shall simultaneously submit its Information Memorandum to the Authority and the Exchange for review and subsequent approval by the Authority, through the sponsoring stockbroker or transaction advisor if the latter is a Trading Participant of the Exchange.

2.9 The admission procedure shall be as follows-

(iii) An Issuer submits its application and prospectus for simultaneous review by the Authority and the Exchange through the sponsoring stockbroker or Transaction Advisor.

(iv) The Exchange shall submit its comments, if any, to the Authority within ten working days of receipt of the application.

2.10 The Exchange shall, upon receipt of the following documents:

(i) the Information Memorandum which is compliant with the ETF Guidance Note;

(ii) the supporting documents specified in Schedule 5, as applicable; and

(iii) the Letter of Approval from the Authority,

approve the listing of the ETF without any other conditions except the attainment of any prescribed minimum number of investors following an offer for sale, attainment of minimum subscriptions as disclosed in the Information Memorandum (if any), payment of listing fees in accordance with Schedule 6 and signing of the memorandum of listing.

2.11 In case of Introductions and additional listings approved by the Authority, the Exchange shall admit securities to listing upon the payment of listing fees by the Issuer.

2.12 The issuer or the fund manager, where appointed, shall ensure the ETF complies with the documentation required under the Act, these rules and the ETF Guidance Note.

Procedure for admission to listing for Green Bonds

2.13 An issuer of a Green Bond, shall comply with the eligibility requirements set out in these Rules in addition to those set out under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations:

Appointment of an Independent Verifier

2.13.1 The issuer of a Green Bond shall appoint an Independent Verifier, to carry out a pre- issuance review and confirm to the investors, the Exchange and the Authority that the Bond is classified as green pursuant to the Green Guidelines and Standards.

2.13.2 The Independent Verifier shall carry out a pre- issuance review and confirm to the investors, the Exchange and the Authority that the Bond is classified as green pursuant to the Green Guidelines and Standards.

2.13.3 The issuer shall include a statement in the Information Memorandum confirming that the Independent Verifier has been appointed pursuant to Rule 2.13.1.

2.13.4 The Independent Verifier must be an entity:

- (i) specialising in assessing the framework of the Green Bond's environmental objectives, with sufficient environmental, financial and market-specific expertise to perform a comprehensive assessment of the use of proceeds;
- (ii) independent of the issuer, its directors, senior management and advisors;
- (iii) compliant with the International Capital Markets Association's Guidelines for External Reviewers, or accredited under the Climate Standards and Certification Scheme, or any industry body acceptable to the Exchange and the Authority; and
- (iv) with significant and appropriate expertise needed for providing independent reviews on green bonds.

Submission of the Information Memorandum

- 2.14 An Issuer shall simultaneously submit the Information Memorandum and supporting documentation to the Authority and the Exchange through the Transaction Advisor.
- 2.15 The Information Memorandum submitted by the Issuer to the Authority and the Exchange shall contain the following particulars in line with the Green Bond Guidelines and Standards:
- (a) A statement on the environmental objectives of the Green Bond and the process to determine project eligibility and related eligibility criteria;
 - (b) A statement of the systems, policies and processes to be used for the management, allocation and reporting of the bond funds and investments.
 - (c) a pre-issuance report from an Independent Verifier confirming the Green Bond can be classified as green pursuant to the Green Bond Guidelines and Standards.
- 2.16 The Exchange shall undertake a review of the Information Memorandum and supporting documentation and shall satisfy itself that the necessary disclosures have been made by the Issuer in line with the Green Bond Guidelines and Standards, these Rules and the Capital Markets (Securities) (Public Offers, Listings and disclosures) Regulations.
- 2.17 The Exchange shall communicate its comments on the application to the Authority, in writing.
- 2.18 The Authority shall carry out a review of the application and incorporate any comments from the Exchange and shall either approve or reject the application.
- 2.19 The decision taken by the Authority shall be communicated, in writing, to the Issuer and the Exchange.
- 2.20 The Exchange shall, upon receipt of the letter of approval from the Authority approve the listing of the Green Bond under the Fixed Income Market Segment without any other conditions except the attainment of the prescribed minimum number of investors following a public offering or offer for sale, attainment of minimum subscriptions (if any) as disclosed in the information memorandum or prospectus, as the case may be, payment of listing fees, and signing of the information memorandum.

- 2.21 The issuer shall comply with the listing requirements for Green Bonds as set out under the Green Guidelines and Standards, these Rules and the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002.

Continuing Obligations for Issuers of Green Bonds

- 2.22 The issuer of a green instrument shall comply with the disclosure requirements for Fixed Income Instruments as set out in the Public Offers Regulations, and the Green Guidelines and Standards.
- 2.23 The issuer shall provide to investors, the Authority and the Exchange a Green Bond report annually for the duration of the Green Bond, in line with standard reporting procedures for listed Fixed Income instruments as set out in the Capital Markets (Public Offers) (Listings and Disclosure) Regulations and the Green Bond Report shall include the following details:
- (i) A brief description of the projects and the amounts disbursed, including the percentage of proceeds that have been allocated to different project types and to financing and refinancing. Where confidentiality agreements or competition considerations limit the amount of detail that can be disclosed, the information may be presented in generic terms. The Authority and the Exchange may however request the detailed information for regulatory purposes;
 - (ii) The expected impact of the projects and assets;
 - (iii) The qualitative performance indicators and, where feasible, quantitative performance measures of the impact of the projects; and
 - (iv) The methodology and underlying assumptions used to prepare performance indicators and metrics shall be disclosed
- 2.24 The annual report on use and management of proceeds shall be reviewed and signed off by the Independent Verifier to confirm the green status of the bond.
- 2.25 The green bond annual report may be disclosed through the issuer's website.

Cross-border listing

- 2.26 An Issuer seeking to list equity securities (other than ETF securities or REIT securities) that are already listed on a securities exchange outside Kenya

pursuant to cross-border listing shall comply with the eligibility and disclosure requirements prescribed for the Main Investment Market Segment by the Authority and set out in the Public Offers Regulations.

2.27 A REITs issuer seeking to list REIT securities that are already listed on a securities exchange outside Kenya pursuant to cross-border listing shall comply with the eligibility and disclosure requirements prescribed for REITs by the Authority and set out in the REIT Regulations.

2.28 An ETF issuer seeking to list ETF securities that are primarily listed on a securities exchange outside Kenya shall comply with the requirements prescribed for ETFs listed outside Kenya as set out in the ETF Guidance Note.

2.29 Such issuer shall make a public announcement of the cross-border listing and indicate the physical address where the prospectus or Information Memorandum approved by the Authority is available for collection and inspection by investors and the general public.

Introductions

2.30 An Issuer seeking to list securities at the exchange in Kenya that are already listed on a securities exchange outside Kenya pursuant to an Introduction shall comply with the eligibility and disclosure requirements prescribed in Rule 8 of these Rules. A letter of no objection will be required by the Authority from the Regulator in the issuer's home country.

2.31 The issuer shall make a public announcement of the Introduction and indicate the physical address of the Registrar and, in the case of an ETF, the authorized representative of the Issuer and also include a statement of compliance from the Regulator in the Issuer's home country.

3. PROCEDURE FOR SUSPENSION AND DELISTING OF SECURITIES

Procedure for suspension of securities

- 3.1 The Exchange may, subject to the provisions of the Act if it is of the opinion that it is desirable to do so and/or if the Issuer has failed to comply with the continuing listing requirements, suspend a listing of securities or impose such conditions as it may in the circumstances deem appropriate in accordance with the procedures set out in these Rules and subject to the approval of the Authority.
- 3.2 In the case of REIT securities a reference to “Issuer” shall be read to include a reference to a failure by the REIT trustee where an obligation is imposed by these Rules or by the REIT Regulations or the Act.
- 3.3 In the case of ETF securities a reference to “Issuer” shall be read to include a reference to a failure by the trustee of the ETF where an obligation is imposed by these Rules or by the ETF Guidance Note, or the Act.
- 3.4 Suspension of securities from the Official list shall be subject to such time as the Exchange may decide in consultation with the Authority.
- 3.5 When a listing is suspended and the Issuer fails to take the required action to obtain the restoration thereof within the time provided, the Exchange may recommend to the Authority de-listing of such securities.
- 3.6 Where a security has been suspended or delisted the Exchange shall publish such information in at least two local English dailies of national circulation.
- 3.7 The suspension procedure shall be as follows:
 - (a) The Committee shall recommend to the Board the suspension of a security from the Official list;
 - (b) The Chief Executive shall then notify the Authority within three hours of such recommendation, attaching a proposed draft press release for the approval of the Authority;
 - (c) The Authority shall respond before the next trading session giving its approval or recommending any other action;

- (d) The Exchange shall notify the Market of the suspension via transmission through the ATS after the response from the Authority;
- (e) The Exchange shall then notify the issuer of the suspension and reasons thereof; and
- (f) A press release on the suspension shall then be made by the Chief Executive of the Exchange.

Consequences for breach of greenness requirement for Green Bonds

- 3.8 In the event of breach of the requirements of these Rules by an issuer of a Green Bond, the Exchange or the Authority shall communicate to the issuer concerning the breach and shall authorize the issuer to take remedial steps to rectify the breach, subject to an agreed timeframe between it and the Exchange or the Authority, in addition to any other action that the Exchange or the Authority may take.
- 3.9 The Authority shall take any other enforcement action on the Issuer for the breach as it may deem fit and in the interest of the investors.
- 3.10 Where it is found that the Independent Verifier did not perform its responsibilities as required in independently reviewing the green bond, the Authority may take enforcement action against the Independent Verifier.

Voluntary suspension

- 3.11 The Exchange may with the approval of the Authority, grant a request for suspension of any listed securities, where an Issuer or REIT trustee requests for suspension to the Authority and the Exchange in writing, in the following circumstances (as applicable):
 - (i) Where a decision has been made or is imminent that will lead to the placing of the Issuer of such securities under statutory management, liquidation, receivership or voluntary winding up or in the case of REIT Securities that will lead to the winding up of the REIT in accordance with the REIT Regulations or, in the case of an ETF that will lead to the winding up of the ETF in accordance with the ETF's constitutive documents;

- (ii) In the event of a significant restructuring involving the listed securities such as in the process of acquisition, mergers or takeovers of the Issuer approved by the Authority or
- (iii) a recommendation has been made by the directors to the shareholders, or by the trustee to securities holders in the case of a REIT or an ETF, to have the securities suspended and where the holders of such securities through a special resolution at which at least 75% of such security holders are represented without objection to the proposed suspension from at least 10% of the holders of securities resolve to have the securities suspended; and
- (iv) Any other circumstance that the issuer or the REIT trustee considers important enough to suspend trading of the securities, with the approval of the Authority.

3.12 If securities are suspended, the Issuer shall:

- (i) continue to comply with all the continuous listing obligations, unless expressly exempted from doing so by the Exchange in writing;
- (ii) submit to the Exchange and the Authority as may be required, a progress report pertaining to the prevailing state of the affairs of the Issuer and any proposed action by the Issuer or REIT trustee, in the case of REITs; and
- (iii) if the security is suspended for more than three months, advise the securities holders, on a quarterly basis concerning the prevailing status of the affairs of the Issuer and any proposed action by the Issuer or REIT trustee, in the case of REITs, including the expected date on which the suspension is to be lifted.

Lifting of suspension

3.13 The following procedure shall apply where the lifting of suspension is required by the issuer:

- (a) The Issuer, or REIT trustee as applicable, shall apply to the Exchange and the Authority demonstrating compliance with the conditions for lifting of the suspension;
- (b) The Committee shall review the request of the Issuer or the REIT trustee and determine whether the suspension should be lifted and make a recommendation to the Board;
- (c) The Chief Executive of the Exchange shall then inform the Authority of the recommendation of the Exchange;
- (d) The Issuer or the REIT trustee shall then be informed of the lifting of the suspension after the approval of the Authority; and
- (e) The Exchange shall then issue a public statement of the lifting of suspension and restoration of the securities to listing and trading stating the approval of the Authority.

Delisting of securities

- 3.14 Failure of the Issuer or REIT trustee to satisfy conditions for listing within the period predetermined by the Authority shall result in the securities of the issuer being de-listed. The maximum period of suspension in the case of restructuring of the Issuer's securities or operations shall be eighteen months unless extended by the Exchange in consultation with the Authority.
- 3.15 The Exchange shall in all cases of recommended de-listing, including voluntary de-listing, seek prior approval from the Authority before effecting any de-listing.
- 3.16 After approval of the Authority, the Exchange shall inform the Issuer and make a public statement on the de-listing of securities stating the approval of the Authority for such action.

Delisting of fixed income securities

- 3.17 Upon full redemption of a fixed income security, the Exchange shall de-list the security, and the same shall be communicated to the issuer and the Authority in writing.

Voluntary delisting of equity securities other than REIT securities and ETF securities

- 3.18 An Issuer's voluntary de-listing shall comply with the procedure prescribed by the Authority under the Act and given hereunder.
- 3.19 (a) Any person directly or indirectly controlling the exercise of seventy five per cent or more of the votes attached to the voting shares of an issuer upon the passing of a special resolution in the manner prescribed in (b) below to remove such shares from the Official list, be deemed to have an intention to take-over such company and shall forthwith apply the procedures prescribed by the Authority for take-overs as a pre-condition to the removal from listing.
- (b) A security considered by the Exchange to be eligible for continued listing shall not be removed from the list upon request or application of the issuer, unless the proposed withdrawal from listing is approved by the security holders at a meeting at which at least seventy five per cent of such security holders are represented, without objection to the proposed withdrawal from at least ten per cent of the security holders of the security provided however that the Exchange shall not oppose de-listing action by the issuer if:
- (i) the Exchange shall have denied the listing of an additional amount of such security within the preceding thirty days; and
 - (ii) following such action by the Exchange de-listing has been approved by a majority of the issuer's directors and the issuer has notified holders of such securities, in form satisfactory to

the Exchange of the proposed de-listing prior to the application for the de-listing at least thirty days in advance of the date de-listing is effected.

- (c) Subject to these provisions, an issuer shall notify the Exchange and the Authority within twenty four hours of any decision by its board of directors to recommend to the holders of any listed security the de-listing of such listed security.

Voluntary delisting of REIT securities

- 3.20 A voluntary de-listing of REIT Securities shall comply with the procedure prescribed by the REIT Regulations for the winding up of the REIT scheme and in the case of a delisting as a consequence of a takeover or on other grounds the requirements of Listing Rule 3.16 shall apply to the REIT securities as if the REIT was an issuer to which those rules applied; reference to shares is to REIT Securities; reference to shareholders is to the investors in REIT Securities and the REIT manager or REIT trustee has provided the required notification to the holders of the REIT Securities or made application to the Exchange.

Voluntary delisting of ETF securities

- 3.21 An ETF seeking voluntary delisting of its securities shall comply with the procedure set out hereunder:
 - (a) An ETF Issuer may submit a request to the Exchange for the delisting of the ETF's securities if such application is approved by the security holders at a meeting at which at least seventy five per cent (75%) of such security holders are represented without objection to the proposed withdrawal from at least ten per cent (10%) of the security holders of the security, and the Exchange shall not oppose such a de-listing action.

- (b) An ETF Issuer shall notify the Exchange and the Authority within twenty four hours of any decision by its board of directors to recommend to an ETF's securities holders the de-listing of such securities.
- (c) The approval of a delisting action by an ETF will, unless at the same time accompanied by immediate redemption of all securities in issue, have the effect of converting the ETF into a Collective Investment Scheme and accordingly the provisions of the Capital Markets (Collective Investment Schemes) Regulations, 2001 will apply to such an entity within a time period and with such transitional provisions as will be agreed between the ETF Issuer and the Authority.

Redemption and cancellation of ETF securities

- 3.22 An ETF issuer or fund manager shall have the right, but not the obligation, to offer to redeem or partially redeem, with or without cancellation, at any time any part of the securities of the ETF in exchange for a specified price, or the underlying assets, subject to compliance with applicable laws;

Provided that any offer to redeem all the issued securities of an ETF shall be subject to the voluntary de-listing provisions for ETF securities set out in these Rules.

- 3.23 On redemption of ETF securities the custodian, issuer, fund manager or the trustee, as relevant, shall:
- (i) where the ETF securities are being redeemed for a cash amount, pay the ETF securities holder within two business days. The repurchase price payable for each security shall be based on the net asset value of the fund;
 - (ii) where the ETF securities are being redeemed in exchange for the underlying assets, make available to the ETF securities holder the duly executed instruments of transfer for the underlying assets within fifteen business days.

3.24 In the event of partial redemption all ETF securities must be partially redeemed to an equal extent.

3.25 If the issuer or fund manager determines that any redeemed securities be cancelled, it shall cancel such securities and in the case of a trust, instruct the trustee to cancel such securities; and any instruction given by the issuer or fund manager shall state, in relation to each type of securities to be cancelled, the number to be cancelled, expressed either as a number of securities or as an amount in value or as a combination of the two:

Provided that the ETF issuer or fund manager shall not have any outstanding obligation to issue securities, which by cancellation of securities, would prevent the issuer or fund manager from fulfilling any such instruction.

3.26 Any fully redeemed securities not cancelled shall remain as unissued securities capable of being issued in future.

3.27 An ETF securities holder shall not have the right to request the ETF Fund Manager to redeem its holding of ETF Securities.

3.28 An ETF will be required to make a public announcement of any redemption or delisting resolution.

Censure and financial penalties

3.29 The Exchange shall impose such censure or penalties for non-compliance with the requirements prescribed in these Rules and at such rates as are approved by the Authority and provided in Schedule 7.

3.30 All penalties shall be paid into the Investor Compensation Fund established under the Capital Markets Act, Cap. 485A.

- 3.31 Any issuer or REIT trustee who has been the subject of any such censure or penalty and who is dissatisfied with such action may appeal to the Authority for review of the said action.
- 3.32 Upon any appeal the Authority may confirm, set aside or vary the action in question.
- 3.33 The Exchange shall inform the Authority of any censure or penalty imposed within three days of such action and include in its annual report details of any censure or penalties imposed during the year.
- 3.34 No censure or penalty may be imposed on an Issuer, or REIT trustee who has already been censured or penalised by the Authority for the same malfeasance.

PART II

LEAD TRANSACTION ADVISOR, SPONSORING STOCKBROKERS AND NOMINATED ADVISORS

This Part sets out the appointment, responsibility and obligations of the Lead Transaction Advisor and the Sponsoring Stockbroker.

The Lead Transaction Advisor, the Sponsoring Stock broker and Nominated Advisors shall undertake to accept the responsibilities laid out in Part I of Schedule 3.

4. Appointment

5. Responsibilities

4. APPOINTMENT

- 4.1 An issuer, listing on any Market Segment other than the Growth Enterprise Market Segment, shall appoint one or more Lead Transaction Advisor and a Sponsoring Stockbroker when seeking listing of the securities on the Exchange and shall inform the Exchange in writing of this appointment.
- 4.2 An issuer listing on the Growth Enterprises Market Segment shall appoint a Nominated Advisor as set out in the NSE Nominated Advisor Rules, 2012.
- 4.3 Notwithstanding Rule 4.1 above, where the appointed Lead Transaction Advisor is by nature of its business a stockbroker, the issuer may not appoint a different Sponsoring Stockbroker.
- 4.4 Where more than one Lead Transaction Advisors are appointed, the issuer shall state to the Exchange which Lead Transaction Advisor has lead responsibility, as well as how responsibility is to be allocated for any specific application for listing.
- 4.5 An additional sponsoring stockbroker shall be appointed where:
- (i) there is a possible conflict of interest;
 - (ii) the sponsoring stockbroker is a subsidiary or an associate of the issuer or the REIT manager;
 - (iii) the director of the sponsoring stockbroker is an officer of the issuer, its subsidiary, or associate; or
 - (iv) the director of the sponsoring stockbroker is an officer or an associate of the REIT manager.
- 4.6 Where another sponsoring stockbroker is required under rule 4.5, such additional sponsoring stockbroker shall be the lead stockbroker of the issue.

- 4.7 The issuer shall advise the Exchange in writing (with a copy to the Authority) of the appointment or dismissal of any Lead Transaction advisor and/or sponsoring stockbroker within two days of such event taking place. If a Lead Transaction Advisor or sponsoring stockbroker is dismissed, the issuer shall within two days from the date of such dismissal, appoint a new Lead Transaction Advisor or sponsoring stockbroker where this is required.
- 4.8 The lead stockbroker, in consultation with the issuer may appoint such co-sponsoring stockbrokers as it shall determine at its discretion based on the size of the issue, at no extra cost to the issuer other than the agreed sponsoring stockbroker's fee.
- 4.9 The ETF shall appoint, and notify the Exchange with its application for listing, at least one Market Maker who shall be a Trading Participant of the Exchange and shall be duly licensed by the Authority.

5. RESPONSIBILITIES

- 5.1 The Lead Transaction Advisors and Sponsoring Stockbroker shall make a declaration in a format set out under Schedule 4 to the Exchange to accept their respective responsibilities and to discharge those responsibilities at all times to the satisfaction of the Exchange.
- 5.2 The responsibilities of a Sponsoring Stockbroker shall include the following:
- (i) to present the application for admission to listing or the listing statement (as applicable) to the Exchange.
 - (ii) to submit to the Exchange as soon as possible and, in any event, not later than the date on which any documents in connection with the issuer are submitted to the Exchange, a letter of appointment, a

Memorandum of Listing and a declaration in the form set out in Schedule 4;

- (iii) to provide to the Exchange any information or explanation known to it in such form and within such time limit as the Exchange may reasonably require for the purpose of verifying whether the requirements under these Rules are being or have been complied with by the proposed issuer;
- (iv) to facilitate, (where necessary) communication between the issuer, the Exchange, the Authority and in the case of a REIT, the REIT manager and REIT trustee;
- (v) to submit all documentation required in terms of Schedules 1 to 6 to the Exchange as applicable;
- (vi) to ensure that the Issuer is guided and advised on the application of the listing requirements prescribed by the Act and the regulations thereunder as well as these Rules;
- (vii) to ensure the correctness and completeness of all documentation submitted to the Exchange and the Authority;
- (viii) to carry out any activities incidental to the application requested by the Exchange in relation to the listing, including briefings;
- (ix) to give a return of total subscriptions after the issue; and
- (x) to discharge its responsibilities with professional skill and due care.

5.3 The responsibilities of the Lead Transaction Advisor shall include the following:

- (i) Preparing the Information Memorandum for Listing and other relevant documents;
- (ii) Facilitating the approval of the Information Memorandum by the Exchange; Co-ordinating the distribution of the Information Memorandum;
- (iii) Co-ordinating the activities of the other Advisors appointed for purposes of the listing;

- (iv) Preparing the Issuer and REIT trustee on how to meet the continuous listing requirements post listing; and
 - (v) Providing any other services as may reasonably be required of a Transaction Advisor.
- 5.4 The responsibilities of a Nominated Advisor shall be as set out in the NSE Nominated Advisor Rules, 2012.
- 5.5 If the Exchange finds that the Lead Transaction Advisors, sponsoring stockbroker or Nominated Advisor is in breach of its responsibilities under these Rules, the matter shall be referred to the Disciplinary, Compliance and Surveillance Committee of the Exchange.
- 5.6 In case of breach of responsibility or professional misconduct of any nature by the Lead Transaction Advisors or sponsoring stockbroker or any other adviser to the issuer, the issuer shall immediately inform the Exchange and the Authority for appropriate action.
- 5.7 For an ETF, it shall be the responsibility of the Market Makers to make offers to purchase securities and bid to buy securities in accordance with any market making rules of the Exchange.
- 5.8 The ETF may create and issue units to any Market Maker providing securities in kind as aforesaid.
- 5.9 The Market Maker shall trade in the ETF securities in the secondary market.
- 5.10 The Market Maker will comply with any applicable rules of the Exchange as well as any applicable law.

PART III

ELIGIBILITY AND DISCLOSURE REQUIREMENTS FOR LISTING SECURITIES ON THE EXCHANGE

This Part describes the different methods by which securities may be admitted to listing at the Exchange as approved by the Authority. This Part also states the eligibility and disclosure requirements for listing of securities applicable to each market segment.

6. Methods of listing securities on the Exchange

- *New or initial public offering, introductions or offers for sale of issued Securities;*
- *Additional new listing of securities.*

7. Market Segments and eligibility requirements for listing of securities.

8. Disclosure requirements for listing applicable to the Market Segments

6. METHODS OF LISTING SECURITIES ON THE EXCHANGE

6.1 New or initial public offering, Introductions or offers for sale of issued securities

An issuer may seek the listing of securities by any of the following methods:

- (a) An offer for sale of existing or issued securities;
- (b) Initial public offering; or
- (c) Introductions of securities already listed in a securities exchange outside Kenya;
- (d) securities in the case of REIT Securities which with the approval of the Authority have been converted from restricted to unrestricted or the classification of the REIT has otherwise been changed under the REIT Regulations, or,
- (e) Any other method approved by the Authority and the Exchange.

6.2 Additional new listing of securities

An Issuer may seek the listing of additional securities of the same class as those already listed by any of the following methods:

- (a) a rights issue;
- (b) capitalisation issue (or bonus issue) in lieu of dividend, distribution or otherwise;
- (c) scrip dividend or distribution; or
- (d) any other method approved by the Authority.

6.3 An ETF may seek to list additional units by notice to the Exchange as soon as such units are created and issued to Market Makers. Where the creation of additional units would result in an increase of the fund value of 25% and above, the ETF issuer shall seek the approval of the Authority prior to the creation of such additional units.

6.4 Notwithstanding the provisions of Rule 6.3 above, all ETF Issuers shall outline in the information memorandum, the minimum lot sizes for the creation, redemption or cancellation of ETF securities of that particular ETF as approved by the Exchange and the Authority.

7. MARKET SEGMENTS AND ELIGIBILITY REQUIREMENTS FOR LISTING OF SECURITIES

7.1 The Official list is categorized into different market segments approved by the Authority. The segments have different eligibility, trading restrictions and disclosure requirements prescribed by the Authority under the Public Offers Regulations, the ETF Guidance Note and, the REIT Regulations.

7.2 These market segments are:

- (i) Main Investment Market Segment (MIMS)
- (ii) Alternative Investment Market Segment (AIMS)
- (iii) Growth Enterprise Market Segment (GEMS)
- (iv) Fixed Income Securities Market Segment (FISMS)

Main Investment Market Segment (MIMS)

This means a market segment for which securities of issuers that satisfy the eligibility requirements prescribed under regulation 7(1)(a) of the Public Offers Regulations or, as applicable, the ETF Guidance Note and the REIT Regulations, are listed. The MIMS shall be divided into the following sub-segments:

- (i) Restricted Main Investment Market Sub-Segment
- (ii) Unrestricted Main Investment Market Sub-Segment

Restricted Main Investment Market Sub-Segment (RMIMS)

This means a market sub-segment for which securities that are the subject of a Restricted Offer and which are subject to applicable prescribed restrictions with regard to transferability are listed.

Unrestricted Main Investment Market Sub-Segment (UMIMS)

This means a market sub-segment for which securities that are the subject of an Unrestricted Offer are listed.

Alternative Investment Market Segment (AIMS)

This means a market segment for which securities of issuer that satisfy the eligibility requirements prescribed under regulation 7(1)(b) of the Public

Offers Regulations are listed. The AIMS shall be divided into the following sub-segments:

- (i) Restricted Alternative Investment Market Sub-Segment
- (ii) Unrestricted Alternative Investment Market Sub-Segment

Restricted Alternative Investment Market Sub-Segment (RAIMS)

This means a market sub-segment for which securities that are the subject of a Restricted Offer and which are subject to applicable prescribed restrictions with regard to transferability are listed.

Unrestricted Alternative Investment Market Sub-Segment (UAIMS)

This means a market sub-segment for which securities that are the subject of an Unrestricted Offer are listed.

Growth Enterprise Market Segment (GEMS)

This means a securities market segment on the Nairobi Securities Exchange which facilitates trading of securities of start-up, small and medium size companies that satisfy the eligibility requirements set out in the Schedule of these Rules. The GEMS shall be divided into the following sub-segments:

- (i) Restricted Growth Enterprise Market Sub-Segment
- (ii) Unrestricted Growth Enterprise Market Sub-Segment

Restricted Growth Enterprise Market Sub-Segment (RGEMS)

This means a market sub-segment for which securities that are the subject of a Restricted Offer and which are subject to applicable prescribed restrictions with regard to transferability are listed.

Unrestricted Growth Enterprise Market Sub-Segment (UGEMS)

This means a market sub-segment for which securities that are the subject of an Unrestricted Offer are listed.

Fixed Income Securities Market Segment (FISMS)

This means a market segment for which fixed income securities of issuers that satisfy the eligibility requirements prescribed under regulation 7(1)(c) of the Public Offers Regulations are listed, and include Government and corporate securities. i The FISMS shall be divided into the following sub-segments:

- (i) Restricted Fixed Income Market Sub-Segment;
- (ii) Unrestricted Fixed Income Market Sub-Segment; and

Restricted Fixed Income Market Sub-Segment (RFISMS)

This means a market sub-segment for which securities that are the subject of a Restricted Offer and which are subject to applicable prescribed restrictions with regard to transferability are listed.

Unrestricted Fixed Income Market Sub-Segment (UFISMS)

This means a market sub-segment for which securities that are the subject of an Unrestricted Offer are listed.

7.3 Transfer from one segment to another

7.3.1 Save in the case of REITS, which shall be governed by rules 7.3.2 and 7.3.3 below, an issuer may seek to transfer from one segment to another on making a written application, after one year in the respective market segment, to the Exchange, stating the reasons for the request and the Exchange shall make appropriate recommendation to the Authority on the same.

7.3.2 REIT Securities may only be transferred from the RMIMS to the UMIMS upon approval of conversion and transfer by the Authority in accordance with the REIT Regulations provided that the REIT issuer shall not be permitted to

undertake the transfer until it has provided the Exchange with a copy of the Authority's approval.

7.3.3 A REIT issuer shall not be permitted to transfer from the UMIMS to the RMIMS.

7.3.4 Any approval of transfer from one market segment to another shall be subject to a Securities holders' resolution authorising such transfer.

7.3.5 Where an issuer seeks to transfer from one market segment to another, it shall meet the eligibility criteria and disclosure requirements for the segment to which it wishes to transfer to and shall be subject to the Authority's approval on the recommendation of the Exchange (where applicable).

8. DISCLOSURE REQUIREMENTS FOR LISTING APPLICABLE TO THE MARKET SEGMENTS

8.1 For an issuer to be listed on the MIMS, AIMS, GEMS and FIMS, the issuer shall comply with the eligibility criteria and disclosure requirements prescribed by the Authority and set out in the Public Offers Regulations save in the case of REITs, ETFs. A REIT issuer and the REIT trustee shall comply with the eligibility criteria and disclosure requirements set out in the REIT Regulations, an ETF Issuer shall comply with the listing criteria set out in the ETF Guidance Note and these Rules while a Green Bond issuer shall, in addition to the eligibility and disclosure requirements under the Public Offers Regulations, comply with the additional listing requirements set out in these Rules

8.2 An issuer of securities by Introduction shall comply with the disclosure Requirements for Listing by Introduction prescribed by the Authority and set out in the Public Offers Regulations, with the necessary modifications in relation to REITs, ETFs and Green Bonds.

8.3 An issuer of additional securities shall comply with the Disclosure requirements for additional issues (Rights, scrip dividend and capitalization issues and open offers) prescribed by the Authority and set out in the Public Offers Regulations, with the necessary modifications in relation to REITs, ETFs and Green Bonds. An issuer of additional REIT Securities shall also be required to comply with regulation 120 of the REIT Regulations.

PART IV

CONTINUING LISTING OBLIGATIONS APPLICABLE TO ALL MARKET SEGMENTS

This Part sets out issuers' continuous listing obligations including disclosures on periodical financial information and general disclosures to ensure that the investors and shareholders have access to information on the issuer. In the case of a REIT where the REIT Regulations impose any obligation on the REIT manager or the trustee or any other party then those obligations shall be deemed to be additional to and to form part of these Rules.

9. Scope of continuous listing obligations

10. General obligation of disclosure

9. SCOPE OF CONTINUOUS LISTING OBLIGATIONS

- 9.1 The Issuers and, in the case of REIT Securities the REIT trustees, continuing obligations are essential to the maintenance of an orderly market in securities and to ensure that all users of the market have simultaneous access to the same information.
- 9.2 Continuing obligations of issuers cover the following:
- (i) General obligations of disclosure;
 - (ii) Disclosure of periodic financial information; and
 - (iii) Miscellaneous provisions.
- 9.3 Every Issuer and in the case of REIT Securities, the REIT trustee, shall comply with the continuing listing obligations prescribed by the Authority and set out in the Public Offer Regulations and the REIT Regulations, with the necessary modifications in the case of REIT Securities and ETF Securities, and with the ETF Guidance Note in the case of ETF Securities.
- 9.4 A REIT manager and the REIT trustee, and in the case of an ETF, an ETF Issuer, shall also be required to comply with the continuing listing obligations set out in Part V of these Rules.
- 9.5 A Green Bond Issuer shall be required to comply with the Public Offers Regulations in addition to the continuing listing obligations set out in these Rules.

10. GENERAL OBLIGATION OF DISCLOSURE

10.1 An Issuer, and, in the case of REIT Securities, the REIT trustee where the trustee has a disclosure obligation under the REIT Regulations or the Act, shall, as soon as possible but not later than twenty four hours, release an announcement giving details of:

- (i) Circumstances or events that have or are likely to have a material effect on the financial results, the financial position or cash flow of the Issuer and/or information necessary to enable holders of the listed securities and the public make informed decisions on the issuer's, the ETF's or the REIT's performance and operations; and
- (ii) New developments which impact on the Issuer's operations, trading and financial performance or any information whatsoever considered by the issuer or REIT manager or trustee (where the trustee has a disclosure obligation under the REIT Regulations or the Act) to be price sensitive or could lead to material movements in the prices of its listed securities.

10.2 Cautionary announcements

An Issuer, and, in the case of REIT Securities the REIT trustee (where the trustee has a disclosure obligation under the REIT Regulations or the Act), shall submit to the Exchange and the Authority information of any material price sensitive information, and publish a cautionary announcement as soon as possible after it is in possession of such information, if at any time the necessary degree of confidentiality of such information cannot be maintained, or if the party suspects that confidentiality has or may have been breached.

PART V

CONTINUING OBLIGATIONS FOR REITs and ETFs

1. General Continuing Obligations for REITs

CO.A.00 Disclosure of financial and other information

Distributions

- A.01 The REIT Manager shall, whenever a distribution, including any interim distribution is made, circulate to the Exchange, in addition to the Authority and the REIT securities holders, a notice of distribution and a statement authorized by the trustee within twenty four (24) hours following the trustee's resolution to make a distribution. The statement shall comply with regulation 104 of the REIT Regulations.

CO.B.00 Preparation of periodic reports and accounts

- B.01 The trustee and REIT Manager shall prepare or cause to be prepared on behalf of the REIT, periodic reports and accounts in compliance with regulations 101 to 103 and regulation 122 of the REIT Regulations.
- B.02 The trustee shall notify the Exchange of the matters set out in regulation 105 of the REIT Regulations in addition to notifying the Authority.
- B.03 The REIT manager shall notify the Exchange of the matters set out in regulation 106 of the REIT Regulations in addition to notifying the trustee and the Authority.
- B.04 The REIT auditor shall notify the Exchange of the matters set out in regulation 107 of the REIT Regulations in addition to notifying the trustee and the Authority.
- B.05 The REIT manager and the trustee shall prepare reports and accounts in accordance with regulation 129 of the REIT Regulations.
- B.06 Where the REIT Regulations require the REIT manager or REIT trustee to provide or prepare reports or information or provide notice to holders of REIT Securities then a copy of such report, information or notice shall also be provided to the Exchange.

CO.C.00 Advertising

- C.01 The REIT manager shall comply with the advertising requirements set out in regulation 87 of the REIT Regulations.

CO.D.00 Communication with securities holders

- D.01 Meetings of REIT Securities holders shall be carried out in accordance with regulation 121 of the REIT Regulations and notice of meetings given to the Exchange when sent to the holders of REIT Securities.

CO.E.00 Continuing disclosure

- E.01 The trustee and the REIT manager of a REIT whose securities have been issued in accordance with an approved offer, shall keep the Authority, REIT securities holders, the Exchange and in the case of an unrestricted REIT scheme the general public informed by way of a public announcement, as soon as reasonably practicable, but in any event not later than the end of the next working day, of any information, which the trustee or the REIT manager becomes aware of relating to the REIT, its assets or the REIT manager, which is required pursuant to regulation 42 of the REIT Regulations.

CO.F.00 Change of address and change of REIT manager or trustee

- F.01 A REIT Manager or a trustee (as applicable) shall where the REIT manager or the trustee intends to change its address, registered office or permanent place of business, notify the Exchange at least 28 days before such change in addition to notifying the Authority and the REIT securities holders.
- F.02 Notice of a change of REIT manager or trustee (as applicable) will be given to the Exchange by the incoming REIT manager or trustee as soon as possible after the change comes into effect.

2. General Continuing Obligations for ETFs

All ETFs shall:

- (i) At all times be backed 100% by the securities or assets they represent or in the alternative be backed by a sample selection of such securities and other collateral acceptable to both the Exchange and the Authority such as cash.

- (ii) Publicly disclose all material changes and developments likely to affect their valuation and operations immediately;
- (iii) Notify the Exchange, contemporaneously with submitting the relevant application for approval to the Authority, of alterations to capital structure including but not limited to: new issues of debt securities, changes of rights attached to listed securities or issues affecting conversion rights;
- (iv) Ensure equality of treatment of ETF securities holders;
- (v) Notify the Exchange of any changes to key officers of the ETF and disclose the relevant interests of such officers;
- (vi) Notify the Exchange of Issuer's decisions that could have an impact on an ETF's valuation;
- (vii) Notify the Exchange on any increase of fees;
- (viii) Prepare and submit an audited Annual Report / Interim (Semi-annual) Report to the Exchange;
- (ix) Continuously notify securities holders on Net Asset Value (NAV) of units;
- (x) Publicly disclose any changes to the terms and conditions for trading in ETF units, including any change to market making arrangements and any change in the constituent portfolio or the underlying index of the ETF;
- (xi) Publicly disclose information on distributions by the fund to unit holders of dividends, realized gains and effective dates;
- (xii) Publicly disclose changes to the ETF's investment strategy; and
- (xiii) Publicly disclose changes to the Fund Manager of the ETF.

3. Specific Continuing Obligations for ETFs

1. Listing announcements

1.1 The applicant issuer must publish an announcement immediately after the NSE has approved an application for listing, containing:

- (a) The information in respect of details of the ETF;
- (b) The period of marketing (if applicable) and the expected listing date;
- (c) A statement that NSE approval for the listing has been granted;
- (d) The code or name under which the ETF will trade; and
- (e) Places where copies of the ETF issue documentation can be obtained.

2. Continuing obligations

- 2.1 The ETF issuer is required to disseminate any announcement on the underlying securities to the NSE, latest on or before the expiry of 1 market day subsequent to such announcement in respect of the constituent security.
- 2.2 The ETF issuer shall be required to make an announcement should there be a change in the constituent portfolio or the underlying index.
- 2.3 Disseminate the NAV of the ETF to the market based on the last traded price on a daily basis before the commencement of trading. This must be done through the NSE.

3. Daily Publication

- 3.1 The applicant issuer must publish the following details on an approved information dissemination system and also report the same to the NSE on a daily basis:
 - (a) The NAV of the ETF for the preceding day;
 - (b) The accrued reserves distributable to ETF holders, if applicable each preceding day;
 - (c) The index level for the preceding day;
 - (d) Management fees payable;
 - (e) The constitution of the index basket which an investor wishing to subscribe in specie must deliver on the following trading day;
 - (f) The cash amount which an investor wishing to subscribe in specie must deliver on the following trading day; and
 - (g) The cash amount which a holder wishing to redeem in specie (i.e. exercise his delivery rights) will receive.

4. Increases and redemptions in issue size of existing ETF's

- 4.1 In the event of an increase in the issued quantity of existing ETFs, issuers shall submit to the Exchange a memorandum detailing the specific terms of the increase in issue size including the quantity and price of the ETFs to be issued.
- 4.2 Issuers may increase or reduce the issue size of existing ETFs, subject to the approval of the NSE and the announcement of such change in the issue size through the NSE.

5. Corporate actions and dividends

- 5.1 In the case of ETFs that make provision for regular distribution of dividends to shareholders, such distributions must be made at least on a half yearly basis.
- 5.2 Such distributions should be announced through the NSE in accordance with the following requirements:
 - (a) The last day to register (last day to settle transactions to qualify for the dividend) must be made at least 14 working days prior to this date;

(b) The cash amount to be distributed and the date on which the distribution will be paid, must be made at least 14 trading days prior to the last day to register.

5.3 Where corporate actions, including but not limited to, mergers, takeovers, rebundling, unbundling, rights issues, capital reductions or scrip dividends, occur in a constituent security of the ETF, the manager of the ETF shall rebalance its portfolio in accordance with the rules of the providers of the index and/or the rules pertaining to the ETF.

5.4 Where such rules allow the payment of special distributions to shareholders, rather than the re-investment of such proceeds in the constituent component of an index, the manager will distribute such proceeds to the ETF shareholders in accordance with its rules.

PART VI

SCHEDULES AND FORMS

This part provides guidelines with respect to continuous listing obligations:

- 1. The application for admission of securities to the official list.*
- 2. Application for listing of securities resulting from rights, capitalisation or scrip dividend issue.*
- 3. Memorandum of listing/ Requirements of Articles of Association*
- 4. Declaration by Lead Transaction Adviser and sponsoring stockbroker.*
- 5. Documents to be submitted to the Committee.*
- 6. Penalties.*

SCHEDULE 1

1. The Application For Admission Of Securities other than REIT Securities and ETF Securities To The Official List

1.1 The application should contain the following:

- (i) a statement that:

“It is understood that the granting of a listing pursuant to this application shall constitute a contract between this issuer and the Nairobi Securities Exchange (“NSE”).”
- (ii) full name of the issuer;
- (iii) the address of the registered office in Kenya;
- (iv) regarding the issuer’s share capital:
 - (a) the amount of the authorised share capital of each class of share, and the nominal value and number of securities in each class;
 - (b) the amount of the share capital issued and to be issued in conjunction with the application of each class of share, and the number of those securities in each class, also indicating clearly in respect of which securities listing is applied for; and
 - (c) the nominal amount and number of securities in each class of the authorised but unissued capital of the issuer;
- (v) the nominal amount and number of securities of each class:
 - (a) offered to the public for subscription (either by the issuer or otherwise), and the date the offer was made;
 - (b) the number of securities of each class applied for, and the date the offer closed (where this information is available at the date of application); and
 - (c) the number of securities of each class allotted, and the date of allotment (where this information is available at the date of application). If an issue is being made in conjunction with this application, the opening and closing dates of the offer, the date

of allotment and the date of issue of the certificates of title to be stated;

- (vi) that in the case of a public offer monies in respect of excess applications will be refunded within five days of the allotment date if applicable;
- (vii) a statement as to the market segment of the Official List in which listing is applied for, and the abbreviated name of the issuer. Such abbreviated name shall not exceed 7 characters, inclusive of spaces; and

1.2 The application shall be signed by the secretary and a director of the issuer and the sponsoring stockbroker.

2. The following sets out the timetable for offers for sale or subscription, subject to the Act

EVENT	NUMBER OF DAYS
Offer Period	Not more than 10 working days subject to the grant of an extension by the Authority
Announcement of allotment	Not more than 7 days after the closing date of the offer
Allotment	Within 7 days of the announcement of allotment
Crediting the CDS account on Allotment	Within 5 days of allotment
Refund monies to unsuccessful applicants	From 3 days of the allotment.

- (h) the number of securities holders on record (of the class applied for) as of a date not earlier than 7 days from the date of the application.
 - (iv) a statement that monies in respect of excess applications will be refunded within 3 to 5 days of the allotment date (if applicable); and
 - (v) a statement as to the market segment of the Official List in which listing is applied for, and the abbreviated name of the REIT. Such abbreviated name shall not exceed 7 characters, inclusive of spaces.
- 3.2 The listing statement shall be signed by the secretary and a director of the issuer, the REIT manager and the REIT trustee and the sponsoring stockbroker.
4. The following sets out the timetable for offers for sale or subscription of REIT Securities, subject to the Act.

EVENT	NUMBER OF DAYS	
Offer Period	Not more than 10 working days subject to the grant of an extension by the Authority	
Announcement of allotment	Not more than 7 days after the closing date of the offer	
Allotment	Within 7days of the announcement of allotment	
Crediting the CDS account on Allotment	Within 5 days of the allotment.	

Refund of monies to unsuccessful applicants	From 3 working days of the allotment.	
Commencement of trading	from the date of crediting the CDS account	

5. The admission to listing of ETF Securities

5.1 The Listing statement shall include:

- (i) A statement that “It is understood that the granting of a listing pursuant to this application shall constitute a contract between this Issuer, the Fund Manager and ETF trustee and the Nairobi Securities Exchange (“NSE”).
- (ii) a title page showing:
 - (a) the name of the ETF;
 - (b) the registered offices of the Fund Manager, where applicable, and trustee, or the authorized representative, as relevant;
 - (c) the amount and class of ETF securities proposed for listing and the issue price thereof.
- (iii) a table showing the following, where applicable:
 - (a) the designation or title of each class of securities;
 - (b) the maximum number of authorized securities;
 - (c) the number of unissued securities of each class of securities reserved for issuance for any specific purpose, and purpose for which the securities are reserved or an appropriate negative statement; and
 - (d) the minimum lot sizes for creation, redemption or cancellation of ETF securities.
- (iv) a statement as to the market segment of the Official List in which listing is applied for, and the abbreviated name of the ETF. Such abbreviated name shall not exceed 7 characters, inclusive of spaces.

5.2 The Listing statement shall be signed by the ETF Issuer and the sponsoring stockbroker/ transaction adviser.

6. The following sets out the timetable for issue, listing and trading of ETF Securities, subject to the Act.

EVENT	TIMELINE
Issue to the Market Maker/ public	Not less than 2 clear days of the publication of the Information Memorandum*
Listing	Not more than 90 calendar days after approval of the listing by the Exchange

* An Information Memorandum will be deemed to have been published when the Information Memorandum is:

1. officially dispatched by the Exchange;
2. published on at least one newspaper of national circulation; and
3. published by the ETF Issuer, whether in physical or electronic form.

SCHEDULE 2

Application for additional listing of securities

1. INTRODUCTION

The Issuer shall meet all requirements for a Rights, Capitalization Issues, Open Offers and Scrip Dividend as prescribed by the Authority in the Public Offers Regulations, with the necessary modifications in relation to REIT Securities and the REIT Regulations (as applicable).

Disclosure shall be sufficient to enable the shareholders or securities holders and especially minorities to make an informed decision.

2. ADDITIONAL COMPLIANCE ISSUES:

(i) Availability of documents for inspection

Documents relevant to the rights issue should be readily available for inspection by the shareholders or REIT securities holders and other interested parties.

These include the following documents:

- a) The Information Memorandum;
- b) Audited financial statements;
- c) Copy of the board of directors of the issuer or trustee resolutions and the shareholders' or securities holders' resolutions authorising the issue;
- d) Sample of the provisional letter of allotment;
- e) Copies of the Constitutive Documents of the issuer, the ETF or the REIT; and
- f) Any other document required for inspection by the Authority.

Copies of these should be made available to the public for inspection during working hours at the issuer's, ETF's or the REITs registered office and at the Exchange.

(ii) **MISCELLANEOUS**

a) **Post rights matters**

On the date of the announcement giving the results of the rights offer, the issuer shall give the Exchange a detailed report on the results of the issue and the number of additional shares to be listed.

b) **Timetables**

The following sequence of events is applicable to an issuer making a rights offer.

Event

1. Announcement of intention to list. (This shall be no later than 24 hours after the Board Resolution)
2. Securities traded cum rights.
3. Application to the Authority and the Exchange for approval of the rights issue
4. Record Date of the Issue (This should be not less than 21 days after the application for approval)
5. Circular and/or pre-issue statement and letters of provisional allocation posted to shareholders registered for the rights issue.

6. An announcement giving the terms and salient dates of the rights issue
7. Last day for splitting provisional allotment letters
8. Last day for trading cum rights
9. Last date and time for acceptance and payment for new shares
10. Announcement giving the results of the rights offer
11. Documents of title posted or electronic records available in the CDS.

The following sequence of events is applicable to an issuer making a capitalisation issue:

Event

1. Publication of announcement, inclusive of price calculation.
2. Securities traded cum entitlement.
3. Record date for participation in capitalisation issue.
4. Application for listing the maximum number of securities that could be issued, and other approvals
5. Securities traded ex-entitlement.
6. Securities allotted and listed.
7. Dispatch of entitlement to shareholders or securities holders.

8. Securities and listed Share Certificates posted or electronic records being available in the CDS.
9. Securities that are the subject of the capitalization issue listed (if granted).

The following sequence of events is applicable to an issuer making a scrip dividend or other distribution:

Event

Publication of announcement inclusive of pricing calculation.

Securities traded cum entitlement.

Application and all other documentation submitted for approval by the committee.

Announcement of Record date for participation in scrip dividend or distribution.

Circular and/or pre-issue statement and letters of provisional allocation posted to shareholders or REIT securities holders registered for the scrip dividend or distribution.

Securities traded ex-entitlement.

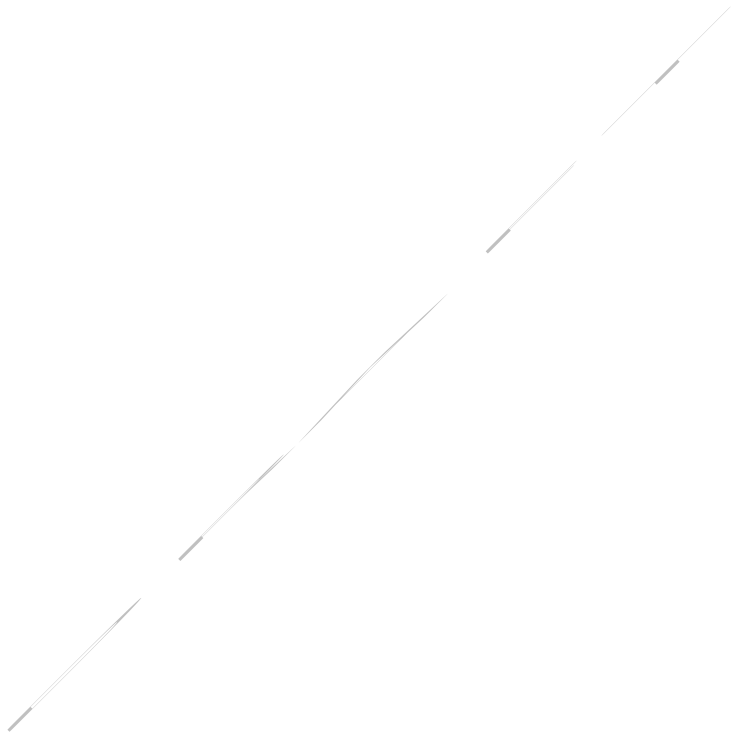
Announcement of results of scrip dividend or distribution.

Securities allotted and listed

Dispatch of entitlement to shareholders or REIT securities holders.

Securities and listed Share Certificates posted or electronic records made available in the Central Depository

Securities that are the subject of the scrip dividend or distribution listed (if granted).





Schedule 3

I. Memorandum of Listing

We hereby apply for approval as a transaction advisor/sponsoring stockbroker as defined in these Rules of the Nairobi Securities Exchange. In pursuance of this, we undertake to:

- (i) Discharge our responsibilities as a Transaction Advisor/sponsoring stockbroker under these Rules as amended from time to time;
- (ii) Advise the Exchange in writing, without delay, of our resignation or dismissal from appointment, giving details of any relevant facts or circumstances
- (iii) Provide a description of the interest held by the Lead Transaction Adviser or Sponsoring stockbroker, the firm or any director of that firm in the [Issuer/ETF/REIT] or its subsidiaries; and
- (iv) Acknowledge that the Exchange may censure us and publicise the censure and the reasons therefor if the Exchange considers that we are in breach of our responsibilities.

We declare that the information supplied is complete and correct and agree to comply with the requirements. We have ensured compliance with these Rules and the eligibility and disclosure requirements prescribed by the Capital Markets Authority who have issued a letter of approval.

Signature

Name of signatory

Position

Date

Signature

Name of signatory

Position

Date

II. Requirements for the trust deed of a REIT

Every REIT issuer shall ensure that the trust deed contains the information set out in the first schedule to the REIT Regulations.

III. Requirements for the constitutive documents of ETFs

Every ETF Issuer shall ensure that the constitutive documents of an ETF comply with the ETF Guidance Note.

IV. Requirements for articles of association of an Issuer. This section shall not apply to a REIT issuer nor an ETF Issuer.

Every issuer shall ensure that the articles of association (or other instrument constituting or defining the constitution of the issuer) (“the articles”) has been forwarded to and approved by the Exchange and the Authority.

These documents shall be in English and shall comply with the requirements in respect of an issuer or in respect of any of the issuer’s subsidiary companies whose securities are not sought to be separately listed.

The requirements laid down are not exhaustive. The Exchange will not allow any provisions contained in the articles which may in any way restrict free dealings in the securities or which may in the Exchange’s opinion be unreasonable or which are unlawful.

Contents of articles of association - issuers other than REIT issuers and ETF Issuers

Preference securities

1.1 If there are cumulative and/or non-cumulative preference shares in the capital of the issuer, the following right shall attach to such shares:

No further securities ranking in priority to or pari passu with the existing preference shares of any class shall be created or issued without the consent in writing of the holders of 75% of the existing preference shares of such class or the sanction of a resolution of the holders of such class of preference

shares passed at a separate general meeting of such holders and at which shareholders holding in the aggregate not less than 1/4 of the total votes of all the shareholders holding securities in that class entitled to vote at that meeting are present in person or by proxy and the resolution has been passed by not less than 3/4 of the total votes to which the shareholders of that class present in person or by proxy are entitled.

Unissued securities

- 1.2 Provision should be made in the articles that unissued equity securities shall be offered to existing shareholders pro rata to their shareholding unless issued for the acquisition of assets. Subject to the provisions of Capital Markets Act and the Regulations and Guidelines issued thereunder, the articles may however in addition to the above provide that the shareholders in general meeting may authorise the directors to issue unissued securities and/or give options to subscribe for unissued securities as the directors in their discretion may think fit.

Calls on securities - external issuer

- 1.3 Neither the directors nor the issuer are to be given power on the issue of securities to make any difference between the holders of the same class of share in the amount of calls to be paid and the time of payment of such calls or in any other respect whatever.
- 1.4 Any amount paid up in advance of calls on any share shall carry interest only and shall not entitle the holder of the share to participate in respect thereof in a dividend subsequently declared.
- 1.5 Provision should be made in the articles of an external issuer for the payment of calls at the branch office in Kenya.

Lien upon securities

- 1.6 The articles shall not give an issuer power to claim a lien on fully paid securities and the lien upon partly paid securities shall be limited to the amounts owing upon partly paid securities.

Transfer of securities

- 1.7 Provision shall be contained in the articles for the use of the common form of transfer.
- 1.8 There shall be no restriction on the transfer of securities.
- 1.9 The following provision shall be made in the articles:

“Every instrument of transfer shall be left at the transfer office of the issuer at which it is presented for registration accompanied by the certificate of the securities to be transferred and or such other evidence as the issuer may require to prove the title of the transferor or his rights to transfer the securities. All authorities to sign Transfer Deeds granted by shareholders for the purpose of transferring securities which may be lodged, produced or exhibited with or to the issuer at any of its offices shall as between the issuer and the grantor of such authorities be taken and deemed to continue and remain in full force and effect and the issuer may allow the same to be acted upon until such time as express notice in writing of the revocation of the same shall have been given and lodged at the issuer’s transfer offices at which the authority was lodged, produced or exhibited. Even after the giving and lodging of such notices the issuer shall be entitled to give effect to any instruments signed under the authority to sign and certified by any officer of the issuer as being in order before the giving and lodging of such notice.”

Transmission clause

- 1.10 A provision to the effect that securities registered in the name of a deceased or insolvent shareholder shall be forfeited if the executor fails to register them in his own name or in the name of the heir etc., when called upon by the directors to do so shall not be permitted.

Share warrants to bearer

- 1.11 Provision should not be made for the issue of a new share warrant in place of one lost unless suitable documentation is provided to the satisfaction of the directors of the issuer concerned.

1.12 Where the memorandum prohibits the issue of share warrants and the articles make provision for the issue etc., thereof the following clause should be inserted in the articles.

“Notwithstanding the provisions contained in these articles with reference to the issue of share warrants the issuer is prohibited from issuing share warrants unless and until the objects of the issuer are altered to permit the issue of share warrants.”

Commission

1.13 The articles should provide that, subject to the Act, the issuer may not pay commission exceeding the rates approved by Authority to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any securities of the issuer.

Capital

1.14 As provided for under the Companies Act, power should be contained in the articles for:

- (i) increase of capital;
- (ii) consolidation of securities;
- (iii) conversion of securities into stock;
- (iv) sub-division of securities;
- (v) cancellation of securities;
- (vi) reduction of capital;
- (vii) conversion of securities into no par value and vice versa;
- (viii) conversion of ordinary shares into redeemable preference shares; and
- (ix) conversion of securities of any class into securities of any other class, whether issued or not.

1.15 Provision should be made that new securities created shall be offered to the existing shareholders pro rata to their shareholding or that new securities are only to be disposed of or dealt with as directed by a general meeting of shareholders. Subject to the listings requirements prescribed by the Capital Markets Authority, the articles may however in addition to the above provide

that the shareholders in general meeting may authorise the directors to issue the new securities as the directors in their discretion may think fit.

- 1.16 The clause in the articles dealing with the reduction of capital should not provide that capital shall be re-paid upon the basis that it may be called up again.
- 1.17 Provision should be made that in the case of any issue of a fraction of a security, that fraction may be sold for the benefit of the shareholder in such manner as the directors may determine.

Notice of meeting

- 1.18 In the articles of a foreign issuer provision should be made that if the notice be given by surface mail at least 30 days notice of a meeting shall be given to all shareholders entitled to notice if such notice is sent from the registered office of the issuer and at least 21 days notice if the notice is sent from a branch office in Kenya or by air mail from the registered office of the issuer.
- 1.19 In the articles of all companies, provision should be made for sending notices of meetings to the Exchange at the same time as notices are sent to shareholders.

General meetings

- 1.20 The business of a general meeting shall include power to sanction or declare dividends.
- 1.21 The quorum at a general meeting shall be at least three shareholders entitled to attend and vote and shall carry a minimum voting right of 50% of the total shareholders vote.

Voting at general meetings

- 1.22 In the case of a foreign issuer the articles should make provision for depositing proxies at the branch office in Kenya.

Directors

- 1.23 The articles of association shall provide that the minimum number of directors shall be five.

- 1.24 The articles should provide that the appointment of a director to fill a casual vacancy or as an addition to the board and shall be confirmed at the next annual general meeting.
- 1.25 The articles should provide that if the number of directors falls below the minimum provided in the articles the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of shareholders.
- 1.26 If the articles contain a provision that directors may be employed in any other capacity in the issuer or as a director or employee of a issuer controlled by or subsidiary to the issuer a further provision should be made to the effect that his appointment and remuneration in respect of such other office shall be determined by a disinterested quorum of directors.
- 1.27 The articles should provide that the directors shall be paid all their travelling and other expenses properly and necessarily incurred by them in and about the business of the issuer, and in attending meetings of the directors or of committees thereof, and that if any director shall be required to perform extra services or to go to reside abroad or otherwise shall be specifically occupied about the issuer's business, he shall be entitled to receive a remuneration to be fixed by a disinterested quorum of directors which may be either in addition to or in substitution for any other remuneration.
- 1.28 In a new issuer all the directors are to retire at the first annual general meeting and at each annual general meeting of the issuer one-third of the directors, or if their number is not a multiple of three, then the number nearest to but not less than one-third, shall retire from office. In the case of an existing issuer at least one third of the directors shall retire at each annual general meeting. The aforesaid provisions are however, subject to the proviso that if a director is appointed a managing director or as an employee of the issuer in any other capacity the contract under which he is appointed may provide that he shall not, while he continues to hold that position or office under contract for a term of rotation be subject to retirement by such contract and he shall not in such case be taken into account in determining the rotation of retirement of directors provided that less than half of the

directors may be appointed to any such position on the condition that they shall not be subject to retirement by rotation.

- 1.29 The period to be allowed before the date of an annual general meeting for the nomination of a new director shall be such as to give sufficient time after the receipt of the notice of the holding of the meeting for nominations to reach the issuer's office from any part of Kenya.
- 1.30 The directors shall be entitled to elect a chairman and in the absence of the chairman the directors shall elect one of those present as deputy chairman and determine the period for which they shall hold office. A resolution signed by directors (or their alternates, if applicable) who are present at the time when the resolution in question is signed by the first of such directors, in Kenya, whose number is a majority of the directors for the time being in office and not less than a quorum for a meeting of directors, inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of directors. Any such resolution may consist of several documents, each of which may be signed by one or more directors (or their alternates, if applicable) and shall be deemed to have been passed on the date on which it was signed by the last director who signed it unless a statement to the contrary is made in that resolution).

Dividends

- 1.31 The articles should provide that the issuer in general meeting or the directors may declare dividends. However, the issuer in general meeting should not be able to declare a larger dividend than that recommended by the directors.
- 1.32 It should be noted that dividends are to be payable to shareholders registered as at a date subsequent to the date of declaration or date of confirmation of the dividend whichever is the later. A period of 14 days at least should be allowed between the date of declaration or date of confirmation of the dividend whichever is the later, and the date of the closing of the transfer registers in respect of such dividend.
- 1.33 A provision to the effect that dividends which remain unclaimed for 3 years may become the property of the issuer will be permitted unless otherwise prescribed under the Capital Markets Act. Monies other than dividends due to

shareholders shall be held in trust by the issuer indefinitely until lawfully claimed by the shareholder.

- 1.34 The articles of an external issuer may provide that the directors may retain any dividend or bonus upon which the issuer has a lien and may deduct from dividends or bonus all claims or sums of money which may be due on account of calls.

Annual financial statements

- 1.35 Provision should be made in the articles of an issuer incorporated in Kenya, for a copy of the annual financial statements to be sent to shareholders at least 21 days before the date of the meeting at which it will be considered.
- 1.36 In the articles of an foreign issuer provision should be made that a copy of the balance sheet will be sent to all shareholders at least 30 days before the date of the meeting at which it will be considered if sent by surface mail from the registered office of the foreign issuer and at least 21 days before that date if sent from a branch office in Kenya or by airmail from the registered office.

Notices

- 1.37 Notices are to be sent to all registered shareholders. Notices to the holders of share warrants unless the conditions of issue provide that such holders are to receive notices shall be given by advertisement in Nairobi and in the town or district where the registered office of the issuer is situated, if such registered office is situated outside Nairobi, in a daily English newspaper. The articles should provide accordingly.

Shareholders registered address

- 1.38 A clause in the articles to the effect that shareholders shall register an address in Kenya or in some other country will be permitted.
- 1.39 In the articles of a foreign issuer a provision that shareholders are to register an address in the foreign country only will not be permitted.

Advertisement of notices

- 1.40 In addition to the notice to be sent to all registered shareholders a provision that notice by advertisement shall be published in Nairobi and in the town or

district where the registered office of the issuer is situated, if such registered office is situated outside Nairobi, in English and in one other official language in a daily newspaper will be permitted.

Content of articles of association - (subsidiary companies)

Unissued securities

1.41 Provision shall be made in the articles that unissued securities shall be offered to existing shareholders pro-rata to their shareholding, unless issued for the acquisition of assets. The articles may, however, in addition to the above, provide that the shareholders in general meeting may authorise the directors to issue unissued securities and give options to subscribe for unissued securities as the directors in their discretion may think fit, provided this has been approved by the Authority.

Calls on securities - foreign issuer

1.42 Neither the directors nor the issuer are to be given power on the issue of securities to make any difference between the holders of the same class of share in the amount of calls to be paid and the time of payment of such calls.

Lien upon securities - foreign issuer

1.43 The articles shall not give an issuer power to claim a lien on fully paid securities and the lien upon partly paid securities shall be limited to amounts owing upon partly paid securities.

Transfer of securities

1.44 Provision shall be contained in the articles for the use of the common form of transfer.

1.45 The following provision shall be made in the articles:

- (a) Pursuant to and subject to the Central Depositories Act, 2000, title to immobilised and dematerialised shares will be evidenced otherwise than by a certificate and title to such shares shall be transferred by means of a book-entry transfer in accordance with the provisions of the Central Depositories Act, 2000.
- (b) No provision of these Articles shall apply or have effect in relation to any shares which have been immobilised or dematerialised under the Central

Depositories Act, 2000 to the extent that it is inconsistent in any respect with:

- (i) the holding of such shares in uncertificated form;
 - (ii) the transfer of title to such shares by means of a book-entry transfer; and
 - (iii) any provision of the Central Depositories Act, 2000.
- (c) Transfers of Securities which have been immobilised or dematerialised under the Central Depositories Act, 2000 shall be effected in the manner prescribed thereunder.
- (d) Where the Company refuses to register transfers of Securities required to be registered under sections 14 and 15 of the Central Depositories Act, 2000, it shall serve the transferor and transferee with written notice of the reasons for such refusal in accordance with section 14(5) of the Central Depositories Act, 2000.
- (e) An instrument of transfer lodged with the Company pursuant to section 14(1) of the Central Depositories Act, 2000 shall be capable of registration in the name of a central depository or its nominee company if such instrument has been certified by a central depository agent instead of being executed by the central depository or its nominee company.
- (f) With effect from the Dematerialisation Date, any reference to a transfer of shares or debentures shall be a reference to a book-entry transfer performed by a central depository in accordance with section 27(1)(b) of the Central Depositories Act, 2000.
- (g) Any provisions in the articles inconsistent with the requirements of the Central Depositories Act, 2000 or as prescribed by the Authority under Regulations in respect of registration, transfer, immobilisation or dematerialisation of securities shall be deemed to be modified to the extent of such inconsistency in their application to securities which are in part or in whole immobilised or dematerialised or are required by the Central Depositories Act, 2000 or Regulations and Rules issued thereunder to be immobilised or dematerialised in part or whole as the case may be.

Transmission clause

- 1.46 A provision to the effect that securities registered in the name of a deceased or insolvent shareholder shall be forfeited if the executor fails to register them in his own name or in the name of the heir etc., when called upon by the directors to do so will not be permitted.

Share warrants to bearer

- 1.47 Provision should not be made for the issue of a new share warrant in place of one lost unless suitable documentation is provided to the satisfaction of the issuer concerned.
- 1.48 Where the memorandum prohibits the issue of share warrants and the articles make provision for the issue etc., thereof the following clause should be inserted in the articles:
- 1.49 “Notwithstanding the provisions contained in these articles with reference to the issue of share warrants the issuer is prohibited from issuing share warrants unless and until the objects of the issuer are altered to permit the issue of share warrants.”

Capital

- 1.50 Provision should be made that new securities created shall be offered to existing shareholders pro rata to their shareholding or that new securities are only to be disposed of or dealt with as directed by a general meeting of shareholders. The articles may, however, in addition to the above provide that the shareholders in general meeting may authorise the directors to dispose of the new securities as the directors in their discretion may think fit, subject to the requirements of the Authority as prescribed under the Capital Markets Act.

Borrowing powers

- 1.51 That the directors may, from time to time at their discretion raise or borrow or secure the payment of any sum or sums of money for the purposes of the issuer, provided that the total amount owing by the issuer in respect of monies so raised, borrowed or secured shall not exceed the amount authorised by its listed holding issuer.

Quorum at general meetings

1.52 The articles shall provide that a quorum at a general meeting and at an adjourned or postponed meeting shall be at least two shareholders, present in person or by proxy, of whom one member shall be the representative of the holding issuer, or if an issuer is a wholly owned subsidiary the representative of the holding issuer shall suffice.

Directors

1.53 The articles should provide that the appointment of a director to fill a casual vacancy or as an addition to the board shall be confirmed at the next annual general meeting.

1.54 The articles should provide that if the number of directors falls below the minimum provided in the articles, the remaining directors shall only be permitted to act for the purpose of filling vacancies or calling general meetings of shareholders.

1.55 If the articles contain a provision that a director may be employed in any other capacity in the issuer or as a director or employee of a controlled or subsidiary issuer, a further provision should be made to the effect that his appointment and remuneration in respect of such other office shall be determined by a disinterested quorum.

1.56 The period to be allowed before the date of an annual general meeting for the nomination of a new director shall be such as to give sufficient time after the receipt of the notice of the holding of the meeting for nominations to reach the issuer's office from any part of Kenya.

1.57 If the quorum of directors is two the chairman shall not be permitted to have a casting vote if only two directors are present at a meeting of directors.

1.58 The directors shall be entitled to elect a chairman and deputy chairman and determine the period for which they shall hold office.

1.59 A resolution signed by directors (or their alternates, if applicable) who are present at the time when the resolution in question is signed by the first of such directors, in Kenya, whose number is a majority of the directors for the time being in office and not less than a quorum for a meeting of directors,

inserted in the minute book, shall be as valid and effective as if it had been passed at a meeting of directors. Any such resolution may consist of several documents, each of which may be signed by one or more directors (or their alternates, if applicable) and shall be deemed to have been passed on the date on which it was signed by the last director who signed it (unless a statement to the contrary is made in that resolution).

1.60 Life directorships are not permissible.

Dividends

1.61 The articles should provide that the issuer in general meeting or the directors may declare dividends. However, the issuer in general meeting should not be able to declare a larger dividend than that declared by the directors.

1.62 A provision to the effect that dividends which remain unclaimed for 3 years may become the property of the issuer will be permitted. Monies other than dividends due to shareholders shall be held in trust by the issuer indefinitely until lawfully claimed by the shareholder.

1.63 The articles of an external issuer may provide that the directors may retain any dividend or bonus upon which the issuer has a lien and may deduct from dividends or bonus all claims or sums of money which may be due on account of calls.

Notices

1.64 Notices are to be sent to all registered shareholders. Notices to the holders of share warrants unless the conditions of issue provide that such holders are to receive notices, shall be given by advertising in Nairobi and in the town or district where the registered office of the issuer is situated, if such registered office is situated outside Nairobi, in a daily newspaper in English and one other official language. The articles should provide accordingly.

Shareholders' registered addresses

1.65 A clause in the articles to the effect that shareholders shall register an address in Kenya or in some other country will be permitted.

SCHEDULE 4

A. Declaration by Lead Transaction Advisor and Sponsoring stockbroker

To: Nairobi Securities Exchange

Date

Full name of Lead Transaction Advisor/sponsoring stockbroker

The undersigned request that you will allow (number) [shares]/[REIT securities/ ETF securities]* of (denomination) each of.....[name of issuer]/ [name of/ETF/ REIT]* to be admitted to the Official List.

I, a director of the above sponsor hereby confirm that I have satisfied myself to the best of my knowledge and belief, having made due and careful enquiry of the [issuer/ETF/REIT]* and its advisers, that all the documents required by the Listing Rules to be included in the application for listing have been supplied to the Exchange, that all other relevant conditions of the listing have been complied with; and that there are no matters other than those disclosed in the application for listing or otherwise in writing to the Exchange which should be taken into account by the Exchange in considering the application for admission of the securities for which application is being made. I further undertake to inform the Exchange of any additional information that may come to my notice before the admission to listing. The securities in respect of which the application is being made will be included in the section of the List.

This declaration is furnished to you in accordance with the listings Rules of the Exchange. It may not be relied upon for any other purposes or by any other person.

SIGNED BY

director of

For Official Use

Application to be heard on:

Dealings expected to commence on:

Name(s) of contact(s) at the Lead Transaction Advisor/ Sponsoring stockbroker regarding the application:.....

Telephone number:.....

* delete as appropriate



B. Undertaking by promoter or REIT manager and REIT trustee (as applicable) of a REIT

To: Nairobi Securities Exchange

Date:

Compliance with the Listing Rules of the Nairobi Securities Exchange

In consideration of the Exchange *[*approving the application for admission of [name of the real estate investment trust] (the “Trust”) to the Official List*]/ [*allowing the continued listing of the Trust on the Official List*] and for official quotation of the securities described in our listing application, WE, [*name of promoter or REIT manager and REIT trustee*] HEREBY UNDERTAKE AND AGREE to

- (i) comply with the Listing Rules of the Exchange, which shall be in force from time to time, in so far as the same shall apply to the Trust and to each of us in our respective capacities,
- (ii) prior to resigning to procure that the replacement REIT manager or REIT trustee as the case may be executes a replacement Undertaking in a from acceptable to the Exchange.

The above Undertaking has been signed by us as: -

- (i) [*title*] of [*promoter*] [*pursuant to the authority granted to me by resolution of the board of directors of the said promoter on*]**.....; or
- (ii) [*title*] of [*REIT manager*] pursuant to authority granted to me by resolution of the board of directors of the said REIT manager on.....
- (iii) [*title*] of [*REIT trustee*] pursuant to authority granted to me by resolution of the board of directors of the said REIT trustee on.....

Date:

[*Promoter*]

Signature:

Name:

[REIT manager]

Signature:

Name:

** applies where the promoter is a body corporate

[REIT trustee]

Signature:

Name:



C. Letter of confirmation by an independent director of a REIT manager (applicable only in connection with Regulation 55(4) of the REITs Regulations)

To: Nairobi Securities Exchange

Date:

Confirmation of “independence” pursuant to the REIT Regulations

We, [name and ID numbers of directors], are directors of
[REIT manager] which **[has submitted an application to the Exchange to be admitted to the Official List of the Exchange] / [is listed on the Official List of the Exchange]*.

WE HEREBY CONFIRM AND DECLARE that we are independent directors in so far as we are independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of *[insert name of REIT]*.

Yours faithfully

Name:

Name:

Title:

Title:

Date:

Date:

* delete as appropriate

SCHEDULE 5

DOCUMENTS TO BE SUBMITTED TO THE EXCHANGE

The following documents shall be submitted in support of an application for admission to listing or together with the listing statement (as applicable):

- i. Application for listing (where applicable).
- ii. Authorizations:
 - a) issuer's board of directors resolution or trustee's resolution, as applicable, to list
 - b) Capital Markets Authority approval letter or certificate of authorisation in the case of a REIT
 - c) Shareholders or REIT securities holders resolution
 - d) Letter of no objection/ Confirmation of listing and good standing from the securities exchange of primary listing (if applicable).
 - e) For ETF securities that are primarily listed outside Kenya, a letter from a Trading Participant consenting to act as authorised representative (if applicable).
- iii. Contracts entered into in connection with the issue.
 - (a) Underwriting agreements if any
 - (b) Contracts with registrars where applicable
 - (c) Custody agreement where applicable
 - (d) market making agreement between ETF issuer and the market maker
- iv. Certificate of Incorporation of the issuer, REIT manager and trustee (as applicable), Certificate of Registration of the ETF or the REIT as applicable or any other incorporation document.

- v. Declaration by the Lead Transaction Adviser and Sponsoring stockbroker in the form set out in schedule 4.
- vi. Undertaking by the Promoter, REIT manager and trustee (as applicable) in the form set out in the schedule 4.
- vii. Letter of confirmation by two independent directors of a REIT manager where the REIT manager is associated with the Promoter in the form set out in the schedule 4.
- viii. Constitutive documents of the issuer, REIT or ETF as applicable.
- ix. Approved prospectus / information memorandum by the Authority and copies of documents provided for inspection pursuant to the proposed issue.
- x. Financial reports, if any for the prescribed period.
- xi. Shareholdings or, in the case of a REIT, REIT Securities holdings and certificate of distribution in the form set out in the schedule
- x. Management Contracts (if applicable)

- xi. Memorandum of listing
- xii. Indebtedness
- xiii. Material Contracts available for inspection.
- xiv. In the case of a REIT the most recent valuations required under the Regulations

If any of the above documents are not filed because they are not applicable, the issuer shall submit a separate exhibit explaining why such documents are not applicable.

SCHEDULE 6: LISTING FEES

ETF FEES

1. INITIAL ETF LISTING FEES

For ETF securities, 0.06% of the value of the securities to be listed subject to a minimum of Kshs 200,000 and a maximum of Kshs. 1,500,000.			
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2. ADDITIONAL ETF LISTING FEES

For ETF securities, 0.1% of the nominal value of the additional securities to be listed subject to a minimum of Kshs. 50,000 and a maximum of Kshs. 500,000.		
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3. ANNUAL ETF LISTING FEES

For ETF securities, 0.06% of the market capitalization of the listed securities subject to a minimum of Kshs 200,000 and a maximum of Kshs. 1,500,000.			
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NOTES

- a. The annual listing fee shall be payable upon the expiry of the twelve (12) month period following the initial listing fee. Where the period for which the first annual listing fee payable is less than twelve (12) months, the annual listing fee shall be prorated to December of that year.
- b. Annual listing fees shall be based on daily average market capitalization from January 1 to November 30 annually excluding the value of new or additional listing during the year.
- c. Computation of fees is based on the market price save for new issues where it is based on the issue price.

SCHEDULE 7

PENALTIES

The sanctions and penalties outlined hereunder are progressive and are applicable to Issuers, Authorized Representatives (in the case of ETFs) and nominated Advisers. All monies paid as penalties shall go to the Investor Compensation Fund established under the Capital Markets Act, Cap. 485A. All penalties charged by the Exchange shall be reported to the Authority within three days of imposing penalty.

For purposes of this schedule, 'days' refers to calendar days.

1. PENALTY CHARGES ON ISSUERS

Offence

- (i) **Late Submission of Audited Annual Accounts**

Nature of penalty

A letter notifying the Issuer or the REIT trustee (where the trustee has an obligation under the REIT Regulations or the Act) of non-compliance with submission of audited accounts within five days after the due date.

Letter of censure informing the Issuer or REIT trustee (where the trustee has an obligation under the REIT Regulations or the Act) of being in contravention of Listing Rules sent 15 days after due date.

The Exchange shall make a public announcement of Issuers or REIT trustee (where the trustee has an obligation under the REIT Regulations or the Act) that have not submitted or published audited accounts within 30 days from the

due date.

A penalty of Kshs 50,000 shall be payable by every Issuer that fails to comply within 30 days from the due date and thereafter the penalty shall accrue at the rate of Kshs 2,000 per day for a maximum of 30 days following which the Authority shall intervene. *The Exchange can thereafter suspend the relevant securities as provided in these Rules.*

(ii) Late Submission of Semi-Annual Accounts

A letter notifying the Issuer or REIT trustee (where the trustee has an obligation under the REIT Regulations or the Act) of non-compliance within 5 days after due date.

Letter of censure informing the Issuer or REIT trustee (where the trustee has an obligation under the REIT Regulations or the Act) of being in contravention of Listing Rules sent 15 days after due date.

The Exchange shall make a public announcement of Issuers and REIT trustees that where obliged to do so have not submitted or published audited accounts within 30 days from the due date.

A penalty of Kshs 10,000 shall be payable by every Issuer, or REIT trustee where obliged to do so, that fails to comply within 30 days from the due date and

thereafter the penalty shall accrue at the rate of Kshs. 1,000 per day.

The Exchange can thereafter suspend the relevant securities as provided in these Rules.

(iii) Late notification of material information or disclosures

Where an Issuer or REIT trustee (where the trustee has an obligation under the Regulations to notify REIT Securities holders or the Authority) has failed to make immediate public disclosure of information that may reasonably be expected to have material effect on market activity in and prices of its securities, within 24 hours of the event, the Exchange shall issue a letter of censure to the defaulting Issuer or trustee requiring the issuer to make such an announcement.

Where more than 7 days lapse between the occurrence of the event and the date of the announcement, the defaulting Issuer or REIT trustee (where the trustee has an obligation under the Regulations) shall be liable to a fine of Kshs. 10,000 and thereafter the fine shall accrue at the rate of Kshs 1,000 per day until the public announcement.

Where the Issuer or REIT trustee (where the trustee has an obligation under the Regulations) fails to make a public announcement within 10 days of the

event, the Exchange in consultation with the Authority may suspend trading of securities of the Issuer for a period considered appropriate and restoration to trading of such securities shall be subject to a fine of Kshs 25,000.

2. PENALTY CHARGES ON NOMINATED ADVISORS

Failure to fulfil eligibility requirements of a Nominated Advisor

- A letter notifying the issuer of non-compliance within 5 days after due date and a 7 day notice for the Nominated Advisor to fulfil such requirements
- A penalty of Kshs 10,000 shall be payable by the NOMAD for failing to comply within 7 days from the due date and thereafter the penalty shall accrue at the rate of Kshs.1,000 per day.

Failure to report the departure or appointment of an Authorized Representatives

- A Notice of 14 days shall be given to the NOMAD to report the change in the Authorized Representative to the Exchange.
- A penalty of Kshs 10,000 shall be payable by the NOMAD for failing to report any changes made to the Authorized Representatives

Late notification of material information or disclosures

- Where a Nominated Advisor has failed to make immediate public disclosure of information that may reasonably be expected to have material effect on market activity in and prices of its securities, within 24 hours of the event, the Exchange shall issue a letter of censure to the defaulting Nominated Advisor requiring the Nominated Advisor to make such an announcement.
- Where more than 7 days lapse between the occurrence of the event and the date of the

announcement, the defaulting Nominated Advisor shall be liable to a maximum fine of Kshs. 10,000 and thereafter the fine shall accrue at the rate of Kshs 1,000 per day until the public announcement.

- Where the Nominated Advisor fails to make a public announcement within 10 days of the event, the Exchange in consultation with the Authority may suspend trading of securities of an issuer whom the Nominated Advisor represents for a period considered appropriate and restoration to trading of such securities shall be subject to a fine of up to Kshs 25,000.