

The Exchange Bulletin



nairobi securities exchange
Discover Opportunity

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NSE Chief Executive's Foreword



Happy New Year!

Welcome to this special edition of the Exchange Bulletin.

This edition marks the end of a challenging year for the Kenyan Market and frontier markets globally.

The market however witnessed a good recovery in the last quarter of 2019 and we expect this to continue well into 2020. With the Company having formulated its 2020 - 2024 Strategy, whose key focus is increasing the number of listed companies, enhancing our strategic alliances and leveraging on technology, we are now well positioned to provide a capital raising platform for potential issuers.

Ibuka, our incubation and acceleration program continued to attract leading companies in Kenya underscoring its attractiveness among ideal enterprises. The admission of 8 additional companies in the second half of 2019 is a testament that the program is supporting growth and fast-tracking access to capital markets among select companies in Kenya.

In line with our vision, we will continue connecting opportunity to capital by offering a world class trading platform to local and international issuers and investors looking to gain exposure to Kenya's and Africa's economic growth.

On October 14, 2019 we commissioned the upgraded Automated Trading System (ATS). The upgraded system offers a more robust platform that supports diversification of trading securities with improved business and technical capabilities. The new system will boost liquidity through enabling day trading and facilitating Securities Lending and Borrowing.

The development and launch of various products over the course of the last four years supported by technological upgrades on our trading system will support our ability to offer better services to our stakeholders and has set the foundation to boost substantial growth.

To enhance our financial performance, we have embarked on an aggressive revenue diversification strategy to grow data and training services business lines. To achieve this, the NSE is currently engaging various strategic partners, institutions of higher learning and potential data and training clients.

I am optimistic that market activity will improve on the back of renewed investor confidence and sustained macro-economic stability in Kenya.

I would like to appreciate staff and all stakeholders for your support throughout the year 2019 and look forward to working together to make NSE the best market in Africa in 2020.

Geoffrey O. Odundo
Chief Executive

INSIDE

05



Ibuka Continues to Attract High Growth Companies

08



NCBA Listing of Additional Shares

11



NSE Raises Funds to Support Cancer Control Initiatives in Kenya

M-Akiba Retail Infrastructure Bond Re-Open 3

On August 19, 2019, The National Treasury, the Central Depository and Settlement Corporation and the NSE jointly launched the M-Akiba Retail Infrastructure Bond issue MAB/2/2017/03. The re-open was aimed at offering Kenyans another opportunity to invest in the Government infrastructure Bond.

The Bond which ran from August 19, 2019, to September 6, 2019 raised Kshs. 263 million and attracted an additional 51,461 investors bringing the total M-Akiba accounts to 565,725. The total amount raised by the Bond so far is Kshs. 1.045 Billion.



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Joint Boards Meeting 2019

On September 6, 2019, the NSE, the Capital Markets Authority (CMA) and the Central Depository and Settlement Corporation (CDSC) jointly held the annual Joint Boards Meeting. The meeting brings together the Boards and Senior Management of the three Capital Markets stakeholders to discuss pertinent issues affecting the growth and development of the Kenyan Capital Market.

The 2019 meeting placed special focus on initiatives that seek to deepen product uptake as well as enhance

resilience of the market's infrastructure. The meeting also deliberated on initiatives aimed at enhancing local investor participation to help cushion the market from shocks occasioned by foreign investor exits from our market.

The meeting also provided an opportunity to bid farewell to the outgoing CEO's of the CMA Mr. Paul Muthaura and CDSC Ms. Rose Mambo for their service and commitment towards the growth of the capital markets industry during their respective tenures.



Panel Discussion on leveraging sustainable finance for capital markets deepening and realization of the Big 4 Agenda during the 2019 Joint Boards Meeting



NSE Board, Senior Management as well as other staff members pose for a photo during the 2019 Joint Boards Retreat Meeting.

Ibuka Continues to Attract High Growth Companies

Ibuka, NSE's incubation and acceleration program for high growth companies in Kenya continued to attract leading companies in Kenya during the last half of the year. Ibuka is aimed at preparing companies to list

or access other capital options offered by the capital market in line with their strategic goals and priorities.

We had 8 new admissions in the second half of 2019.



RentCo East Africa Limited Senior Management Team and Staff showcase their hosting certificate following the firm's admission onto the NSE Ibuka Program

	Hosting Date	Company Name
1.	August 1, 2019	Tusker Mattresses Limited (Tuskys)
2.	August 14, 2019	Ceven Limited
3.	September 4, 2019	RentCo East Africa Limited
4.	October 31, 2019	Safaricom Investment Co-operative
5.	November 14, 2019	Buzz Afrique
6.	November 19, 2019	Saracen
7.	December 3, 2019	Bima Net
8.	December 9, 2019	Mookh Africa Limited



NSE Chairman, Samuel Kimani (Second from Right - Seated) hands over an Ibuka hosting certificate to Dan Githua-Tuskys CEO (Second from Left- Seated) as NSE, Tuskys Supermarkets and Kenya Association of Stock Brokers and Investment Banks senior leadership teams look on.

Establishment of the NSE Recovery Board

In order to enhance investor protection, the NSE and CMA jointly proposed the establishment of a Recovery Board at the Exchange, on which securities of issuers who are technically insolvent, non-compliant with listing obligations or whose operations are being conducted in a manner that is prejudicial to the interest of investors or market integrity can be temporarily transferred.

This will offer companies facing challenges an opportunity to develop and implement recovery plans or ensure full compliance with the requisite listing

obligations or such other conditions as may be imposed by the CMA, while ensuring transparency to the investing public on the status of the entity.

The Recovery Board will seek to ensure companies are governed and closely regulated preventing investor losses and degradation of the integrity of the market.

A stakeholder forum to sensitize the capital markets players on the Recovery Board was held on September 24, 2019.



Mr. Geoffrey Odundo, NSE Chief Executive makes his remarks during a stakeholder forum to sensitize players on the proposal to establish the Recovery Board.

Admission of the First Non-Executing Member to the NSE Derivatives Market

On September 13, 2019, The NSE admitted NCBA Group PLC formerly (NIC Bank Kenya PLC) as the first Non-Executing Member to the NSE Derivatives Market (NEXT). The admission follows the bank's fulfilment of the NSE's Derivatives Market membership criteria.

The admission will enable NCBA Group PLC to offer custodial services to domestic and international investors looking to participate in the NSE's Derivatives

Market. Additionally, NCBA Group PLC will facilitate the settlement of derivatives trades for custodial clients.

NEXT is Africa's second Derivatives Market offering investors an innovative and efficient avenue for deployment of capital, portfolio diversification and risk management.

Launch of NSE NEXT Derivatives Market

The NSE launched NEXT, Africa's second Exchange Derivatives Market on July 11, 2019. The launch enabled the NSE start offering Single Stock and Index Futures to its investors.

The launch of Derivatives Market is a significant milestone in the growth and deepening of our capital markets and the wider Kenyan economy. The market has provided new opportunities to investors, enabling them to better diversify their portfolios and allow for the efficient deployment of capital. Furthermore, through the Derivatives Market, investors are now able to form expectations about underlying assets in order to manage price risks.

Since its launch, the market has had over 390 contracts worth over Kshs. 20 Million traded. This has demonstrated the appetite and potential for growth

of the product among domestic investors. It has also underscored the ability and resilience of the system to facilitate efficient end to end transactions on the Derivatives Market.



Mr. Nelson Gaichuhie, CAS National Treasury and Planning is joined by industry stakeholders as he rings the bell to mark the commencement of trading of Derivatives.

NSE and SZSE kick-start Collaboration to enhance Investments and Support growth of Medium Sized Enterprises

In October 2019, the NSE and the Shenzhen Stock Exchange (SZSE) signed an MoU to establish the *China-Kenya Capital Market Service Initiative (the "China-Kenya Initiative")* which aims at connecting the investor community and companies in both countries to allow for a capital formation.

The initiative will enable the Kenyan capital market showcase its products and services to Chinese investors and vice versa. It will also enhance relationships between China and Kenya stakeholders improving understanding of both market.

The two Exchanges also launched the *Ibuka* and *V-Next Connect* partnership, a joint initiative aimed at promoting cross-border growth of for *Ibuka* hostees in Kenya and Shenzhen during the Kenya-China Capital Markets Day held on October 15, 2019.



Delegates follow the proceedings of the Kenya-China Capital Markets Day.

NCBA Listing of Additional Shares

On October 22, 2019 the NCBA Group PLC listed an additional 793.8 million shares on the NSE, thereby sealing the NIC-CBA merger deal. These additional shares belong to CBA shareholders who from now on will own shares in NCBA Group PLC.

The previously listed entity, NIC Group's issued and paid-up share capital stood at Kshs. 3.5 billion

comprising 703.9 million ordinary shares of Kshs. 5 each. NCBA Group PLC now has a total of 1.49 billion issued shares with a par value of Kshs. 7.45 billion.

The merged entity NCBA Group PLC began operating following approval from the Central Bank of Kenya and the National Treasury on September 27, 2019.



Mr. John Gachora, NCBA Group PLC Managing Director makes his remarks during the listing of additional shares of NCBA Bank.



A stock broker demonstrates trading of NCBA Group shares to NSE, CDSC and NCBA Leadership teams.



Mr. James P.M Ndegwa, former Chairman NIC Group PLC is joined by capital markets stakeholder as he rings the bell to mark the commencement of trading of NCBA Group PLC Shares on the NSE.

NSE and Partners Publish Report on Gender Equality in the Work Place

The NSE, Equileap and New Faces New Voices partnered to publish a report on gender equality in the workplace. The report dubbed *Gender Equality in Kenya : Assessing 60 leading companies on workplace equality* was launched on November 13, 2019 and offers a ranking and a comparative analysis of gender equality across all listed companies in Kenya, which are some of the largest employers in the country.

Standard Chartered Kenya was the top-ranked company in Kenya, with a gender equality score of 63%. It ranked within the top 50 companies globally, which scored 61% or above in Equileap's 2019 Global Gender Equality Report published in October 2019.

WPP Scangroup (63%) ranked 2nd, is one of two companies that has gender balance at three out of four organizational levels namely executive leadership, senior management and total workforce.

Barclays Bank of Kenya (61%) ranked 4th, is the second company that has gender balance at three out of four levels namely board, senior management and total workforce.

East African Breweries (44%) ranked 10th in gender equality. It however leads on parental leave, with the most generous programme which offers 6 and 1 month of paid leave for primary and secondary carers respectively.

The launch created an opportunity for companies to gain insights on initiatives to enhance gender equality in their respective institutions.

Link to the report: https://equileap.org/wp-content/uploads/2019/11/Gender-equality-in-Kenya_Special-report-by-Equileap.pdf



(Left to Right) Ms. Diana Van Maasdijk, CEO Equileap, Hon. Rachel Shebesh, CAS Ministry of Public Service Youth and Gender, Ms. Andia Chakava, Director NFNV, Ms. Isis Nyo'ngo, NSE Director, Mr. Geoffrey Odundo, CEO NSE

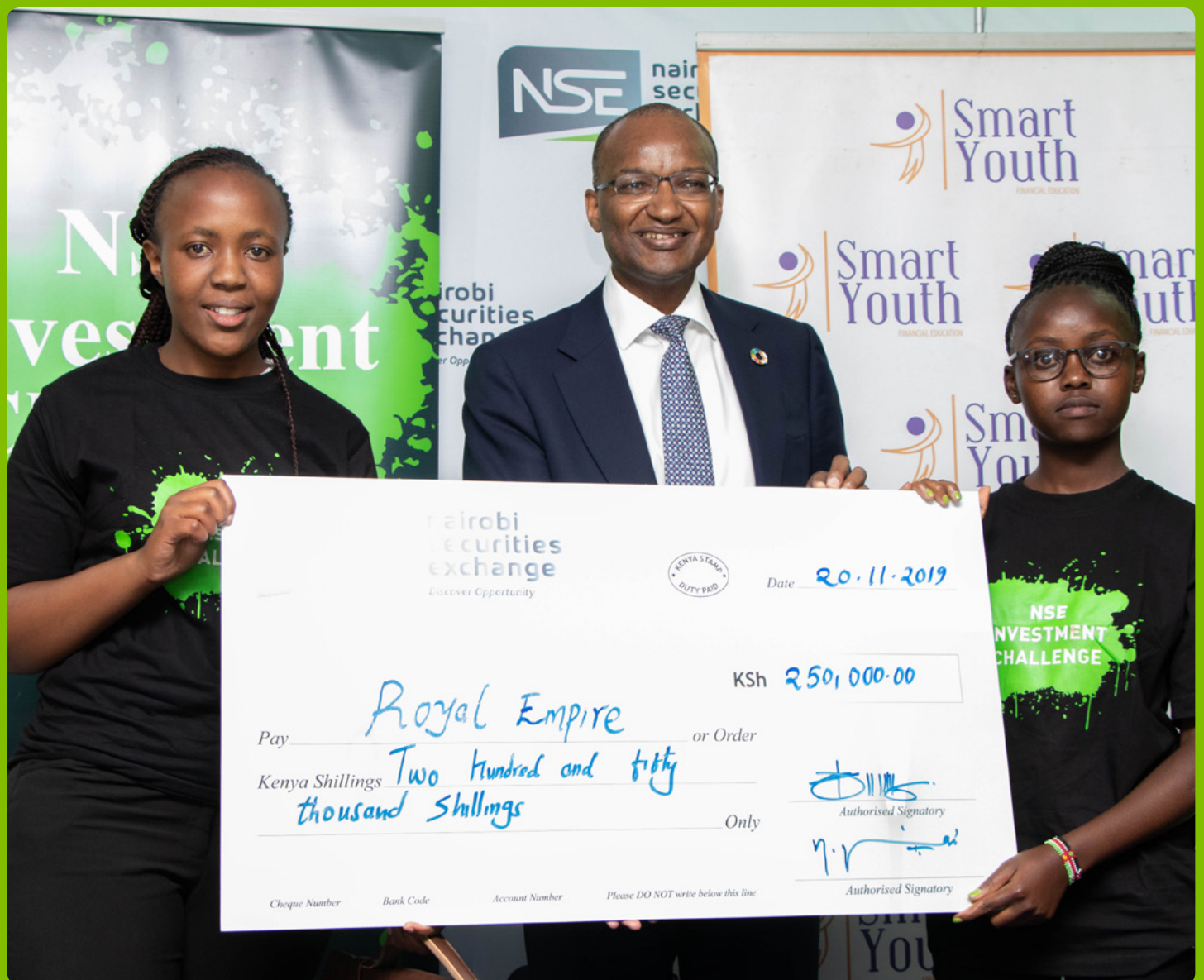
Ladies Team tops the 2019 NSE Investment Challenge

The NSE recognized and awarded the winners of the 2019 NSE Investment Challenge Awards on November 20, 2019 following the completion of the competition. Dr. Patrick Njoroge, Governor, Central Bank of Kenya who was the chief guest at the event exuded confidence on the ability of the NSE Investment Challenge to inspire confidence in investment among the youth.

Ms. Monica Njambi Kamiti and Ms. Beatrice Njeri, third year students at the Dedan Kimathi University of Technology, were declared the winners of the 2019 NSE Investment Challenge after gaining a portfolio return

of Kshs. 3,919,471. Mr. Samson Kibirah, a student at the Kenya School of Revenue Administration and Mr. Jacob Wafula from Machakos University were the first and second runners up with portfolio returns of Kshs. 3,487,572 and Kshs. 3,202,655 respectively.

Mr. Collins Kiprono Koech, a local entrepreneur, was the winner of the non-student category with a portfolio return of Kshs. 3,571,475. Mr. James Ngwera and Mr. Stanley Sewe were the first and second runners up of the non-student category with portfolio returns of Kshs. 3,469,694 and Kshs. 3,076,207 respectively.



Ms. Monica Njambi (left) and Ms. Beatrice Njeri (right) pose for photo with Central Bank of Kenya Governor Dr. Patrick Njoroge as they display a dummy cheque of amounts won.

NSE Raises Funds to Support Cancer Control Initiatives in Kenya

The NSE raised Kshs. 8.7 Million in cash and in kind during its fifth annual Charity Trading Day bringing the total amount raised over the course of 5 years to Kshs. 38 Million. The flagship event took place on December 6, 2019 and was graced by Hon. Sicily Kariuki, Cabinet Secretary, Ministry of Health.

The theme this year was Health with a specific focus on cancer. Funds raised will be channelled towards

enhancing the cancer registry system in the country. The NSE will support the National Cancer Institute of Kenya establish a robust registry system, that will support necessary research aimed at cancer control and reduction in Kenya.

Other beneficiaries of the 2019 Charity Trading Day include; Borana Conservancy, SOS Children's Home, Nature Kenya and Joy Children's Home.



Hon. Sicily Kariuki, Cabinet Secretary and Ministry of Health (Seated Left) makes a trade during the 2019 Charity Trading Day as Mr. Bob Karina, NSE Vice Chairman (Standing Right), Mr. Kuria Waithaka, NSE Company Secretary and Chief Legal Officer (Second from Right) and Mr. David Kanyi, CMA Head, Market Deepening (Left) look on.

Readers Lounge

Establishment of a Recovery Board For Listed Companies

Introduction

The Capital Markets Authority (CMA) and the NSE as a recognized Self-Regulatory Organization (SRO) are mandated to create, maintain and regulate a market in which securities can be issued and traded in an orderly, fair and efficient manner thereby enhancing investor protection.

Pursuant to this mandate, the NSE and the CMA aim to ensure that companies listed on the NSE are compliant with all the continuing listing requirements and obligations and that investors are well apprised of the status of investments they are participating in, to enable them make informed decisions, pertaining to those investments.

In order to enhance investor protection, the NSE and the CMA jointly undertook the establishment of a Recovery Board at the Exchange.

The Recovery Board and its Objective

The Recovery Board is a board on each market segment on which securities of an Issuer that is technically insolvent, non-compliant with any continuing listing obligation or whose operations are conducted in a manner that is prejudicial to the interest of investors or market integrity, is temporarily listed to enable the Issuer develop and implement recovery/restructuring plans and/or regularize the issues of non-compliance for continued listing of the Issuer on the Exchange.

Value Proposition

The Capital Markets regulatory framework provides for:

- a) Voluntary delisting;
- b) Mandatory delisting and
- c) Suspension of an Issuers securities from trading.

Voluntary delisting in most instances is triggered by takeovers, acquisitions or mergers involving listed companies that listed on a securities exchange. Mandatory delisting is an enforcement action taken by the CMA on an issuer who is non-compliant with continuing listing obligations.

However, there are instances where a listed company may be operationally functional but technically insolvent, or critical aspects of its operations could compromise the interests of its shareholders or negatively impact on the integrity of securities market. Mostly, listed companies that go through financial distress are also not able to comply in continuing listing obligations. These companies may require some time to restructure their businesses in order

to continue viably as listed companies. Listed companies by virtue of being public companies are expected to exercise and maintain high standards of market integrity in order to preserve shareholder wealth. Being listed comes with transparency and full disclosure of the circumstances in a listed company. Timely and accurate disclosure of distress in a listed company should enable investors make informed decisions. The Recovery Board will provide a separate board on which listed companies in distress would be traded separate from other compliant and well performing listed companies.

Rules of the Recovery Board

The Rules of the Recovery Board are anchored in the NSE Listing Rules. The Rules are awaiting the approval of the Capital Markets Authority.

Approaches in other Jurisdictions similar to the Recovery Board

- a. **Shenzhen Stock Exchange** – Non compliant companies marked with an asterisk ST (Special Treatment).
- b. **Bombay Stock exchange & National Stock Exchange of India** – Non-compliance listed companies transferred to Trade to Trade (T2T) with restricted trading and obligated to implement Corporate Insolvency Resolution Process (CIRP).
- c. **Hong Kong Stock Exchange (HKEx)** – Non-compliant companies transferred to the Third Segment (Over the Counter).
- d. **NASDAQ** – Non-compliant companies moved to Over The Counter (OTC) Bulletin of Pink Sheets with the option of reverting to the main board upon compliance with continuing listing obligations.
- e. **Karachi Stock exchange (Pakistan)** – Non-compliant companies moved to the Defaulters Board and winding up proceedings instituted.

Conclusion

Most listed companies on the Exchange with financial or listing compliance challenges do not have elaborate and auditable recovery plans. This has to some extent dented investor confidence with the capital markets and is partly attributable to the extended/persistent bear run at the Exchange.

Creating certainty towards resolution of such companies, whether through a turnaround or a delisting through clearly spelt out procedures and timelines is expected to restore greater confidence in the market. This is to be achieved through the Recovery Board route with a clear exit plan upon expiry of three years.

Up-close and Personal with Whitney Mosingi, Public Education and Training Officer



1. Tell us about yourself.

I am a sanguine. I try to live by the words “Carpe Diem” which is latin for “seize the day”.

I am ambitious, self-driven, motivated and compassionate.

I enjoy art; spoken word, written poetry, reading among many other things.

2. You recently summited Mt. Kilimanjaro. This follows your summit of Mt. Kenya in April 2019. How was the experience and what notable lessons did you take with you?

Summitting both Mt. Kenya & Mt. Kilimanjaro within 6 months and a lot of preparation hikes in between was life changing and one of the best experiences of my life.

Lessons

Mind over matter- do not listen to your body, climb with your mind because the mountains will throw every possible challenge at you. The mountains will test you, dare you, scare you, intimidate you but the experience will fill you with joy, the kind you feel later but that joy stays with you forever.

The mountains taught me patience, resilience and not to live a sedentary life because in the end you will not remember the time you spent sitting at home watching TV or mowing your lawn so climb that mountain (Jack Kerouac).

3. How has your experience in the Training and Public Education department been so far?

It has been a unique experience. What I am most grateful for is the exposure and the learning opportunities at the NSE. I have met many people within the Capital Markets who have shaped my views on life and taught me a lot.

4. You joined the NSE as an intern in 2017 and you have grown to your current position. Where do you see yourself in the next five years?

I would love to be actively involved in projects that are impactful to the society as I am passionate about enlightening the youth and being a voice to the voiceless. Janet Mbugua inspires me on this front and hopefully I will be on the path she is currently on.

5. What is the most challenging part of your job?

It has to be the fact that you need to be proactive and constantly keep calling people to convince them to come for training sessions because in the end you need to generate that revenue.

6. Who inspires you most and why?

Shonda Rhymes. She is a phenomenal woman. If you read her memoir ‘Year of Yes’, watch her three successful shows on ABC Network and listen to her commencement speech in Dartmouth you will easily see why. In her speech she says: “*Dreams are lovely, but they are just dreams. Fleeting, ephemeral, pretty...but dreams don’t come true because you dream them. It is hard work that makes things happen*”.

7. Top three things in your bucket list?

- Summit Mt. Rwenzori in 2020 (Highest Point in Uganda & 2nd Highest hikable mountain in Africa)
- Summit Mt. Meru in 2020 (Tanzania) (5th Highest hikable Mountain in Africa)
- Write a memoir

8. What would we be surprised to know about you?

I love cricket. I played cricket in high school and was part of the school team. I am considering taking it up as a sport soon.

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