

# The Exchange Bulletin



nairobi securities exchange  
Discover Opportunity

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## NSE Chief Executive's Foreword



*Warm Greetings,*

Welcome to the second edition of the Exchange Bulletin in 2019.

The second quarter of the year was characterized by a key achievement, with the NSE receiving approval to launch NEXT, NSE's Derivatives Market. The NSE will become the second Exchange to launch a Derivatives Market in Africa further entrenching our commitment to deepen the Kenyan Capital Market as well as enhance our efforts to make Kenya the leading financial services hub in the region.

The market will provide new opportunities to investors, enabling them to better diversify their portfolios as well as allow for the efficient deployment of capital.

The approval to launch NEXT Derivatives Market comes on the back of our continued investments in product diversification over the course of our 2015-2019 strategic plan period. The growth in products has made the NSE become the second most product

diverse market in Africa offering investors a wide array of financial instruments to mobilize domestic resources and international capital.

At the core of our operations, is high dependency on technology. The NSE has facilitated the trading of securities through an Automated Trading System (ATS) over the past 13 years. To enhance service delivery in our market, we are in the final stages of upgrading the ATS to enhance its business and technical capabilities. The upgraded system will support enhanced product offering and mitigate instances of system downtime and malfunction.

During the quarter, we increased interaction with small and medium enterprises in a bid to enlighten them on various offerings in the market. We also enhanced our engagement with strategic partners to boost growth in the data services business.

Market performance during the second quarter remained subdued on account of increased geopolitical and trade uncertainty undermining investor confidence. Despite the macro-economic headwinds, we expect market performance to remain stable during the third quarter of the year.

As we get to the last six months of our strategic plan, I am glad that we have made notable achievements in some of our strategic goals. In pursuit of these goals, we have also faced challenges that we have continued to face boldly. Our overall success is underpinned by the performance of all of us. In this regard, I wish to encourage you to give your very best as we seek to make the NSE the leading securities Exchange in Africa with a global reach.

**Geoffrey O. Odundo**  
*Chief Executive*

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# BAT Marks 50 Years Since Listing on the NSE



BAT Chairman Mr. George Maina and Chief Executive Ms. Beverley Spencer-Obatoyinbo (ringing the bell) are joined by NSE Board as well as Senior Management and BAT Kenya Senior Management team to ring the bell to mark BAT's 50<sup>th</sup> Anniversary since listing on the NSE.



NSE Chief Executive Mr. Geoffrey Odundo, NSE Chairman, Mr. Sam Kimani, BAT Executive Managing Director, Ms. Beverley Spencer-Obatoyinbo, BAT Chairman Mr. George Kimani and NSE Vice- Chairman Mr. Bob Karina raise a glass to celebrate the opening bell during their 50<sup>th</sup> anniversary

On May 17, 2019, British American Tobacco (BAT) Kenya Plc Board and Senior Leadership team led by its Chairman, Mr. George Maina and Managing Director, Ms. Beverley Spencer-Obatoyinbo held an opening bell ringing ceremony to commemorate the company's 50<sup>th</sup> Anniversary since listing on the NSE.

The listing of BAT Kenya on the NSE has generated capital which has in turn facilitated the company's growth and expansion strategies. Since its listing on the NSE in 1969, BAT Kenya has grown in leaps and bounds to become a top four tax contributor in Kenya and a strategic manufacturing hub for the British

American Tobacco Group, exporting more than 60% of its output to thirteen countries in Africa.

Listing on the NSE has also enabled BAT Kenya enhance its corporate governance standards through providing clear frameworks, disclosure requirements and guidance on corporate governance.

Since its listing in 1969, BAT Kenya share price has grown from Kshs.10 per share to Kshs.725 as at December 31 2018, with a 93% dividend payout over the last five years.

# NSE AGM

The NSE successfully held its 65<sup>th</sup> Annual General Meeting (AGM) of shareholders on May 30, 2019 at the Kenyatta International Convention Centre (KICC) Ballroom.

The AGM which attracted approximately 1,250 shareholders provided a platform for engagement between NSE Leadership and its shareholders on the performance of the company after the 2018 financial year.

During the AGM, the shareholders approved a number of changes to be effected on the Board. The shareholders re-elected Mr. Hosea Kimutai Kili and Mr. Paul Vollant as directors following their retirement by rotation. Ms. Isis Amondi Nyong'o Madison was also elected as an Independent Non-Executive Director of the Company. The retirement of Ms. Sharon Maviala as a Director was noted at the AGM.



The NSE Chief Executive, Mr. Geoffrey Odundo addresses shareholders during the 2019 AGM



An NSE shareholder asks a question during the 2019 AGM



An NSE shareholder opens the 2019 AGM with a word of prayer

# Ibuka Continues to Grow



Part of VAELL Senior Management are joined by NSE and Kenya Association of Stock Brokers and Investment Banks (KASIB) Senior Management as they display their *Ibuka* Admission Certificate

Following the launch of *Ibuka*, NSE's premium incubation and acceleration program in December 2018, the program has continued to attract leading companies in Kenya.

Over the period April to July 2019, enrollment onto the platform has grown with eight new companies joining the program during this period. The admission of the companies follows a rigorous evaluation and vetting process.

The new companies on the program are Myspace Properties (K) Limited, Vehicle and Equipment Leasing Limited (VAELL), Polygon Logistics Limited, Nile



Part of Homeboyz Entertainment Ltd. Senior Management are joined by NSE and Kenya Association of Stockbrokers and Investment Banks (KASIB) Board and Senior Management as they display their *Ibuka* Admission Certificate

Capital Insurance Brokers E.A. Limited, Nyali Capital Limited, Homeboyz Entertainment Limited, TSG Realty Limited and Naveah Capital Insurance Agency. These vibrant and diverse crop of companies brings the total number of companies on the platform to 12 in a span of seven months since its official launch.

*Ibuka* is aimed at growing visibility whilst enhancing brand recognition and business opportunities among hostee companies. Additionally, the program will assist in improving corporatization, developing capabilities to access capital markets as well as providing a roadmap to long term corporate sustainability.



Part of Myspace Properties (K) Ltd. Senior Management are joined by NSE and Kenya Association of Stock Brokers and Investment Banks (KASIB) Senior Management as they display their *Ibuka* Admission Certificate



Part of Nyali Capital Ltd. Senior Management are joined by NSE and Kenya Association of Stock Brokers and Investment Banks (KASIB) Senior Management as they display their *Ibuka* Admission Certificate

# East African Capital Markets Day

The East African Securities Exchanges Association (EASEA) in partnership with the Rwanda Stock Exchange hosted the inaugural within East Africa Capital Markets Day in Kigali, Rwanda on 23<sup>rd</sup> and 24<sup>th</sup> May 2019.

The one day conference held under the theme, *“Showcasing East Africa’s Economic vibrancy and the capital market’s place within the region”* brought together delegates and stakeholders from the region

to explore various opportunities where capital markets can support economic growth and development in the region.

EASEA is the regional umbrella body for Exchanges and clearing houses in East Africa. It plays a fundamental role in enhancing the regional Exchanges contribution to economic growth as well as facilitates skill development among member Exchanges.



Delegates follow proceedings of the East Africa Capital Markets Day

# Top 100 Brands in Africa

The NSE in partnership with Africa Practice hosted Brand Africa's announcement of the Most Admired Brands in Africa on June 25, 2017. The 7<sup>th</sup> annual *Brand Africa 100: Africa's Best Brands*, is based on a comprehensive Pan-African survey of the most admired brands among African consumers.

In the survey results, Coca Cola was recognized as the overall Most Admired Brand in Kenya whilst Safaricom was crowned as the Most Admired Brand Made in Kenya and the Most Admired Made in Kenya Brand listed on the Nairobi Securities Exchange.

Kenya Commercial Bank Group Plc was voted the Most Admired Financial Services brand in Kenya and

Citizen Television was named the Most Admired media brand in Kenya.

In a category analysis of the survey, listed carrier Kenya Airways (Aviation/Transport), Citizen (Media), Safaricom (Telecoms), Tusker (Alcoholic Beverages), KCB (Financial Services) were the leading Made in Kenya brands.

The survey was based on a comprehensive research across 25 Africa Countries and economic regions, accounting for 80% of the population and 75% of the Growth Domestic Product.



The Brand 100 winners display their awards



Mr. Thebe Ikafaleng Founder and CEO Brand Africa (Second from left), is joined by Mr. Kuria Waitthaka, NSE Chief Legal Officer (Left) and Mr. Geoffrey Odundo, NSE Chief Executive as he rings the opening bell to mark commencement of trading during the announcements of the most admired brands in Africa.

# NIC Bank-Strathmore SME's Alumni Breakfast Forum



Entrepreneurs follow the proceedings of the forum

On June 6, 2019, the NSE participated in the NIC Bank-Strathmore Small and medium-sized enterprises (SMEs) Alumni Breakfast. The annual event held in partnership with NIC Bank seeks to empower SME's through exploring various models and solutions to address their challenges as well as good decision making through locally developed businesses case studies.

The forum themed "*Raising Capital for Sustainable Business Growth*" attracted SME owners and Strathmore Business School alumni to a one day event that placed special focus on apprising businesses on various options available for entrepreneurs to raise capital on the NSE as well as the requirements for companies to list on the Growth and Enterprise Segment of the NSE.

Additionally, entrepreneurs were taken through the

new Ibuka Program by the NSE that will support the growth and development of companies including SME's in Kenya.



The NSE Chief Executive apprises SME's on opportunities available on the NSE during the Strathmore SME's Alumni Breakfast Forum

# Our Approval to Launch the NEXT Derivatives Market



On May 29, 2019, the Nairobi Securities Exchange (NSE) received approval to launch the NEXT Derivatives Market following the successful conclusion of the Derivatives Market Pilot Test.

The approval to launch made the NSE the second Exchange in Africa to launch a Derivatives Market after

the Johannesburg Stock Exchange. The launch is in line with NSE's mission to offer a world class trading facility anchored on a wide variety of investment instruments to enable investors better diversify their portfolios and allow for efficient deployment of capital.

The NSE NEXT Derivatives Market will commence with Single Stocks Futures and Index Futures on selected stocks and indices respectively.

The launch of NEXT will play a fundamental role in supporting the growth and development of Kenya's capital markets as well as consolidate NSE's position as a leading financial services hub in Africa.

## Launch of M-Akiba Re-Open 2 of May 2019

The National Treasury, the NSE and the Central Depository and Settlement Corporation (CDSC) jointly re-opened the M-Akiba Retail Infrastructure Bond Issue No MAB/2/2017/03 to offer Kenyans another opportunity to invest in the Government infrastructure Bond. The launch followed the successful uptake of M-Akiba Retail Infrastructure Bond in March 2019 which attracted 79% subscription rate.

The re-open 2 of May 2019 ran from Monday, May 27, 2019 to Friday June 7, 2019 attracting a 75% subscription rate to raise a total of Kshs. 187,520,100/=.

M-Akiba is the world's first mobile traded Government infrastructure bond which seeks to deepen and enhance financial inclusion through leveraging on increased mobile phone penetration, to democratize access to formal financial systems for savings and investments.

More Kenyans are now able to participate in Government bonds by investing a minimum of Kshs. 3,000.00 which is considerably lower in comparison to



Machakos County Deputy Governor Eng. Francis Maliti buys the M-Akiba Bond as partners and stakeholders look on.

Kshs. 50,000.00 required to invest in other Treasury bills and bonds.

The tenure for this Re-open 2 Bond will be one year and three months, with a redemption date of September 7, 2020.



# Readers Lounge

## Why enterprise risk management is a critical component for sustainable business growth

The uncertain economic times over the past few years have had a major effect on how companies operate today. Companies that used to operate smoothly with the help of forecasts and projections now refrain from making business judgments. Today companies have a renewed focus to manage risk with most creating Chief Risk Officer positions.

Risk is one of the main causes of uncertainty in any organization. Thus, companies increasingly focus more on identifying risks and managing them before they even affect their business. The ability to manage risk will help companies act more confidently on future business decisions. Their knowledge of the risks they are facing will give them various options on how to deal with potential problems. Risk management is important in an organization because without it, a firm cannot possibly define its objectives for the future. If a company defines objectives without taking the risks into consideration, chances are that they will lose direction once any of these risks hit home.

All businesses face risk. Unexpected events, such as a natural disaster, loss of funds through theft, or injury to staff, customers, or visitors on your premises, could impact operations. Any of these events can cost your organization money or cause business closure. Risk can be caused by internal and external sources. The external risks are those that are not in direct control of the management. These include political issues, exchange rates, interest rates, and so on. Internal risks, on the other hand include non-compliance or information breaches and operational risk among others.

A risk management plan can be applied to areas such as human resource management, control of your organization's assets or choice of insurance policies. In fact, risk management principles can be applied anywhere that a risk exists. Company risk management plan will need to be regularly reviewed and updated. Risks, and the strategies available to manage them, change over time.

Risk management is a management committee responsibility. As a first step, the management committee can form a small working group composed of risk champions to develop a risk management plan. To ensure that the broad ranges of interests within the organization are considered, the working group should include at least one staff member representing a key functional unit. While the working group will be responsible for developing the risk management plan, the management committee should oversee the process and make the final decisions required to implement the plan.

In recent years, many companies have added risk management departments to their team. The role of this team is to identify risks, come up with strategies to guard against these risks, to execute these strategies, and to motivate all members of the company to cooperate in these strategies.

Look around your work place. What potential risks can you find? Look at the workplace from the perspective of the different people who use it. Are there hazards for children, older people or people with impaired sight? What are the fire hazards? Are there loose electrical connections, or damaged furniture? How hot is your hot water, and how accessible is it to children? Take some photos, perhaps even a video if you can, and study it closely. It is a good idea to have a couple of people do the site inspection, so that you can compare notes.

The activities carried out in your organization will have varying degrees of risk. Do staff members work with potentially dangerous clients? Is staff required to perform physical activity which may result in injury? Is your organization's work particularly stressful? Review your work practices from the perspective of other people who use your service. Are clients exposed to risks from other clients, people off the street, or from other sources?

Your organization may be exposed to a number of legal risks associated with issues such as workplace health and safety, liability to clients, judiciary duty or anti-discrimination legislation. Remember, many laws require strict compliance and their prescriptions must be met as there is no option to just accept the risk of being detected by regulators. You must comply with the law.

Purchasing the appropriate insurance coverage for your business is an important part of your risk management plan, but it's not enough by itself. You still must have policies and procedures in place to reduce risks to ensure your assets, reputation, financial security and operations can continue without interruption. Insurance companies may view your organization more favorably if you can prove you have a stable risk management plan in place to minimize the impact of potential claims. It could even help you qualify for reduced insurance premiums.

Communication and consultation are important considerations at each step of the risk management process.

*Written by Paul Karimi, Manager, Risk, Compliance & Strategy, Nairobi Securities Exchange.*

# NSE Donates Wheelchairs to APDK

The NSE donated wheel chairs to the Association of People Living with Disabilities in Kenya (APDK) on April 5, 2019. The donation was drawn from the NSE 2018 Charity Trading Day contribution and is in line with NSE's commitment to support various humanitarian and social causes in Kenya. This year's Charity Trading Day will take place in November 2019 and will focus on health and place special focus on Cancer prevention and related initiatives as well as supporting previously supported causes such as conservation and vulnerable persons..



NSE Chief Legal Officer, Mr. Kuria Waitthaka hands over a cheque to the APDK Patron Hon. Dr. Arthur Moody Awori



Recipients of the wheelchairs donated by NSE as well as their parents had a meeting with NSE and APDK Leadership teams

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# Up Close and Personal with Michelle Balonwu, ASEA Secretariat



## 1. Tell us a bit about yourself.

I moved to Kenya earlier this year to join the African Securities Exchanges Association (ASEA) Secretariat, for one year. My year long secondment is part of an agreement between ASEA, NSE (as the Secretariat of ASEA), FSD Africa, who are sponsors of the secondment programme and The Nigerian Stock Exchange (NGX) where I have spent the last 4 years as a senior strategic analyst in the Office of the CEO. Before I joined NGX, I worked in business development at a marketing communications startup managing FMCG sectors. Prior to that I worked in R&D with one of Nigeria's listed pharmaceutical firms. I have a Bachelor's degree from the University of Leicester, UK and professional certifications in strategy and project management.

## 2. In your role at the Exchange under ASEA, what does your work entail?

My primary duty at the Secretariat is managing the ASEA Information Portal project. The ASEA Information Portal is set to be an authoritative source of market statistics and news for 25 African securities exchanges. The team is currently focused on building the quantity of statistics available on the Portal and ensuring data integrity, ahead of the proposed launch this year. I also provide interim project management support to the African Exchanges Linkage Project (AELP), which is a flagship initiative of ASEA that seeks to enable cross-border trading for 7

participating markets. My other duties include leading strategy implementation at ASEA, supporting ASEA working groups and preparing some of the publications of ASEA.

## 3. What are some of the greatest challenges you have encountered in your career?

In 2014, I left the pharmaceutical industry and shortly afterwards joined the NGX – there was definitely a steep learning curve! Being in the corporate strategy unit, I had to learn very quickly and develop new skills in order to support the roll out of a new strategic plan in the year I joined.

## 4. What key lessons have you learnt in your career?

Communication is key and relationships and networks are important. It's also very important to keep learning; learn from mistakes, learn new skills and keep improving on your best.

## 5. Who inspires you the most and why?

My mother is one of the most uncompromising people I know. She continuously inspires me on matters of character and faith.

## 6. What career advice would you give to other people?

Define what success means to you and live intentionally.

## 7. How has the experience been like moving to a new country and working at the ASEA Secretariat, based at NSE?

It's been an interesting 6 months. Work at ASEA is dynamic and varied. Much like a startup, you wear multiple hats - project manager, strategist, occasional procurement officer, one-time magazine editor... we'll see what's next! It is great being able to work with exchanges across the continent and to drive impactful regional initiatives such as the AELP and the Information Portal.

I'm being kept very busy, but I do still miss home and my team at the NGX. The team at the NSE has been wonderfully warm and supportive, which has made the transition a lot easier.

## 8. What do you like doing during your free time?

Swimming, cooking, reading and playing chess.

## 9. What is your favorite holiday destination?

I love being by the ocean but the one place I always go back to is Richmond, London.

## 10. What would most people be surprised to learn about you?

I'm a decorated chess player and always up for a game.

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