CMA FORUM

A Quarterly Newsletter of Capital Markets Authority (Kenya)

Vol. 1, Issue 2 September, 2005

IN THIS ISSUE

FROM THE CHIEF EXECUTIVE

Edward H Ntalami
Chief Executive

In a free enterprise, continued growth and stability require a healthy flow of capital from private and institutional investors to business enterprises.

Foreign capital flows, of course, has an important role to play in the development process. But it is simply impossible for a country to climb the economic ladder without domestic capital accumulation on domestic savings mobilization. This, in turn, depends on efficient domestic financial and capital markets that can manage risk and allocate capital to productive investments. Capital markets are the media by which such exchange occurs.

To function effectively, the efficiency of our capital markets cannot be too strongly underscored. Let me touch briefly on the importance of modernizing our market infrastructure to enhance market efficiency. If we want to inspire the enduring confidence of both issuers and investors, our market has to be modern in terms of infrastructure and practices. Availability of information technology is a great boon today. Two crucial pieces of market infrastructure spring to mind: the Central Depository System (CDS) and the Automated Trading System (ATS). The former was operationalized just over a year ago and its positive impact on market has been beyond all expectations. It is universally viewed as one of the cornerstones of a safe and secure market, an essential ingredient for attracting both suppliers of capital and products into the market. It assures and comforts investors that their trades executed at the securities exchange will be brought to completion.

But the CDS is only one side of the coin. For us to reap the full benefits of automation, we also need to automate our trading operations and eventually move to full on-line trading. The benefits to all stakeholders, and particularly to market players, are legion:

- Greater operational efficiency and speed of transactions.
- Enhanced transparency and accountability to promote market integrity.
- Reduced systemic risk and better audit trail.
- Reduced transaction costs……etc.

Modern market infrastructure is also a precursor to the introduction of derivative and hybrid products in our market, and will create a platform for strategic linkages with other markets. Modernization of market is in our interest as individuals, as a market, and as a country.

NEWS

THE CAPITAL MARKETS TAKES THE MESSAGE TO THE COAST REGION

In August this year, Capital Markets Authority in partnership with key stakeholders, undertook three investor education events at the coast. This is the first among the initiatives that the Authority is committed to undertake at the country side. The objective is to raise awareness of the opportunities that exist in the capital markets to the general public and to provide a forum for exchange of ideas with other market players on a wide range of issues. The three events were the ASK show, a seminar and sponsorship of a golf tournament.

ASK Mombasa show

The show served as a real eye opener. Out of the number of people who visited the Capital Markets stand at the show, about 400 found time to engage those who were manning the stand on various points of interest including; security of investments under the CDSC environment, the role of CMA, how to actually trade within the capital markets, and benefits of investing in securities.

The seminar

The seminar for potential issuers took place on the 26th of August 2005 at the Nyali beach Hotel. The theme of the half – day seminar was ''Creating Enabling Environment for Public Floatation and Listing of Private Companies''. The Assistant Minister for Trade Hon. Zaddock M. Syongoh, graced the event. Over fifty participants comprising the CEOs of private companies that form the potential candidates for listing at the Nairobi Stock Exchange (NSE) attended. The following presentations were made:

- The role of capital markets in resources mobilization— by Chief Executive of CMA;,Mr. Edward Ntalami
- Listing requirements for Main Investment Market Segment, Alternative Investment Market Segment and Fixed Income Securities Market Segment— by Chief Eexecutive, NSE; Mr. Chris Mwebesa
- Initial public offer and post listing experiences— By Athi River Mining Director
- Role of Intermediaries in Public floatations— By the Managing Director of Suntra Investment Bank; Mr. James Murigu
- The CDSC experience— by CDSC Chief Executive; Mr. Peter Waiyaki.

The Golf Tournament

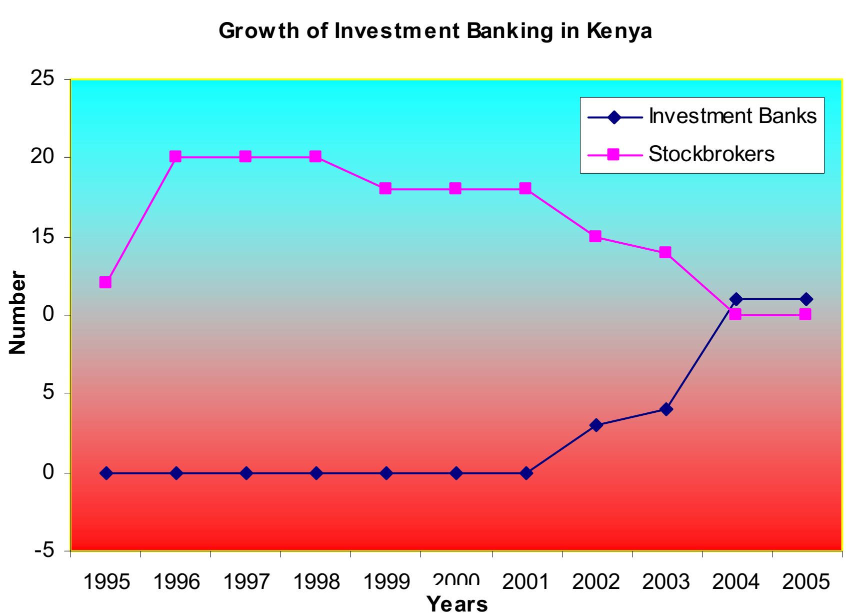
The Golf tournament took place on the 26th of August 2005 at the Nyali Golf Club. It was attended by over a hundred participants. The Minister for cooperative development Hon. Njeru Ndwiga graced the occasion.

From the three events, it was evident that there is need to undertake more of this kind of events to demystify the capital markets at the country side since many members of the public appeared not to have clue about the goings on within the capital markets. The three events therefore served as a valuable initiative for the capital markets at the coast with all those involved appreciating the enormous potential that there is at the coast. It was therefore resolved that this would be an annual undertaking. In so doing the idea of partnership in bringing together different capital markets institutions under one roof or in undertaking a common event has been identified as the way forward.

The Authority is keen in creating an environment that will increase the demand and supply of the investment instrument, among Kenyans.

THE EVOLVING ROLE OF INVESTMENT BANKS IN CORPORATE FINANCING

As the financial market segmentation takes root in Kenya, a clear separation between dis-intermediation and financial intermediation is emerging. The different types of banks in the market place are defining the critical role of linking the deficit and surplus funds units. The conservative institutions that used to intermediate between those two units are re-thinking their relevance in the capital markets. For this cause the significance of investment banks is gaining relevance as more deficit-funded-enterprises struggle to look out for cheap capital to finance their operations.



The implied truth in macroeconomics is that scarce resources in any country have to be matched with the needs of that particular market. In other words, it is very critical that the Kenyan enterprises are able to raise additional capital in their own market as opposed to external borrowing. This is very important in two ways: First, that domestic capital helps a local market grow in availing funds across the board and secondly, that it helps restructure the nature, availability and cost of capital in that market. However, for this to happen, there is a need to have the institutional framework and capacity in the market that will facilitate the financial dis-intermediation

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From zero in 2001, the Kenyan capital markets currently boasts of eleven investment banks. Most of them have emerged as a result of upgrading by stockbrokerage firms leaving the latter category with 10 players only. The entry of investment banks as full houses for issuing solutions has been hailed as a major milestone towards modernizing our market.

These banks have internal institutional responsibility to offer such investment solutions in the market. We will enumerate the key role of investment banks as the primary issuing houses in the market. An issuing house is an institution, which has the capacity and responsibility to offer all round financial solutions in the capital market world. An issuing house could be a primary dealer, securities dealer, hybrid stockbroker or investment bank.

An issuing house is an institution, which is able to take on a primary issue from its inception, to approval, preparation of issue documents, marketing and placement, to listing and secondary trading at the stock exchange.

The primary objective of an issuing house is to provide a meeting place where both investors and borrowers meet to sought out all their needs. On one hand the investors have the resources in terms of funds, which will have to be allocated a high return/yield destination. The borrower on the other hands finds a shop where all their borrowing needs are catered for but at the lowest possible cost. In this case the investment bank does the duty of investment advisory to both extreme ends. In Kenya the Capital Markets Authority has up-to-date licensed stand-alone investment advisors numbering 28 in total. In some circumstances these investment advisors double as fund managers who specialize in the provident and pension schemes industry. The investment banks automatically qualify in this category in Kenya. Other resultant practices like mergers, takeovers and acquisitions fall under this category.

The second role of an issuing house is that of dealing. Here, the institution has the capacity to buy and sell securities on their own account/behalf. In other instances the dealer does underwriting assignments during primary issuance. This involves undertaking the responsibility of buying all the untaken shares/rights/bonds at the end of an initial public offer or public issue exercise. This helps stabilize the prices of the issuer in the market particularly if such company is listed in the stock exchange. This exercise does two things: first, underwriting an issue makes it popular as investors feel comfortable and secondly the issuer would not be worried about the risks of under subscription. In retrospect such dismally subscribed public issues like the Mumias Sugar IPO in 2001, Anglo Property IPO failure in 2001, the ICDC-I Rights Issue in 2001, Total Kenya Rights Issue in 2002 would not have happened. Instead an issuing house would have rescued all cases to over- or full subscription levels.

An issuing house also undertakes wholesale/corporate market making for listed securities. In such a case the investment bank enters into an agreement with the listed company in order to stabilize the price movement of such a stock. This practice is still considered alien in Kenya as no company has done this. However market making can help stocks not have wild price oscillations without a reasonable fundamentals. Such case like KPLC, whose prices at one time went below the par value of Kshs 20.00 in 2002, would not have happened. Market making is a popular concept for blue chips in many markets world over. In Kenya a key Investment Bank is currently engaged in selling the concept to the indexed listed companies.

Funds management is also a close responsibility for issuing houses. Under such services, the investment bank offers pooled and personalized funds management services across the market. Progressive firms in the market are already very active in this area where investors' funds from across the world are safely invested in a diversified portfolio base of assets. An issuing house should be able to offer such services to pooled funds groups like Sacco as well as the pension schemes. The whole concept of off shore investment is based on reliable funds management consultants.

An issuing house offers a whole range of stock broking services to the market which include investor advisory on selling and buying of listed securities to the public. As a stockbroker, an investment bank is able to research and train the public on a variety of issues in the stock market. As sponsoring broker, an issuing house is able to take on a primary issue from its inception, to approval, preparation of issue documents, marketing/placement and to listing at the stock exchange. Sometimes such a process is normally left to the financial advisors appointed in any project.

An issuing house should be able to run Over the Counter (OTC) market for the unlisted/unquoted securities in the preparation to list them to a stock exchange in future. This is also referred to as a Share Transfer Facility (STF) where medium to large public companies' shares are able to trade or exchange hands freely because the price is a free float. In Kenya, the Capital Market Authority is keen to midwife the actualization of legislation for an OTC. Ideally a company metamorphosis leading to listing of its securities in an official stock exchange should begin with an OTC. Companies that could benefit from an OTC include privately owned companies, Saccos, Cooperatives, unquoted public companies etc. OTC can be used to facilitate private placements of syndicated products to borrowers in the capital market. In such arrangement, the borrower would have to comply with the basic issuance rules in order to facilitate trading of those securities in the secondary market.

Venture capital is a critical service offered by an issuing house in helping high growth potential ventures for start up of young companies. This service has been limited in Kenya due to lack of stand-alone venture capitalists or progressive investment banks willing to release either debt or equity capital to the start ups. A known player in this market is the CDC capital. The Capital Market Authority in conjunction with key market players is keen to see the development of the venture capital segment of the market.

Finally Investor training is major component of an issuing house, where, time-to-time research undertaken brings in newer concepts and products to the market. Research and training is very useful to the market if a meaningful growth is to be achieved in a capital markets. This is what will determine the speed with which the market will attain its critical mass.

{This article is as a result of a contribution by Suntra Investment Bank Ltd. Suntra investment Bank is a licensee of the Authority and a member of the Nairobi stock Exchange. }

REGULATIONS: THE NEED FOR COMPLIANCE

An Article By Johnstone Oltetia (BA,MBA), Senior Compliance officer Capital Markets Authority

Capital Markets in Kenya is in a development phase. The market participants and the regulators are increasingly adopting international standards in order to make the capital markets in sync with those of developed markets. New products are being introduced and new business lines are being established. The Capital Markets Authority (Regulator) is constantly reviewing existing regulations and recommending changes to regulate the market properly. Business lines and activities are being harmonised by market participants to provide a one-stop solution in order to meet the financial and securities services needs of the investors. The convergence of business lines and activities of market intermediaries gives rise to the diversity of a firm's business operations to meet multiplicity of regulations that its activities are subject to. Therefore it's important that market participants be it licensees, banks or listed companies along with their employees are aware of the various regulatory disciplines and comply with them.

In the last couple of years, the regulator has laid down the regulatory framework for the introduction of various new product lines. At the same time, CMA has framed or revised regulations to streamline various business activities like issuance of securities to the public, mergers and acquisitions, trading and settlement processes to name a few. Recently around 2001, the regulator also amended regulations to lay greater emphasis on compliance by various entities in the capital markets. However, considering that capital markets is incredibly dynamic and that about three years have lapsed since regulations were last reviewed, it's now necessary that more amendments are made in the regulations to among others make appointment of compliance officers mandatory for every aspect of the capital markets business. The other area that needs to be addressed in the regulations is Insider Trading. Though insider trading is prohibited and is clearly stipulated in the current regulatory framework, there is no clear-cut procedure to ascertain or prevent the vice. There is therefore need to revise regulations to lay down procedures to prevent insider trading, market abuse and unfair trading practices. Further, there is need to strengthen the laid down guidelines for disclosures needed during issuance of securities and take over processes.

Against this backdrop, it is inevitable that listed companies and all other firms that issue capital markets services and their employees are aware of the intricacies of the regulatory framework for the capital markets. It is therefore important for a firm to formalize internal policies and procedures for itself and its employees to carry on business activities in compliance to the various existing regulations.

In Capital Markets, sensitive handling of client's information is of paramount importance. Consequently, all firms that handle and offer capital markets services should design policies and procedures that prevent misuse of client's information, insider trading and market abuses. Insider information includes 'material' information that is non-public and has been provided to a firm on a confidential basis by an external source, such as a client or a prospective client. Information is material if it has market significance i.e. the dissemination of such information is likely to affect the market price of any outstanding securities or is likely to be considered important by reasonable investors, including reasonable speculative investors, in determining whether to trade such securities. Information is likely to be material if it relates to significant changes affecting such matters as dividends, profit or earnings estimates, significant write-down of assets or additions for bad debts, contingent liabilities, proposals involving mergers and acquisitions, liquidity problems, extra ordinary management departures, public offerings etc. Material information entrusted to a firm on a confidential basis must continue to be treated as 'inside' information until there has been a public announcement that is authorized by the client and enough time has lapsed for the information after it has been broadly disseminated to have been absorbed by the market. The circulation of rumours even if they are accurate, either widespread or reported in the media does not in my opinion constitute public disclosure that will release a firm from its obligation not to misuse the inside information.

Every employee of a firm has an affirmative duty to safeguard the confidentiality of all information obtained in the course of doing business on behalf of a firm. Information with respect to client's requirements, whether or not publicly available, should never be discussed with, or disclosed to anyone outside the firm except as required in the performance of services of that client. It is employee's obligation to be familiar to and comply with the firm's policy and applicable laws and regulations and to demonstrate sound ethics, honesty and fairness in all their dealings. Having said that, it is equally important for the firm to educate and train its employees with respect to their obligations to comply and to supervise the activities of employees to ensure the firm stays on the right side of the regulatory framework.

Apart from monitoring procedures which will typically be done by a compliance officer, capital markets institutions should also have procedures to monitor the trading by its employees on their personal account. The best method is to have a pre-clearance procedure whereby an employee is required to take pre-clearance from his manager and the compliance officer. Seeking pre-clearance implies that an employee has made the necessary declarations regarding not being in possession of non-public information and agreed to abide by the firm's policy in respect of the trade of which pre-clearance is being sought. While approving an employee trade, the manager should consider among others possession of inside information by the employee concerned, appearance of impropriety, unusual trading activity in the market and incidences of front running or piggy backing.

Though a compliance officer in a firm that deals with capital markets services takes the pivotal role in monitoring compliance by the firm and its employees, compliance is and should be the responsibility of everybody within the firm. All employees should be informed of their obligation to comply with the relevant rules, regulations and laws. As our capital markets grow and become more sophisticated, regulators could take cue from those of developed markets to lay down proper supervisory procedures for each aspect of capital markets business. These procedures could help those institutions to conduct their various business activities in a seamless manner and also comply with the various regulations and codes of business conducts that exist. These procedures could help a firm to provide safeguards against insider trading, market abuses and unfair trade practices.

It should be borne in mind that failure to comply with the regulatory framework could have serious consequences including loss of business. Therefore, it is important for capital markets institutions to understand that good compliance is good business.

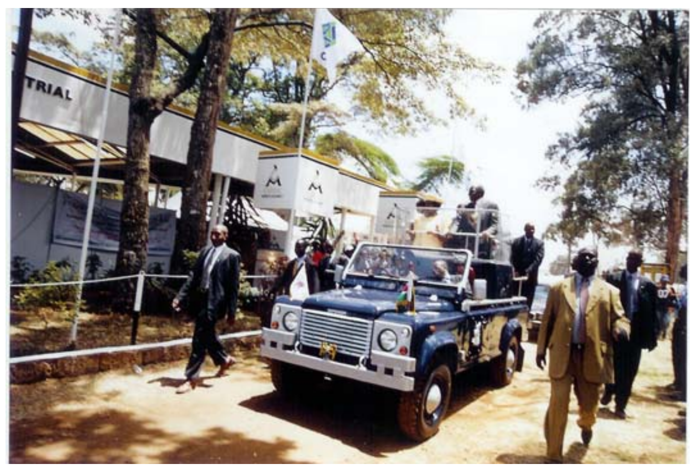
NEWS IN PICTURES

THE AUTHORITY HOSTS WINNERS OF THE CMA – UGANDA INVESTOR EDUCATION SCHOOL QUIZ

A section of participants follow the proceedingss at a seminar for potential issuers of capital markets securities organized by Capital Markets Authority at a Nairobi Hotel. Ms Esther Koimet, the Investment secretary, delivered the key note address.

Above: From left: Mr. Sammy Mulanga, Manager, CMA, Mr. Chris Mwebesa, CEO NSE, Mr. Edward Ntalami, CE CMA, and Prof. Chege Wairungi, Chairman CMA, exchange notes just before a seminar for potential issuers of capital markets securities organized by the Authority, the NSE and the CDSC at the Coast. Inset: Mr. Ntalami presents an award to the winner of a golf tournament sponsored by the three institutions and two market players.

The Chief Executive of the ASK visits the CMA stand at the Mombasa show. The Authority was exhibiting together with NSE, CDSC and CFC Financial Services.



President Kibaki and first Lady, Mama Lucy Kibaki acknowledge greetings from officials at the capital markets' stand during a tour of the ASK Nairobi International Trade Fair.

It was a beehive of activity at the capital markets stand during the ASK Nairobi International Trade Fair. Among the institutions exhibiting with the Authority were: Nairobi stock Exchange (NSE), Central Depository and Settlement Corporation (CDSC), four investment banks, two stockbrokers and one custodian.

Above : Hon. Kipruto Arap Kirwa, Minister for Agriculture discuss a point with the Authority's Chief Executive, Mr. Edward Ntalami, while touring the capital markets stand. Inset: The Minister signs the visitors book at the Capital Markets Authority stand.

GUEST COLUMN

CORPORATE SOCIAL RESPONSIBILITY: A SHORT-TERM PHILANTHROPY OR A WAY OF LIFE?

"As an end (in itself), the acquisition of wealth is ignoble in the extreme. I assume that you save and long for wealth only as a means of enabling you the better to do some good in your day and generation."

The above are noble words of Scots-born industrialist Andrew Carnegie, long before the days of mission statements or corporate responsibility programmes. Born in 1835, he went to America at the age of 15 and by the age of 33 was rich beyond the dreams of avarice. Commenting on his salary at the time, which was $50,000, he said: "Beyond this never earn, make no effort to increase fortune, but spend the surplus each year for benevolent purposes." And he was as good as his mission statement, becoming one of the world's leading philanthropists during his lifetime and beyond. Following the principles laid down in his 1889 essay "Gospel of Wealth", Carnegie gave away $300 million to society through foundations and trusts and led the way for others to follow, notably Henry Ford, John D Rockefeller and, more recently Bill Gates.

Closer home we have the familiar scene of our larger corporations telling us all about their good works, usually in double-page spreads, and usually at the same time that they are announcing massive profits. Sometimes we are even treated to specially made television shows, featuring the chairman handing over the cheques and the chief executive intoning the obligatory phrase: "In all that we do, we must be mindful of the welfare of others . . ."

The popular anthem, as it were, of that ubiquitous discipline – corporate social responsibility. But many are beginning to ask questions of the "corporate handout". Among them: Is it enough? And, indeed: Is it appropriate?

So what, in fact, is corporate social responsibility? As far as definitions go, the answer is you pays your money and you takes your choice. *A whole spectrum of definitions have been attempted by various academicians and corporate gurus.*

Nobel prize winning American economist, Milton Friedman, tells us:
"In a free economy, there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, it engages in open and free competition, without deception or fraud. . ."

But more recently Michael Porter advises:
"Corporate Philanthropy – or corporate social responsibility – is becoming an ever more important field for business. Today's companies ought to invest in corporate social responsibility as part of their business strategy to become more competitive"

And then again, Austrian-born American business guru, Peter Ferdinand Drucker, warns:
"... the first social responsibility of business is to make enough profit to cover costs of the future. If the first social responsibility is not met, no other social responsibility can be met... The proper social responsibility of business is to turn a social problem into an economic opportunity and economic benefit, into productive capacity, into human competence, into well paid jobs, into wealth."

It is apparent from the sample above that corporate gurus have different concepts of CSR and it is no wonder that business leaders, academics and politicians confuse them.

Corporate Social Responsibility is not the same as corporate philanthropy. I would agree with Mallen Baker and Milton Friedman, CSR is about how companies manage the business processes to produce an overall positive impact on the society. A corporate entity exists to enhance shareholders returns and the way the profits are made is the concern of the CSR practitioners. Companies need to answer to two aspects of their operations:

- The quality of their management – both in terms of people and processes (the inner circle); and
- The nature of, and quantity of their impact on society in the various areas.

Outside stakeholders are taking increasing interest in the activity of the company and focus on the outer circle – what has the company done, good or bad in terms of its service or products and services, in terms of its impact on the society and on the local communities or in how it treats and develops its workforce.

The European model is more focused on operating the core business in a socially responsible way complemented by investment in communities for solid business case reasons. This is more sustainable. Because:

- Social responsibility becomes an integral part of the wealth creation process – which if managed properly should enhance competitiveness of business and maximise the value of wealth creation to society
- When times get hard, there is the incentive to practice CSR more and better – if it is a philanthropic exercise which is peripheral to the man business, it will always be the first thing to go when push comes to shove.

Philanthropy is at the whim of the directors and does little or nothing to help companies make profits while all CSR activities are linked to improving a company's bottom line. CSR deals with embedding social responsible principles in corporate management – it impacts its stakeholders far and wide. Drucker implies that CSR is, first, an after-profits obligation. This means if companies are not profitable they should not act socially responsible – in other words societies would have not choice but to tolerate pollution, discrimination, dangerous working conditions, child labour from companies run by lazy short sighted managers or those affected by economic downturn.

Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits unhindered except by fulfilling their duty to pay taxes. They then donate certain share of the profits to charitable causes. It is seen as tainting the act for the company to receive any benefit from the giving.

Michael Hopkins of MHC International Ltd believes that corporations should abandon philanthropy and concentrate on CSR . CSR is sustainable, philanthropy is not. He is quick to clarify that corporate sponsorship is not an act of philanthropy but a business tool used by companies as part of their communication, advertising or PR budgets to associate corporate products and services with dynamic images for their customer's consumption in return for financial support. He further states that they are many grey areas between corporate sponsorship and philanthropy.

He concludes that a company that is philanthropically generous but is not aware of, or engaged in broader CRS role will not be in business for very long. He fully agrees with one point of Michael Porter: "If companies are just being good and donating a lot of money to social initiatives then they will be wasting shareholders money. That is not sustainable in the long run and shareholders will quickly loose interest". Who can disagree?

But, while we are wrestling locally with our CSR strategies, and trying to get things right in the broader sense, can we at least employ a bit of finesse with regard to our good works. As philosopher Bertrand Russell said: "Suspicion of one's motives is especially necessary for the philanthropist." For example, there can be few less edifying sights than that of a potbellied chairman handing out posho to a queue of undernourished recipients or the entire board (no one wants to miss out on the photo op) lined up in formation behind the donated wheelchair. It never ceases to amaze that certain among us feel that the handover of a Sh10,000 cheque is worthy of record in our daily newspapers. If you are going to help out, do so meaningfully. And never forget, the real audience for your generosity are the recipients. They will let others know about it. Seeking to trumpet your generosity has the effect, in the end, of cheapening it.

As usual, a poet said it best. Alexander Pope, it was, who wrote: *"Do good by stealth, and blush to find it fame."*

(THIS ARTICLE HAS BEEN CONTRIBUTED BY AFRICAN ALLIANCE (K) LTD)

QUARTERLY MARKET STATISTICS

Market Performance for the 3rd Quarter of 2005

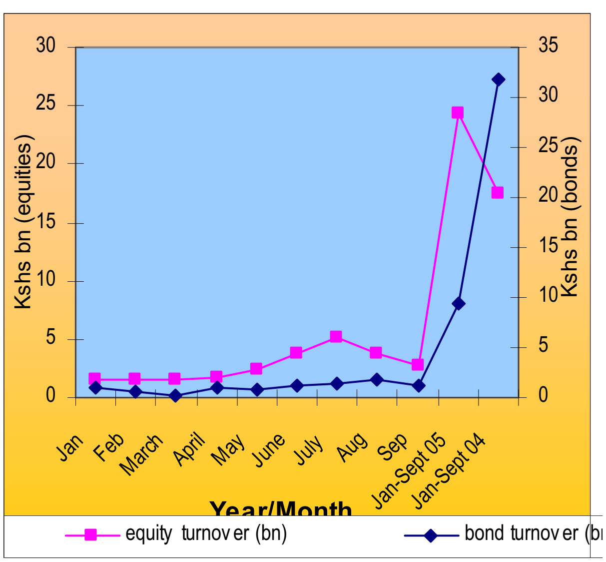
There was remarkable improvement in the market activity during the 3rd quarter compared to the previous quarter, with the equities turnover of Kshs 11.75 billion representing a growth of 48.9%. Similarly, the bond turnover increased by 45.8% to close the quarter at Kshs 4.52 billion compared to the previous quarter.

Key indicators of market performance

YEAR	MONTH	EQUITY TURN-OVER	SHARE VOLUME	NSE 20-SHARE INDEX	MARKET CAP	BOND TURN-OVER
		(Kshs bn)	(mn)	(points)	(Kshs bn)	(Kshs bn)
2004	Jul	1.99	99.49	2,708	281.98	2.40
	Aug	1.57	38.10	2,709	287.39	0.84
	Sept	1.66	37.56	2,671	288.3	1.44
2005	Jan – March	4.60	112.77	3,228	326.92	1.79
	April – June	7.89	197.36	3,972	420.7	3.1
	Jul	5.15	114.33	3,982	439.7	1.46
	Aug	3.84	72.01	3,939	442.8	1.78
	Sept	2.76	150.99	3,833	449.8	1.28
	Jul - Sept	11.75	337.33	3,833	449.8	4.52
	Jan – Sept	24.24	647.46	3,833	449.8	9.41
2004	Jan to Sept	17.52	526.91	2,671	288.3	31.86

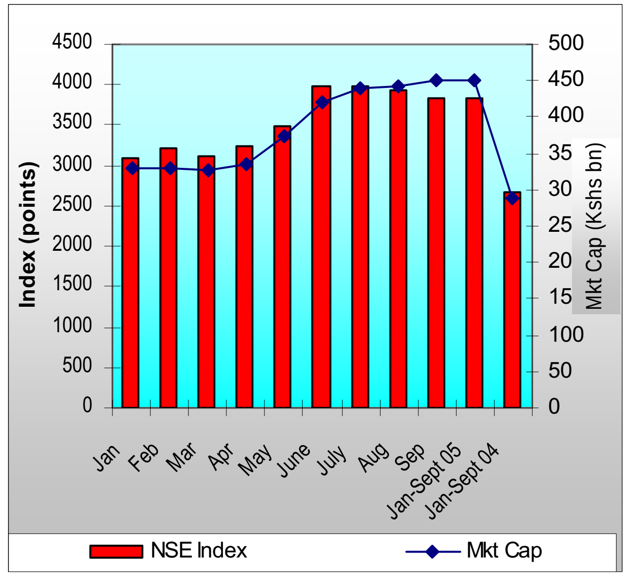
The equities turnover of Kshs 24.24 billion for the nine (9) months represented an increase of 38.4% compared with similar period in 2004, and exceeded the annual turnover of 2004 by about 10%. The net worth of investors appreciated by Kshs 161.5 billion as market capitalization soared by 56% to a new high of Kshs 449.8 billion compared to the corresponding period in 2004 of Kshs 288.3 billion.

Trends in equity Vs treasury bonds turnover



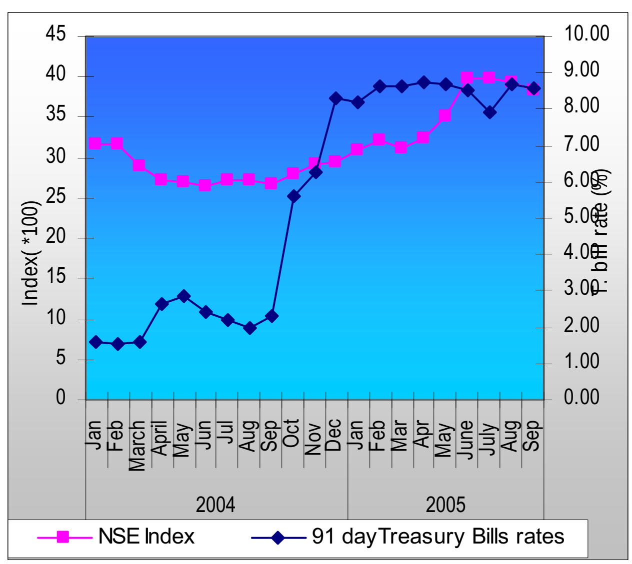
There was a general decline in the bond turnover in the nine months of 2005 compared to similar period in 2004. This decline was mainly attributed to uncertainty in the interest rates trend.

NSE 20 Share Index Vs Market Capitalization



The improved economic performance in 2004 translated to good corporate earnings that led to better dividend payments including interim results of 2005 and this kept prices on upward trend compared to the previous year. This is reflected by both the market capitalization and the NSE 20 share index.

NSE 20 Share Index Vs 91 – day Treasury bill rate



CMA LICENSEES AS AT APRIL 1ST 2005

Approved Institutions:

Name of the Company	Address	Nature of Operation
The Nairobi Stock Exchange	P.O. Box 43633-00100, Nairobi	Securities Exchange.
Global Credit Rating Company	P.O. Box 76667, Wendywood 144, South Africa	Credit Rating Agency.
Acacia Fund Limited	P.O. Box 43233-00100, Nairobi	Venture Capital.
Aureos East Africa Fund (K) Ltd	P.O. Box 40111-00100, Nairobi	Venture Capital.
Central Depositories and Settlement Corporation Limited	P.O. Box 43633-00100, Nairobi	Central Depository.

Approved Collective Investment Schemes:

African Alliance Kenya Unit Trust Scheme.	P.O. Box 27639–00506, Nairobi. Tel:0202710978
Old Mutual Unit Trust Scheme.	P.O. Box 30059–00100, Nairobi. Tel: 0202829333
British American Unit trust Fund	P.O. Box 30375–00100, Nairobi. Tel: 0202710927
Stanbic Bank Unit trust Fund	P.O. Box 30550–00100, Nairobi Tel: 020335888
Commercial Bank of Africa Unit Trust Fund	P.O. Box 30437–00100, Nairobi Tel: 020228801

Annual Licensees (for the period January 1, 2005 to December 31, 2005)

Stockbrokers:

Name	Address	Telephone
Sterling Securities Limited	P.O. Box 45080–00100, Nairobi	020213914
Ashbhu Securities Limited	P.O. Box 41684–00100, Nairobi	020210178
Crossfied Securities Limited	P.O. Box 34137–00100,Nairobi	020246036
Discount Securities Limited	P.O. Box 42489–00100, Nairobi	020219552
Faida Securities Limited	P.O. Box 45236–00100, Nairobi	020243811
Francis Thuo and Partners Ltd	P.O. Box 46524–00100, Nairobi	020228498
Ngenye Kariuki and Company Ltd	P.O. Box 12185–00400, Nairobi	020220052
Nyaga Stockbrokers Ltd	P.O. Box 41869–00100, Nairobi	020332783
Reliable Securities Ltd	P.O. Box 50338–00200, Nairobi	020241350
Solid Investment Securities Ltd	P.O. Box 43046–00200, Nairobi	020244272

Investment Banks:

Name	Address	Telephone
African Alliance Kenya Limited	P.O. Box 27639–00506, Nairobi	0202710978
Apex Africa Investment Bank Limited	P.O. Box 43646–00100, Nairobi	020242170
Barclays Financial Services Limited	P.O. Box 30120–00100, Nairobi	020313364
CBA Capital Limited	P.O. Box 30437–00100, Nairobi	020228801
CFC Financial Services Limited	P.O. Box 44074–00100, Nairobi	0203741861
Dyer and Blair Investment Bank Limited	P.O. Box 45396–00100, Nairobi	020227803
Kestrel Capital Limited	P.O. Box 40005–00100, Nairobi	020251758
Standard Investment Bank Limited	P.O. Box 13714–00800, Nairobi	020220225
Suntra Investment Bank Limited	P.O. Box 74016–00200, Nairobi	020223330
Francis Drummond & Co. Limited	P.O. Box 45465–00100, Nairobi	020318689
First Africa East Africa Limited	P.O. Box 56179–00200, Nairobi	0202711279

Authorised Depositories

Name	Address	Telephone
Barclays Bank of Kenya Limited	P.O. Box 30120–00100, Nairobi	020332230
National Bank of Kenya Limited	P.O. Box 72866–00200, Nairobi	020339690
Stanbic Bank Limited	P.O. Box 30550–00100, Nairobi	020342771
Kenya Commercial Bank Limited	P.O. Box 30664–00100, Nairobi	020244939
National Industrial Credit Bank Limited	P.O. Box 44599–00100, Nairobi	0202888000
Co-operative Bank of Kenya*	P.O. Box 48231–00100, Nairobi	02032076100

Investment Advisers:

Name	Address	Telephone
Veritas Financial Services Limited	P.O. Box 4–00621, Nairobi	0207120361
Bridges Capital Limited	P.O. Box 62341–00100, Nairobi	0202714372
B.A. Financial Management Limited	P.O. Box 555–00606, Nairobi	02086820800
Cititrust (Kenya) Limited	P.O. Box 30711–00100, Nairobi	0202711221
Co-operative Consultancy Limited	P.O. Box 48231–00100, Nairobi	020228711
Covenant International Limited	P.O. Box 931–00606, Nairobi	020513532
Dry Associates Limited	P.O. Box 684–00606, Nairobi	0204450520
Executive and Corporate Advisory Services Limited	P.O. Box 72216–00200, Nairobi	020444913
Inter-Alliance International (K) Limited	P.O. Box 44249–00100, Nairobi	020252989
Iroko Securities (Kenya) Limited	P.O. Box 66249–0800, Nairobi	0203740497
Jani Consultancy Services Limited	P.O. Box 40583–00100, Nairobi	0203740640
J.W. Seagon Limited	P.O. Box 63420–00619, Nairobi	020513600-6
Loita Asset Management Limited	P.O. Box 39466–00623, Nairobi	020219015

Fund Managers:

Name	Address	Telephone
British American Asset Managers Limited	P.O. Box 30375–00100, Nairobi	0202710927
African Alliance Kenya Management Company Ltd	P.O. Box 27639–00506, Nairobi	0202710978
Aureos Kenya Managers Limited	P.O. Box 43200–00100, Nairobi	020228870
Co-optrust Investment Services Limited	P.O. Box 48231–00100, Nairobi	02032076000
Genesis (K) Investment Management Limited	P.O. Box 79217–00200, Nairobi	020251012
Investeq Capital Limited	P.O. Box 56977–00200, Nairobi	
Old Mutual Investment Services (K) Limited	P.O. Box 30059–00100, Nairobi	0202829333
Royal Investment Management Services	P.O. Box 9480–00100, Nairobi	020313356
Stanbic Investment Management Services (E.A.) Ltd	P.O. Box 30550–00100,Nairobi	020335888
Standard Chartered Investment Services Limited	P.O. Box 30003–00100, Nairobi	02032094000
AIG Global Investment Co. (E.A.) Limited	P.O. Box 67262–00200, Nairobi	020249444
ICEA Investment Services Limited	P.O. Box 46143–00100, Nairobi	020340365
Old Mutual Asset Managers (E.A.) Limited	P.O. Box 46143–00100, Nairobi	0202711309
Old Mutual Asset Managers (K) Limited	P.O. Box 11589–00400, Nairobi	0202711309
Zimele Asset Management Company Limited	P.O. Box 76528–00508, Nairobi	0202722953

We will appreciate any remarks/comments from our readers. Please send an email or fax to:

CAPITAL MARKETS AUTHORITY, REINSURANCE PLAZA, 5TH FLOOR – TAIFA ROAD,P O BOX 74800 – 00200 NAIROBI. KENYA ,
TEL. 254-2-221910, 221869, 226225, FAX; 254-2-228254 ,
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