PRESS RELEASE

FOR IMMEDIATE RELEASE

THE NAIROBI SECURITIES EXCHANGE FORMALLY RECOGNISED AS DEMUTUALIZED

Nairobi July 1, 2014
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On June 27, 2014, the Nairobi Securities Exchange (NSE) received formal approval from the Capital Markets Authority (CMA) to operate as a demutualized entity. This is after the approval of the NSE’s final application which met the regulator’s requirements as stipulated in Section 5(3) of the Capital Markets (Demutualization of the Nairobi Securities Exchange) Regulations 2012.

The approval of the demutualization of the Exchange marks a great milestone not only for the Exchange but Kenya’s Capital Markets as a whole. Demutualization is a statement of our commitment to transparency and good corporate governance. As a demutualized entity the ownership of the NSE is separate from the right to be a Trading Participant (a stockbroker or investment bank); members of the Kenyan investing public can now own shares in the NSE. It will build investor confidence in our business as a market operator and places the NSE in a better position to facilitate Kenya’s capital market becoming the gateway of East and Central Africa, as envisaged in the Capital Market Master Plan 2014 – 2023; a Vision 2030 Flagship Project.

The formal approval by the Authority marks the end of a journey that started in earnest in 2009, when His Excellency President Uhuru Kenyatta, then serving as Deputy President and Minister for Finance, instructed the Capital Markets Authority and the Nairobi Securities Exchange to commence the process of demutualization, by setting up a Demutualization Steering Committee. On behalf of the Board of Directors of the Nairobi Securities Exchange, I would like to firstly thank His Excellency the President and his Government for all their support over the past five years. Secondly, I would like to thank
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all the other stakeholders who have steadfastly supported us through this entire process. I would especially like to recognize and thank:-

1. The Cabinet Secretary and Officials to the National Treasury;
2. The Demutualization Steering Committee (DSC);
3. The Board of Directors and Management of the Capital Markets Authority;
4. The Kenya Association of Stockbrokers and Investment Banks (KASIB);
5. Members of the investing public and our listed companies;
6. The Trading Participants of the Exchange;
7. The Shareholders of the Exchange;
8. Our Legal Advisors, Hamilton Harrison & Mathews and;

The approval paves the way for the NSE to commence its Initial Public Offer (IPO) and list its shares; a process known as Self-Listing, and which we hope to achieve during the second half of 2014.

EDDY NJOROGE
CHAIRMAN
Nairobi July 1, 2014

NOTES TO THE EDITORS

Efforts to demutualize the Nairobi Securities Exchange have been underway since the year 2005. In May 2006, NSE formed a Demutualization Committee to spearhead the process of demutualization. A demutualization consultant (Ernst and Young) was appointed to advice on the process.

Ernst and Young submitted a demutualization report in 2008. Since then there have been numerous efforts and consultations aimed at progressing the demutualization process. These efforts culminated in the passing of the Finance Bill by Parliament in December 2010 which contained an amendment to the Capital Markets Act (Cap. 485A) to facilitate a demutualized securities exchange.

On March 4, 2010 the NSE held an Extraordinary General Meeting to pass resolutions that would facilitate demutualization in accordance with the then proposed Demutualization (Nairobi Stock Exchange) Bill 2009. Unfortunately, the Bill was not enacted into law and demutualization could therefore not be effected in the manner envisaged.

The Finance Act 2010 which came into force on January 1, 2011 contained amendments to the Capital Markets Act and in particular, Section 20 of the Capital Markets Act (Cap. 485A) was amended to provided that a securities exchange licensed under the Act should be incorporated as a company limited by shares.
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On July 5 2011, the Nairobi Stock Exchange held an Extraordinary General Meeting at the Sarova Stanley Hotel. At the EGM, the following resolutions were considered and subsequently passed:-

1. To re-registered as a company limited by shares under Section 18 of the Companies Act (Chapter 486 of the Laws of Kenya) and that an application for such re-registration be submitted forthwith to the Registrar of Companies;
2. To change the name of the Company to Nairobi Securities Exchange Limited.;
3. The new Memorandum of Association reflecting the change in status be approved and adopted, subject to the approval of the Authority;
4. The new Articles of Association of the Company reflecting the change in status be approved and adopted, subject to the approval of the Authority;
5. To allocate to each of the Twenty One (21) Members of the Company One Hundred (100) ordinary shares of Kenya Shillings One (Kshs. 1.00) each representing approximately 4.76% shareholding;
6. Subject to the re-registration of the Company, the sum of Kshs. 20,997,900.00 being part of the retained earnings reserves of the Company be capitalized and be applied in making payment in full at par for 20,997,900 ordinary shares of Shs. 1/= each in the capital of the Company. Immediately following re-registration, through a resolution for such capitalization and bonus issue to be passed at a General Meeting of the Company, these shares be distributed equally among the Twenty One (21) Members;
7. Within a period not exceeding one (1) year from the date of re-registration of the Company as a company limited by shares, the directors of the Company will allot and issue, as follows:
   a. Two Million (2,000,000) ordinary shares of Kenya Shillings One (Kshs 1.00) each to the Permanent Secretary to the Treasury of Kenya; and
   b. Two Million (2,000,000) ordinary shares of Kenya Shillings One (Kshs 1.00) each to the Investor Compensation Fund Board created under section 18A of the Capital Markets Act;
   c. and the Members agree to waive their pre-emption rights in respect of such allotment and issue of shares to the Permanent Secretary to the Treasury of Kenya and the Investor Compensation Fund Board.
8. The directors of the Company are authorized generally to do and effect all acts and things required to give effect to the foregoing Resolutions.
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On August 5, 2011, the Nairobi Stock Exchange changed her name to Nairobi Securities Exchange. On September 21, 2011 the Nairobi Securities Exchange converted from a company limited by guarantee to a company limited by shares and adopted new Memorandum and Articles of Association reflecting the change.

On August 17, 2012, the Capital Markets (Demutualization of the Nairobi Securities Exchange) Regulations 2012 which were gazetted.

On October 9, 2013, the NSE, in compliance with the Capital Markets (Demutualization of the Nairobi Securities Exchange) Regulations 2012, submitted its demutualization application to the CMA.

On April 1, 2014, the Nairobi Securities Exchange submitted to the Capital Markets Authority for approval, the NSE Trading Participant Rules and the NSE Trading Participant Business Conduct and Enforcement Rules.

On June 27, 2014, the Nairobi Securities Exchange received formal approval for demutualization from the Capital Markets Authority.
FOR FURTHER INFORMATION PLEASE CONTACT;

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ABOUT THE NAIROBI SECURITIES EXCHANGE (NSE)

The Nairobi Securities Exchange (NSE) is the principal securities exchange of Kenya. Besides equity securities, the NSE offers a platform for the issuance and trading of debt securities. The NSE is a member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). It is an affiliate member of the World Federation of Exchanges (WFE) and an associate member of the Association of Futures Markets (AFM).