



MARKET NOTICE

COMMENCEMENT OF FUTURES TRADING

The Nairobi Securities Exchange (NSE) wishes to notify market participants, investors and the public that the NSE Derivatives Market (NEXT) futures will start trading on Thursday, July 4, 2019 with the official launch of the market slated for Thursday, July 11, 2019.

NEXT provides new opportunities to investors, enabling them to better diversify their portfolios, manage risk, and deploy capital more efficiently. Futures contracts provide investors with risk management tools in the wake of unexpected volatility in asset prices. NEXT will also enable Kenya to consolidate its position as a leading financial services hub offering a wide variety of investments products.

NEXT will commence with index futures and single stock futures on selected indices and stocks respectively. The Exchange will initially offer index futures contracts on the NSE25 Share Index and single futures on Safaricom Plc, Kenya Commercial Bank Group Plc, Equity Group Holdings Plc, KenGen Co. Plc, East African Breweries Ltd, British American Tobacco Kenya Plc and Bamburi Cement Ltd.

The above single stock futures have been selected based on the following eligibility criteria:

- a) The security underlying the futures contract must be a listed instrument on the Nairobi Securities Exchange;
- b) The security underlying the futures contract shall be chosen from amongst the constituents of the NSE 25 Share Index;
- c) The security underlying the futures contract must demonstrate a minimum average daily turnover of KES 7 million over the last six months before review; and
- d) The security underlying the futures contract must have a market capitalization of at least KES 50 billion.

All futures contracts listed on NEXT will have quarterly expiry dates; this will be the third Thursday of March, June, September and December of every year. All NEXT futures contracts will initially be cash settled.

In line with global practice in safeguarding market infrastructure and investor interests, the Exchange has also established the Settlement Guarantee Fund (SGF) and the Investor Protection Fund (IPF). The main purpose of the SGF is to settle specified claims by derivatives members arising out of transactions in derivative securities while the main purpose of the IPF is to satisfy specified claims by the investing public arising out of non settlement of obligations owed to them by trading members or losses incurred by reason of the default of trading members.

A handwritten signature in black ink, consisting of several loops and vertical lines, positioned above the name and title of the signatory.

GEOFFREY ODUNDO
CHIEF EXECUTIVE

JULY 3, 2019

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