

Stay on Course

Review and monitor your investments regularly to ensure that your investment programme is still relevant to your financial goals; monitor prices, attend Annual General Meetings, read research publications etc. Track the performance of your investments to determine whether your expectations of returns have been met, or if there is a need to restructure your investments if your asset mix gets out of balance.

Be Aware of Scams

Ensure you deal with only licensed institutions. When dealing with an Agent, confirm that the Agent is a representative of an institution licensed by the Capital Markets Authority, with a valid agreement to represent the institution. You may call the licensed institution to verify validity of the agreement or visit their offices for clarification. Confirm institutions licensed by the Authority from our website www.cma.or.ke.

For further information, please contact:



CAPITAL MARKETS AUTHORITY

Reinsurance Plaza, 5th Floor, Taifa Road
P. O. Box 74800 – 00200, Nairobi
Telephone: +254 20 – 2264900 / 2221910
2221869 / 2226225
Cell: +254-722 207767 or + 254-734 651550
Fax: 254 - 20 – 2228254/342825
Email – corporate@cma.or.ke
Website: www.cma.or.ke



CDSC

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION LIMITED

Nation Centre
P. O . Box 4364 GPO 00100,
Nairobi Tel: + 254 20 2229407
Cell: +254 724 256130 / 733 222033
Fax: +254 20 2229405
Email: helpdesk@cdskenya.com
Website: www.cdskenya.com

Talk to Us

As a wise investor, you should know your rights and responsibilities. Be aware of the rules that protect you and your investments, and the legal recourse if things go wrong.

In case of any complaint against any of our intermediary depending on the nature of the complaint you can initially try to resolve the complaint with your stockbroker or investment bank or any other intermediary. In the event that an amicable solution is not reached, then you can report your complaint to the Nairobi Stock Exchange Complaints Handling Unit but if the matter is complicated you can then forward your complaint to the Capital Markets Authority.

The Capital Markets Authority recently established a Capital Markets Fraud Investigation Unit whose objective is to address fraud related cases on investors and market players. You can report abuses in the industry to the Capital Markets Fraud Investigation Unit using the contacts below:

Telephone numbers; 0714693414/0714693365
0731544389, 0773199622
E-mail: antifraudunit@cma.or.ke
Address: Reinsurance Plaza, 15th Floor, Taifa Road,
P. O. Box 74800 – 00200, NRB



Disclaimer

This brochure is by no means a conclusive document. The Capital Markets Authority takes no responsibility for any consequences arising from decisions taken on the basis of the contents of this brochure.

BEGINNERS GUIDE TO INVESTING IN CAPITAL MARKETS

THE PROCESS

Do you feel the urge to participate in the capital markets but you don't know how? Below is a simple guide.

Step 1: Conduct 'Financial self examination'

Analyze your financial objectives, your income sources, constraints and risk tolerance. Ask whether you are financially ready to invest in the capital markets. For beginners it is not advisable to borrow to invest in the capital markets. In a volatile market, you could lose the borrowed money and still have to pay for it.

Step 2: Deal only with licensed Entities

Identify your financial investment advisor and open an account with them. Your investment advisor, be they an investment bank, a stock broker or any other firm advising you on investment must be a licensee of the Capital Markets Authority (CMA).

Step 3: Open a Central Depository System (CDS) account

A Central Depository System (CDS) is a computer system operated by Central Depository and Settlement Corporation (CDSC), which facilitates holding of securities in electronic accounts opened by shareholders. It manages clearing and settlement of all financial instruments traded through the Nairobi Stock Exchange (shares and bonds) in a safer, faster and easier manner.

Step 4: How to open a CDS Account

You open a CDS account by completing and signing a securities account opening/maintenance form with your Central Depository Agent (CDA), providing two recent passport size photographs and a photocopy of your national identity card. A CDA is a central depository agent, either a Stockbroker an Investment Bank or a Custodian Bank, who has been authorized by Central Depository and Settlement Corporation (CDSC) to open CDS accounts on behalf of investors.

Step 5: Take Control of your Trading Account

Ensure that your stockbroker/investment bank does not trade in your account without your knowledge. It is important to make sure that you are receiving all documents relevant to your transactions including; receipts, transaction statement, purchase and sales contracts, CDS account statements, etc. It is this account you will be referring to find out what transaction have been made by the stockbroker on your behalf.

To know the status of your account, obtain a statement from your broker/investment bank, or CDSC. You can also register for a CDSC SMS service by sending the word register to 2372 to keep you updated on movement in your account.

Ensure you take full responsibility of your trading account at your Investment Bank or Stockbroker. These accounts are for your exclusive use. Never let anyone, including your dealer trade in your account without your knowledge.



BE A WISE INVESTOR

TIPS TO INVESTING WISELY IN THE CAPITAL MARKETS

These are some of the basic things one may need to know as they make entry in the field of investing in the capital markets.

Know What Investment Products Are Available

Find out what financial products are available in the market before investing. This information can be obtained from any of our licensed institution.

Know Your Investor Profile

All investments carry risk; some very much more than others. You have to find out whether you are a "risk-taking" or "risk averse" type of a person, so that you can pursue an aggressive, moderate or conservative investment programme, in other words, an investment strategy that fits your risk profile.

Choose the Right Investment Product

Know the various financial investment products available in the market and do an analysis of each and make a choice. But if you cannot make the right choice, seek advice from a professional advisor licensed by CMA.

Do Your Homework before You Invest

Don't put your money in any investment until you have understood all relevant information regarding the investment. Prepare yourself to do (or have your broker, investment bank or investment adviser do) the vigorous homework of analyzing company annual reports, accounts and other statements while keeping abreast of what's happening in the industry, country and elsewhere in the investment world. The rule with buying stocks is caveat emptor: Let the buyer beware.

Build Your Buffer First

Do not embark on any investment programme if you have not built up a liquidity or cash buffer to take care of financial emergencies. The buffer is vital otherwise a financial mishap can cause you to plunder your investment programme too early for it to gain momentum. Understand the greater risk of investing with borrowed money.

Think Long Term

Bear in mind that in any investment, there will always be short-term aberrations that will even out in the long-term, so have the sustaining power to hold your investments for longer periods. History has shown that investment markets always recover and move on to new heights. But if you decide to turn speculator and go for quick-grabs, do so with your eyes wide open and never with more money that you cannot afford to lose.

Avoid Putting All Your Eggs in One Basket

The best way to minimize total risk while keeping return rates high is to diversify your investments across various investment products and within asset classes.