# A Guide to Investing in Stocks in Kenya

A **stock market** is a market which deals in the exchange of shares of publicly quoted companies, government, corporate and municipal bonds among other instruments for money.

Nairobi Stock Exchange (NSE) is the **Kenyan Stock market**. It was formed in 1954 as a voluntary organization of stockbrokers but today is one of the most active markets in Africa.

To begin **investing in stocks in Kenya** you need to contact a stockbroker. This is a professional who will execute buy and sell orders for stocks on your behalf.

You also need to set up a **Central Depository System** (CDS) account which is free to open. Just like a bank account that keeps your money, this account **holds your shares**. To open a CDS account one requires the following:

- Copy of your National Identity Card
- A KRA PIN
- Two passport size photographs
- A CDSC form which your agent or bank provides. It carries all your information (address, name, your preferred mode of receiving dividends, whether you are an individual or a company and the account number)
- For a Limited Company there are additional requirements which are:
- Resolutions to open a CDS account
- Articles and Memorandum of Association
- Details of all directors

**Below is a step-by-step guide on how to open a CDS account:**

**Step One: Account Generation**

Once you are done providing all the requirements, your details are verified and an account is generated. This is the account, which you will buy, store and sell your shares. Any bank or broker can access it.

**Step Two: Identify a Stockbroker**

NSE recommends the use of stockbrokers or a bank in buying and selling shares. It appropriate to go through the list of approved stockbrokers on NSE website to make your best choice.

**Step Three: Funding your CDS account**

With a CDS account and a broker, now you need to fund your account in readiness to purchase shares in the trading circles.

**Step Five: Placing an Order**

At this point, you know the **price of shares** and the number of shares that you want to buy. Here, you will have to **visit a bank** or your **favourite stockbroker** or an **online broker approved** by NSE.

Still, you can buy the shares online via the **bank's online portal** or through your **stockbroker's app** without filling any forms.

Once the purchase is successful, your shares are **credited** to your **CDS account**. The bank can generate a printout for you showing the date and number of shares that you bought.

If you want to add more shares then you will have to fill a **purchase order** and fund the account. In addition, you can download a **CDSC mobile app** to monitor your account easily.

Unlike a bank account, you can only open **one CDS account**. You can sell and buy shares between Monday and Friday from 9 am to 3 pm Kenyan time excluding holidays. A 100 shares is the minimum number of shares you can buy or sell.

Once you have bought shares from a company, you become one of its **shareholders**. You will be invited to the company's annual shareholder meetings and be issued with the company's **annual financial statement** breakdown of how it performed and its plans for the future.

As an investor you need to be familiar and conversant with some key terms and operations. Below is some of them:

- **Dividend pay-outs**: One of the Key gains to be made when trading in shares is Dividend pay-outs. A company pays out dividends when it makes profit and shares the divided with the shareholders of its stock.
- **Divided investing:** This is where you invest in certain stocks solely because those particular stocks pay out huge dividends. For instance in Kenya dividends that pay huge dividends include British American Tobacco (BAT).
- **Stock appreciation:** When your stock appreciates in price up to a certain point, you can decide to sell and make a profit.
- **Share splitting**: In some cases, a company might decide to do a share split instead of issuing dividends. For example for every 1 share you own you get 2 more shares. The main benefit of this happening is if in the next few years the company decides to increase its dividend pay-out you end up accruing extra dividends for shares that you actually did not purchase. However, share splits do not happen often.
- **Deciding which stock to purchase**: While deciding which stock to purchase, consider how the company performs in its industry. Stockbrokers produce weekly reports on recommendations of stocks to purchase.
- **Potential risks:** The risks to owning shares include an erosion of share prices due to poor performance by the company. Stock prices can go down due to a number of reasons

including poor management, government regulations or change in customer tastes and preferences for products or services that the company sells.

**Available Investor resources**

I. **CMA:** As an investor, it is important to visit the Capital Markets Authority (CMA) website. This is the government body that regulates all the firms operating in this industry.

II. **Trading Applications:** some stockbrokers have mobile applications which you can use to trade shares at a go. Visit any of the stockbroker and they provide you with all the information at no cost.

III. **Banks:** some banks have internal departments that deals in shares. For example, KCB has **KCB capital**. If you have a bank account with these banks you could open a CDS account with them at no charge and start trading.

IV. **Nairobi Stock Exchange (NSE):** NSE has public information sessions where they engage the public on how to buy and sell shares.

V. AS the famous saying goes: The best time to invest was yesterday. Therefore next best time is today. And as you have seen starting is not complicated as you might think. Hence seize this moment and start today.

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