



**OPERATIONAL PROCEDURES OF THE RWANDA STOCK EXCHANGE (RSE) FOR
RIGHTS ISSUES**

INTRODUCTION

The Rwanda Stock Exchange Limited was incorporated on 7th October 2005 with the objective of carrying out stock market operations.

The address of its registered office is:
Kigali City Tower, 1st Floor
Avenue du Commerce,
P O Box 3882 Kigali Rwanda

PRINCIPAL RESPONSIBILITY

The Exchange is mainly responsible for providing the platform to raise money for the economy and savers to invest in the securities market.

PURPOSE, SCOPE AND APPLICATION

This manual describes the procedures to be applied by participants in performing the functions relating to the rights issues issuance and procedures. It only covers existing companies which wish or intend to issue new shares by first giving priority to existing shareholders of a listed security to exercise their rights before new investors can buy those which are not exercised. The shares considered for a rights issue are deducted from the fully authorized shares of the company and are part of its market capitalization. This procedure should not be confused with a bonus issue or a share split.

The rights issue lead to an additional listing of the new tradable shares that are added to the existing float. The total float post rights issue trades using the Ex- rights price and follow normal trading rules through individual or discretionary accounts by authorized participants in the market.

These Procedures assume a secondary market trading session of 9.00 to 12.00 pm and on Over The Counter (OTC) trading and after hour T+2 settlement cycle for listed securities.

The procedures specified in this manual are applicable to all participants in a rights issue of listed companies on the RSE.

INTERPRETATION AND IMPLEMENTATION:

- (1) The interpretation and implementation of the Manual is vested in the powers of the Chief Executive Officer.
- (2) The Staff responsible for Human Resource Management shall ensure the availability and access of this Manual to all Staff Members.

DELEGATION OF AUTHORITY

The Chief Executive Officer may delegate his/her authority under this manual to a senior staff member as he/she may deem fit.

DEFINITIONS

“Account” means a securities account or Central Securities Depository account opened by investors with licensed intermediaries for capital market investment purposes.

“Additional listing” refers to a formal notification to the exchange that:

- (a) New shares from fully authorized shares at the time of the initial listing of a publically traded company are to be admitted to the existing float. This definition covers fully paid shares which are not part of the existing tradable float at the time of the initial listing.
- (b) Brand new shares that may be created for different reasons (a placing, rights issue, bonus, employee share ownership program, etc.). In this case it means that as per the RSE rules unless the context otherwise requires, the additional listing for the newly created shares are treated as a new offer to the public.

“Authorized shares”: means authorized stocks represent the maximum number of common shares that can be issued legally by the company as stated in the company's charter. The number of authorized shares that is identified in the company's charter often greatly exceeds the number of shares that is issued during a company's IPO. If a company is constantly issuing shares, management may decide that an increase in the number of authorized shares may be necessary. For the total number of authorized stock to increase it must be approved through a shareholder vote.

“Bonus Issue” refers to additional shares issued to existing shareholders in proportion to their holding. They are issued free of cost.

“Discretionary Account” an account that an investor opens with a stockbroker that authorizes the stockbroker to buy or sell shares or any other securities he may select at his discretion on behalf of the investor.

“Ex-rights price” means shares purchased ex rights is not entitled to an upcoming already declared rights issue, but is entitled to future rights issues.

“Float” means the total number of shares issued by a listed company that are publicly owned and available for trading. Floating stock is therefore the number of shares of a company that are available for trading at the Rwanda Stock Exchange.

“Issued shares”: refers to the authorized shares sold to and held by the shareholders of a company, regardless of whether they are insiders, institutional investors or the general public, as shown in the company's annual report. Issued shares include the stock a company sells publicly to generate capital and the stock given to insiders as part of their compensation packages.

“Listed Shares (Listed Company)”: These are shares that have been registered by a recognized and regulated stock exchange to be traded on its trading floor. Shares can be listed on more than one stock exchange.

“Listed security”: Shares or bond or any other financial market instrument that has been accepted for trading by a organized and registered securities exchanges.

“Market capitalization” means the value of a company that is traded on the stock market, calculated by multiplying the total number of fully authorized shares by the present market share price.

“Rights issues”: means rights given to existing shareholders to purchase additional stock shares, known as subscription warrants, in proportion to their existing holdings. Then the rights are for equity securities, such as shares, in a public company, it is a non dilutive pro rata way to raise capital.

“Share Split” refers to a corporate action in which a company’s existing shares are divided into multiple shares whereby each shareholder receives more shares in direct proportion to the amount of shares they own on the record date. Stock splits normally happen when the price of a share is so high that many investors cannot afford to buy it.

PHYSICAL RIGHTS ISSUE PROCESS

1. The issuer fixes a Record date to identify eligible shareholders. These shareholders would be entitled to subscribe to the proposed Rights Issue.
2. The Central Securities Depository (CSD) will submit a list of the existing shareholders to the issuer’s Registrar s for the allotment as at the Record (closure) date.
3. The Registrar will submit the entitlement list to the CSD for the uploading of the Rights into respective shareholders’ accounts (CSD Accounts).
4. The issuer dispatches the Provisional Allotment Letter (PALs), rights issue application forms and abridged information memorandum/prospectus to all eligible shareholders on the record date.
5. The Rights issue shall thereafter open for (a) subscription and (b) renunciation/trading of rights entitlement physically.
6. Shareholders who do not wish to take up their Rights, may trade the Rights on the Rwanda Stock Exchange (RSE). This trading process is similar to equity shares. In order to differentiate between the two, each firm's Rights Entitlements (RE) is given a number, called ISIN, different from that of its shares. Trading of a RE will close at least three working days before the rights issues to ensure proper settlement process of rights issue’s transactions.
7. The CSD will submit to the registrar a list of the shareholders who have taken up the Rights and or purchased the Rights as at the last date for acceptance/trading in Rights.
8. Authorized agents will submit the Forms for the Rights Purchased at the RSE by new investors, PALs for the existing shareholders who will have taken up their Rights and the payments to the issue’s registrar.

9. Registrars will submit a list of entitlement after allotment for the crediting of CSD accounts for new shares to CSD.



RIGHTS ISSUE APPLICATION FORMS

No .of shares as on -----/-----/-----

We have received from -----the application for-----
----- rights issue shares. We have also received the amount of -----
----- Frw in cash or by cheque no-----
-Drawn on bank-----Branch: -----

Bank name and Branch: ----- date: -----/-----/-----

Bank seal and signature of authorized personnel: -----
Shareholder`s copy

A SEPARATE CHEQUE OR CASHIER'S ORDER MUST ACCOMPANY EACH APPLICATION NO RECEIPT WILL BE GIVEN (For office use only)

Application no.	Number of excess Rights	Amount paid on	Balance refunded (If
-----------------	-------------------------	----------------	----------------------

	Issue Shares applied for	application	applicable)
..... Frw Frw