FREQUENTLY ASKED QUESTIONS
ABOUT DAR ES SALAAM STOCK EXCHANGE

1. What is DSE?

DSE is a short term for name The Dar es Salaam Stock Exchange – a secondary market for financial products.

The Dar es Salaam Stock Exchange is a body corporate incorporated in 1996 under the Companies Act, 2002 as a company limited by guarantee without a share capital. It became operational in April, 1998.

2. A Market?

Yes a Market, very similar to Vingunguti, Kariakoo, Tandale, Buguruni, Moshi Coffee Auction, Kibaigwa, and other similar markets in Tanzania.
3. **What makes the stock exchange market different from other markets?**

The main thing that makes the Stock Exchange Market different from other markets is the types of products traded, how they are traded, and how they are paid for and transferred.

4. **What products are traded at the Dar es Salaam Stock Exchange?**

The products traded at the DSE are financial products. Currently the financial products traded are Shares and Bonds; Shares are also known as Equities and Bonds are also known as Debt instruments. Collectively, the products traded at the DSE are referred to as Securities.

5. **What is the Importance of this market to the economy?**

For an economy to grow, money needs to shift from less to more productive activities. In other words; idle money and savings should be invested in productive activity for the economy to grow. The Dar es Salaam Stock Exchange makes this possible by:

- Enabling idle money and savings to become productive by bringing the borrowers and lenders of money together at a low cost. The lenders (all savers) become the investors. They lend/invest and expect a profit/financial reward. The borrowers also known as issuers in the market, borrow and promise to pay the lenders (this is in as far as issuers of bonds are concerned) a profit. DSE therefore, encourages savings and investments.
- Educating the public about higher profits in securities – shares and bonds, how to buy and sell, when and why to buy and sell. DSE also educates the public on how to invest together as a group.
- Facilitating good management of companies by asking them to give periodic reports of their financial performance.
- Providing a daily market reports and price list to ensure that investors know the worth of their assets at all times.
Providing financial solution to common problems. Shares and bonds are accepted guarantees for bank loans. Shares and bonds can also be planned with the help of a fund manager, to pay for school fees, medical car and other insurance schemes, pension or retirement plans etc.

Through shares and bonds; the Government, individuals, small and big companies, cooperative societies and other organizations can raise money to expand their business activities, make a profit, create employment and generally help the economy to grow.

6. **How is the DSE Market organized?**

**Market days**

The market is open Monday to Friday from 8.00 a.m. to 5.00 p.m. Trading activities start at 10.30 a.m. and continue until 12.00 p.m. Members of the public can view the market from the public gallery at any time while the market is open. The market is closed during public holidays.

7. **Display Board**

Shares are displayed on an electronic board while bonds are displayed on white boards. Shares of companies are displayed in groups according to sectors while bonds are displayed according to issuers.

8. **Display of Shares**

Shares are grouped into 2 segments/sectors namely Banking & Investment and Industrial & Allied Segments. Shares are displayed in alphabetical order in each group for easy location by investors viewing trading from the public gallery. There are 17 company shares in the market.

9. **Display of Bonds**

Bonds are grouped in two groups namely: Treasury Bonds (issued by the Government) and Corporate Bonds (issued by companies).
They are displayed as and when the Government or a company issues one. There are over 100 treasury bonds and 5 corporate bonds in the market.

10. **What amounts can an investor buy?**

An investor can buy as little or as much as he or she can afford. It is also possible to invest very little money in groups of small investors pooled together by fund managers in the market.

11. **Minimum Number of Shares**

Shares are bonded in minimum lots of 100 shares and above in the main market boards. Fewer shares than 100 are available on the odd lots board.

12. **Minimum Number of Bonds**

Bonds are sold in minimum bundles of TShs. 5 million. Small investors can pool their money together and buy a bond with the help of a fund manager.

13. **Internal Market Operations - Trading Floor**

The trading floor in the market place is a place where stock brokers meet everyday to buy and sell shares and bonds through an auction system. Through the auction system, buyers and sellers offering the best prices are enabled to trade.

**ABOUT SHARES OR EQUITIES**

14. **What is a Share?**

A share is a piece of ownership of a company or enterprise. When you buy a share, you become an investor and thereby an owner of a piece of the company’s profits or losses.

By buying a share, money which could have been idle or otherwise held in low interest earning savings, moves to a more productive economic activity. The profitability of investing in shares however; depends on among other things, a good management of the company, avoidance of wastage and, a Conducive business environment.

15. **Why do Companies Sell Shares?**

Companies sell shares to Raise (borrow) money from members of the public to expand their business activities in order to make more profits.

They invite members of the public to buy shares and by so doing, have a say of running the company as lenders of money and owners. Shareholders expect a profit as a reward from lending their money to expand the business of the company.
16. **Who is a shareholder?**

A shareholder is an investor who buys shares with an expectation of profit. Profits in shares are through dividends, gains in share prices, bonuses, rights etc. A shareholder owns a piece of the company (his/her profits equal to the number of shares he/she owns).

17. **What are the Benefits of Owning Shares**

- A source of profits;
- A guarantor for borrowing loans from cooperative societies and banks;
- A way of saving your money for the future;
- An easy and quick asset to buy and/or sell;
- A new business activity that is beneficial in many ways. An investor can trade in shares the same way traders in other markets trade in maize, bananas, potatoes, tomatoes, onions, mangos etc.;
- Buying at low prices and selling at high prices to make profit;
- A solution that increases financial activity and economic growth.

18. **What are the Qualities of a Good Shares**

- Frequent and generous dividends;
- The company that is managed productively and transparently and, is accountable to shareholders;
- No wastage in the use of resources;
- Respect of shareholder and their opinions;
- Shares that are easy to buy and sell quickly in the market;
- The company abides by the rules, regulations and laws.

19. **What is a Bond?**

A bond is a loan between a borrower and a lender. The borrower promises to pay the lender some interest (quarterly or semi-annually) on principal at some date in the future. The borrower also promises to repay the initial money invested by the lender. The lender lends and expects to make a profit.

The profit from a bond is gained in the form of an interest. At the moment some bonds in the market have an interest rate of between 12% and 15% depending on the type of bond it is, and when it was issued. At the Dar es Salaam Stock Exchange, the lender is called an investor and the borrower the issuer.

20. **Who can Buy Bonds?**

Any individual, Church, School, College, University, Investment Group, Insurance Company, Bar, Pension scheme and many others can buy bonds.
21. **Can a Bond be sold before maturity?**

Yes. In times of need or emergencies, an investor can sell his or her bond easily and quickly in the market. The interest on a bond grows on a daily basis and so a bond has new value and price every day. An investor can therefore buy or sell a bond on any day of his or her choice. There are no penalties for selling a bond before the maturity date.

For example, an investor can buy a bond of 5 years and expect an interest of 12% per annum. The interest is paid after every 6 months. Such an investor can sell the bond at any time of his or her choice at the current market price. The market price of a bond will depend on the number of other willing sellers and buyers in the market on that particular day. When there are many sellers in any market, prices go down and vice versa.

22. **Who borrows money through bonds?**

In Tanzania it is the government and companies. In other stock markets, municipal councils, cooperative societies, hospitals, universities, schools and other organizations can borrow money from the public through bonds. All that is required is that the organization has a good reputation and members of the public have trust in the management of the organization like in other lending situations. A lender must trust the borrower before he or she can lend any money. The borrower must therefore be creditworthy in the eyes of the lenders or investors.

Bonds are therefore a very easy, quick and transparent way of raising money. For example, trusted and credit worthy municipal councils can borrow money from the public with a promise to pay a responsible interest rate. The Council can use the money to build roads, improve security, cleanliness, water supply and streetlights. A cooperative society can do the same and build a milk-cooling and processing factory or a food-processing factory. These and many more money solutions are available with the help of money managers.

23. **What are the benefits of buying bonds?**

- A bond is a very convenient asset to own;
- Accepted guarantee for many types of loans by cooperatives societies and banks;
- A sure source of income;
- A good money planner to meet specific needs;
- Easy and quick to sell in the market in times of needs;
- A way of saving money for the future;
- Convenient and confidential;
- Easily transferable.
24. **What are the difference between a bondholder and a shareholder?**

**A bondholder:**
- A bondholder is only a lender to a company;
- Expects a profit in form of an interest at a specific agreed date in future;
- Does not vote or participate in the management of the company;
- Invests to earn a reasonable return at a low risk;
- A watchdog of the borrowers’ activities.

**A shareholder:**
- A shareholder is a lender and an owner;
- Expects a profit in a form of a dividend, gain in shares price, bonuses and cheaper shares (rights issuers);
- Attends Annual General Meetings, gives personal opinions about the company and votes thereby, participates in the running of the company;
- Invests expecting the highest return possible;
- Accepted risk as part of any business;
- A watchdog of the management and company’s activities;
- An influence of the company’s performance.

25. **Can one be a Bondholder and a shareholder at the same time!**

Yes. This gives an investor the opportunity to diversify and enjoy a balance between reasonable and very high profits.

26. **More about Bonds and Shares can be found at**

- Website: [www.dse.co.tz](http://www.dse.co.tz)
- DSE handbook
- DSE Annual Report
- DSE Brochures
- Free Education Sessions
- Newspapers, Television and Radio

**You can also**
- Speak to stockbrokers
- Speak to money managers
- Browse company Annual Reports and Accounts
- Talk to other investors in the market.
27. Information Center

Here investors and members of the public get answers to their questions about the stock exchange. An individual or group can also register to attend a free educational session organized by the Dar es Salaam Stock Exchange. The DSE also gives free lectures to groups in their own premises through invitation. There are other operational structures in the market which include Market Research and Development, Compliance, Legal, Accounting and Administration.

28. Public Galley

This is a special place from where investors and members of the public view live trading as it takes place. All members of the public are welcome.

ABOUT RULES REGULATIONS AND SUPERVISION OF THE MARKET

29. Is the market/exchange subject to supervision? By whom?

Yes, DSE is supervised by the Capital Markets and Securities Authority (CMSA) – commonly known as the capital markets Regulator. The CMSA is a Government Agency.

30. Are the members (stockbrokers) supervised?

Yes, members are supervised by both the DSE (as a Self-Regulatory Organization) and the CMSA.

31. Are there initial listing standards and ongoing supervision of securities traded on the market?

Yes, there are initial listing standards and continuous listing obligations hence ongoing supervision of securities traded at DSE.

32. Does these (initial listing standards and ongoing supervision) include the Publication of a Prospectus and an Audited Annual Report?

Yes, prospectus must be approved by CMSA. Financial Statements must be IFRS compliant and must have been audited by authorized auditor.

33. Are clearance/settlement arrangements prompt and secure?

Yes, Clearing and settlement is conducted through an electronic Central Depository System (CDS).
34. **Is there protection in place against loss in the event of insolvency of a member?**

Yes, first client funds are kept in trust account separate from member account and second client securities are kept separately from member’s assets. Client funds and securities are protected against member creditors’ claim.

35. **What is the complaints procedure of the market?**

In case clients are not happy with members acts or omission they can appeal in the following manner:

- First to the Exchange
- Second to the Regulator
- Third to the Capital Markets Tribunal as provided by the Law.

36. **Are overseas investors permitted to hold securities on the market/exchange?**

Yes, foreign investors are allowed to hold securities of any listed company.

37. **Are there any limitations to the amount of securities that can be held by overseas investors? If so, what are they?**

Yes, foreign investors are allowed to invest up to 60% in aggregate of the share capital of any listed company, 1 % for individuals and 5% for corporate.

38. **Licensed Dealing Members/Stockbrokers**

These are the traders in the market. They represent the licensed members from the DSE. Investors must trade through an authorized securities trader or authorized money manager. These stockbrokers are licensed to buy and sell shares and bonds on behalf of investors.

Stockbrokers earn a commission of up to 1.7% for their service. The commission is negotiable up to 0.8% for shares worth TShs. 50 million and above. There are 7 licensed trading stockbrokers, these are:
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<th>Phone Numbers</th>
<th>Fax Numbers</th>
<th>Email Addresses</th>
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Glossary of Stock Market Concepts

1. **Broker**
   A member of the exchange who facilitates the buying and selling of shares and bonds on behalf of investors.

2. **Blue Chip Company (Share)**
   This is a well established company with considerable assets whose share investors regard as low risk investment.

3. **Bear**
   A short-term speculator who would sell shares on account in the hope that they would fall in value so that they could be bought at the end of the account more cheaply – leaving the investor with a profit at the end of settlement day.

4. **Bull**
   This means a short-term speculator in the market. A bull buys particular shares in the hope that their price will rise and so they could be sold before the end of the period’s account so as to earn a profit.

5. **Bonds**
   This is a financial security issued by a company or financial institution or by the government as a means borrowing mid-term to long-term funds. Bonds are normally issued for a fixed number of periods and are repayable on maturity.

6. **Bonus Issue**
   Also known as scrip issues or capitalization issue, these are additional shares issued to existing shareholders without further payment on their part. It involves capitalization of reserves i.e. turning the reserves into fully paid new share capital.

7. **Cash Account**
   This is an account maintained by investors with a brokerage firm in which deposits (cash and proceeds from security sales) must fully cover withdrawals (cash and the loss of security purchase).

8. **Capital Gain (Or Loss)**
   This is the difference between the current market value of an asset and the original cost of the asset.

9. **Commission**
   This is the fee an investor pays to a broker for services rendered in the trading of securities.

10. **Coupon Payment**
    This refers to periodic payments of interest on bonds.
11. De-Listing

This means a removal of a security or a company from the Official List of the Exchange.

12. Enterprise Growth Market

This refers to a special segment of the market which caters for the small and medium growth oriented companies.

GLOSSARY OF STOCK MARKET CONCEPTS

Delivery vs. Payment

Buyers want to receive ownership of securities safely and sellers wish to receive their money timely. Neither wants to part with the funds or securities only to find the counterparty default on the corresponding obligation.

Delivery versus payment refers to the act of transferring funds and ownership simultaneously so that neither a buyer part with funds nor a seller part with securities without safely receiving the funds or securities respectively.

Dematerialization

Traditionally, securities have been issued in paper form. The physical movement of paper is expensive, time consuming and difficult to coordinate with the transfer of funds so as to achieve a simultaneous delivery versus payment.

Dematerialization occurs where a paper security is surrendered by the owner of a security in favor of an electronic record of their ownership of the security.

Immobilization of securities occurs when paper securities still exist but are stored (immobilized) so that they cannot be used as the basis of selling securities such sales being achieved entirely electronically.