

THE DAR ES SALAAM STOCK EXCHANGE 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. Currently, traditional products of equity (shares) and bonds (both Government and Corporate bonds)

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 and transformed to a Public Limited Company (PLC) in 2016. DSE was self-listed on its Exchange in 2017.

2. A Market?

Yes, a Market, very similar to Vingunguti, Kariakoo, Tandale, Buguruni, Moshi Coffee Auction, Kibaigwa, Mbagala market, Ferry fish market 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/idle to more productive activities. In other words from saving units to spending units. In other words, idle money and savings should be invested in productive activity for the economy to grow. The Dar es Salaam Stock Exchange PLC 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 requiring them to provide/publish periodic reports on 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 04.00 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). 4

They are displayed as and when the Government or a company issues one. There are over 100 treasury bonds and 4 corporate bonds in the market. However, since established DSE has a facilitated a total of 16 issuance of corporate bonds of different size and tenure.

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

Minimum number of shares one can buy is 10 shares.

12. Minimum Number of Bonds

Bonds are sold at a multiple of shillings 100,000. Small investors can pool their money together and buy a bond with the help of a fund manager.

13. Internal Market Operations - Trading Floor

Traditionally, the trading floor in the marketplace is a place where stock brokers meet every day 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. However, with development of technology, nowadays brokers can trade at their offices using a Wide Area Network (WAN).

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/shareholder 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 that usually result into a good company performance.

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 seize available business opportunities and hence 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 shares 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 commercial 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 its shareholders.
- No wastage in the use of resources.
- Shareholders opinion are respected by the company Directors.;
- Shares that are easy to buy and sell quickly in the market;
- The company abides by the rules, regulations and laws.

ABOUT BONDS

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 10% and 20% 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 person, natural or artificial person (companies, trust, Saccos, religious organization, pension scheme, investment group etc), 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 15% 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;

For example, an investor can buy a bond whose interest matches payment of school fees, car instalment payment or medical insurance, rent pension allowance and much more.

- 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);
- Right to attend Annual General Meetings, gives personal opinions about the company and votes thereby, participates in the running affairs of the company;
- Invests expecting the highest return possible;
- Accepted risk as part of any business;
- A watchdog of the Directors and 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
- Handbook
- DSE Annual report
- DSE Brochures
- Free education sessions
- News Papers, Television and Radio

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. Usually, during special events like IPOs members of the public are invited.

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 as the industry Regulator.

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) linked the Authorized Clearing banks and the Central Bank.

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 any amount they wish.

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 for their services. However, the commission charged is regulated.

38. What is Hisa Kiganjani?

The means shares at your palm. This is a platform that allows investors to trade "buy and sell" stocks via their mobile (smart and featured) phones. Both existing and new users are able to use the platform. It is currently available on android phones, USSD short code *152*00# and online.

Note: New Investors will have to register themselves in order to get a CSD account and a PIN in order to be able to transact "Buy and Sell shares". Those who already have the CSD account and PIN and are intending to use the platform for the first time, they will be required to update their details by entering their NIN (National ID Number) for their details to be captured hence be allowed to access the trading platforms.



Kwa msaada juu ya
mfumo wa Hisa
kiganjani piga...

+255 747 536 696

Kwa masuala ya
PIN piga...

+255 677 070 414



infotanzania



@DSE Tanzania