

2019 2020

CAPITAL MARKETS AUTHORITY



ANNUAL REPORT AND FINANCIAL STATEMENTS





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Letter of Transmittal

The Cabinet Secretary
The National Treasury & Planning
Nairobi

Dear Hon. Cabinet Secretary,

I have the honour of submitting the Annual Report of Capital Markets Authority for the fiscal year ended 30 June, 2020. The Report has been prepared in accordance with the provisions and requirements of Section 36 (2) of the Capital Markets Act, Cap 485A.

Respectfully yours,



James P. M. Ndegwa
Chairman

Authority Information

Background Information

The Capital Markets Authority (the Authority) is a body corporate established under the Capital Markets Authority Act, 1989. The Act was amended in 2000 and renamed as Capital Markets Act.

Principal Activities

The Authority promotes and facilitates the development of orderly, fair and efficient capital markets in Kenya.

Board Members of the Authority

Name	Position
Mr. James Ndegwa	Chairman
FCPA. Wyckliffe Shamiah	Acting Chief Executive Officer with effect from 02 January 2020
Mr. Paul. M. Muthaura	Chief Executive Officer *up to 1 January 2020
Hon (Amb.) Ukur Yatani	Cabinet Secretary, National Treasury & Planning
Dr. Geoffrey Mwau	Alternate to the Cabinet Secretary, National Treasury & Planning up to 22 April 2020
Prof. Dulacha Galgalo Barako	Alternate to the Cabinet Secretary, National Treasury & Planning appointed 23 April 2020
Mr. Paul Kihara Kariuki	Attorney General
Mr. Nevis Ombasa	Alternate to the Attorney General
Dr. Patrick Njoroge	Governor Central Bank of Kenya
Mr. William Nyagaka	Alternate to Governor, Central Bank of Kenya upto 31 March 2020
Mr. David Luusa	Alternate to Governor, Central Bank of Kenya appointed 1 April 2020
Mr. Moibi Mose	Member
Ms. Christine Okoth	Member
Dr. Thomas Kibua	Member
Mr. John Birech	Member
Dr. Freshia Mugo Waweru	Member
Mr. Peter Mungai	Member

Management Team



Wyckliffe Shamiah

Position Acting Chief Executive Officer from 2 January 2020
 Date joined the Authority 20 May 1997
 Profession Accountant
 Key qualifications MBA, BA, CPA (K)



Paul Muthaura

Position *Chief Executive Officer up to 1 January 2020
 Date joined the Authority 15 September 2005
 Profession Advocate of The High Court of Kenya
 Key qualifications LL.M, LL.B, MPhil, Dip Law, Dip in Financial Management.



Edwin Njamura

Position Director, Corporate Services
 Date joined the Authority 17 July 2012
 Profession Management
 Key qualifications EMBA, BCOM, CPA(K), FA, BSP



Luke Ombara

Position Director, Regulatory Policy and Strategy
 Date joined the Authority 15 February 1995
 Profession Economist
 Key qualifications BA, BSP



Abubakar Hassan

Position Acting Director Market Operations from 13 January 2020
 Date joined the Authority 1 April 2016
 Profession Advocate of the High Court of Kenya
 Key qualifications MBA, LL.B, CPA(K), CPS(K), CISA, CFE



Esther Maiyo

Position Manager, Internal Audit
 Date joined the Authority 15 February 1995
 Profession Accountant
 Key qualifications MBA, BCOM, CPA(K), CPS (K), CISA

Management Team

Daniel Warutere

Position: Manager, Market Supervision
 Date joined the Authority: 10 November 2008
 Profession: Lawyer,
 Key qualifications: LLB, CPS, CPA, Pg Cert Capital Markets



Kamunyu Njoroge (Samuel)

Position: Manager, Investor Education & Public Awareness
 Date joined: 3 January, 2005
 Profession: Economist
 Key qualifications: MA (Econ), BA (Econ), MCSI(CISI,UK), M.LoD(K), MKIM, CIFA, Fellow, FLPFI (USA)



Hellen Ombati

Position: Manager, Legal Affairs & Corporation Secretary
 Date joined the Authority: 6 May 2016
 Profession: Lawyer & Certified Secretary
 Key qualifications: MBA, LLB, Dip-French, Dip in Law, CPS(K)



Andrew Muthabuku

Position: Manager, Human Capital & Administration
 Date joined the Authority: 1 July 2011
 Profession: Human Resources & Administration
 Key qualifications: MBA, BA, H-Dip (HRM)



Richard Chirchir

Position: Manager, Information Communications & Technology
 Date joined the Authority: 22 June 2009
 Profession: Computer Science Engineering
 Key qualifications: BSC, Pg Dip - Computer Science



John Njoroge

Position: Manager, Finance
 Date joined the Authority: 4 February 2008
 Profession: Accountant/Economist
 Key qualifications: BA, CPA(K), CPS(K), BSP



Management Team



Matthew Mukisu

Position	Manager, Derivatives
Date joined the Authority	7 March 2016
Profession	Economist
Key qualifications	MA (Economics), BSC, CPA(K)



James Kivuva

Position	Manager, Strategic Projects
Date joined the Authority	15 February 2016
Profession	Strategy, Projects and Information Technology Professional
Key qualifications	BSC, PRINCE 2, CBAP, Advanced Sybase Database Administration and Performance Tuning Certification



Willyson Nyale

Position	Manager, Corporate Approvals
Date joined the Authority	15 September 2005
Profession	Accountant
Key qualifications	MBA, BCOM, CPA(K), CPS(K), Pg Cert Capital Markets

Key

BA	Bachelor of Arts
BCOM	Bachelor of Commerce
BSC	Bachelor of Science
BSP	Balanced Scorecard Professional
CFE	Certified Fraud Examiner
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
CPS	Certified Public Secretary
Dip	Diploma
EMBA	Executive Master of Business Administration
H. Dip	High Diploma
HRM	Human Resource Management
LLB	Bachelor of Law
LLM	Master of Law
MA	Master of Arts
Pg Dip	Post Graduate Diploma

Authority Information

Registered office

3rd Floor, Embankment Plaza
Longonot Road, Upper Hill
P.O. Box 74800, 00200
Nairobi,
Kenya

Authority contacts

Telephone: (254) 2221910/ 2264900/2221869/2226225
E-mail: corporate@cma.or.ke
Website: www.cma.or.ke

Principal bankers

Commercial Bank of Africa Limited
Mara / Ragati Roads Upper Hill
P.O. Box 30437, 00100
Nairobi,
Kenya

HFC Limited
Kenyatta Avenue/Koinange Street, Rehani House
P.O. Box 30088, 00100
Nairobi,
Kenya

KCB Mortgage Centre, Salama House
Mama Ngina Street
P.O. Box 45129, 00100
Nairobi,
Kenya

Principal Auditor

The Auditor-General
Office of the Auditor General
Anniversary Towers
University Way
P.O. Box 30084, 00100
Nairobi,
Kenya

Authorized/Delegated Auditor

Mbaya & Associates
Certified Public Accountants
3rd Floor, Westlands Heights
Karuna Road, Westlands
P. O. Box 45390 - 00100
Nairobi,
Kenya

Principal legal advisers

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112, 00200
Nairobi,
Kenya

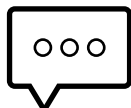
Mohammed Muigai LLP
MMC Chambers 4th Floor , K-REP Centre
Wood Avenue Off Lenana Road Kilimani
P.O. Box 61323, 00200
Nairobi,
Kenya

Waweru Gatonye & Co. Advocates
Timau Plaza, 4th Floor, Argwings Kodhek
Timau Road Junction
P.O. Box 55207, 00200
Nairobi,
Kenya

Snapshot of Approved Institutions and Licensees



1 Central Depository



5 Credit Rating Agencies



1 Securities Exchange



2 Authorized Securities Dealers



18 Authorized Depositories



15 Investment Banks



24 Fund Managers



9 Stock Brokers



3 Authorized REITs



14 Investment Advisers



10 REIT Managers



3 REIT Trustees



24 Registered Collective Investment Schemes



14 Registered Employee Share Ownership Plans (ESOP)



4 Non-Dealing Online Foreign Exchange Brokers



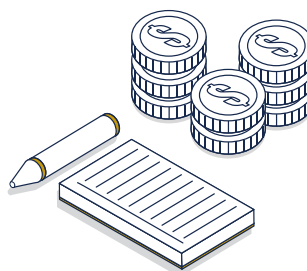
1 Money Manager

2019/2020 OVERVIEW

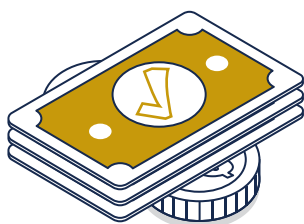


Market capitalisation

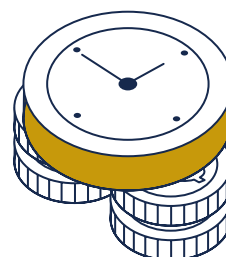
Kshs. 2.1 trillion



Listed Equity
turnover stood at
Kshs. 159 billion in
2019/20



13 New Licenses
and Approvals
granted



Bond Turnover was

Kshs. 587 billion



24 Treasury Bond offerings and tap sales with...

Kshs 570 billion accepted

Message from the Chairman of the Board of Directors



James Ndegwa
Chairman

Overview of the Global Economy

The period under review was characterized by declining global economic growth with serious risks of recession in many economies occasioned by the Covid-19 pandemic. It is estimated that on average global output will decline by 4.9 percent in 2020, followed by a partial recovery, with growth of 5.4 percent in 2021. Businesses ranging from giant to micro continued to close with significant layoffs which are expected to cause significant negative impact on households across the globe. Within the capital markets space, the pandemic sent most of the largest securities exchanges in the world into a bear market as investors globally, rushed to sell off their portfolios amidst very low demand leading to substantial declines in value of the various portfolios. Generally, capital markets instruments are projected

to continue experiencing a drop in share prices and bond yields in the coming financial year.

Kenya continued realigning its fiscal framework in response to the constrained tax revenues and growing resource requirements due to the Covid-19 Pandemic. The trend is no different in both advanced and developing economies with the highest ratio of public debt to GDP expected to rise between 2020 and 2021. Countries have continued to receive less favourable credit-ratings, implying that borrowing costs could increase substantially. This together with a depreciating Kenya shilling against major world currencies is expected to increase the country's debt service costs.

Regional Outlook

The outlook for 2020 for sub-Saharan Africa is considerably worse than earlier anticipated, with economic activity in 2020 projected to contract by 3.2 percent, reflecting a weaker external environment and measures to contain the Covid-19 outbreak. Growth is however projected to recover to 3.4 percent in 2021 subject to the continued gradual easing of restrictions and, importantly, if the region avoids the same epidemic dynamics that have played out elsewhere. Africa's authorities have acted swiftly to support the economy, but such efforts have been constrained by falling revenues and limited fiscal space. Regional policies remain focused on safeguarding public health, supporting people and businesses hardest hit by the crisis, and facilitating the recovery. The region cannot tackle these challenges alone and a coordinated effort by all development partners will be key.

East Africa remains the fastest-growing sub region, and the short-term outlook is positive with projected growth as at end of 2019 being 6.4% compared to 3.2% regional average growth. Robust growth

Chairman's Statement (Cont'd)

in Ethiopia, Kenya and the United Republic of Tanzania is underpinned by strong domestic demand and public investments in infrastructure.

The Covid-19 pandemic is further projected to negatively impact foreign direct investment (FDI) flows to Africa and the rest of the world, with the United Nations Conference on Trade and Development (UNCTAD, 2020) predicting a contraction by 25 to 40 percent in 2020. The International Monetary Fund projects Africa's GDP to fall from 3.2 per cent to -2.8 per cent in 2020.

Policy and Legal Reforms

The tax structure for corporate bonds in Kenya was previously skewed in favour of fixed income instruments issued by players in the banking sector as compared to players in the non-banking space. There was lack of clarity regarding whether the 15 percent withholding tax on interest income from fixed income securities issued by non-bank corporations – such as the EABL bond – is a final tax for individuals. Following extensive engagements between the Capital Markets Authority, National Treasury and Planning as well as other stakeholders, the Cabinet Secretary, National Treasury and Planning amended the Third Schedule of the Income Tax Act to provide for the finality of withholding tax on interest income from all corporate bonds. Similarly, the Cabinet Secretary amended the Income Tax Act to clearly provide for tax exemption for all green bonds issued as part of green financing initiatives.

The other key policy highlight of the year under review is the gazettment and implementation of the Capital Markets (Commodities markets) Regulations 2020 and Capital Markets (Coffee Exchange) Regulations 2020. In line with the Government's Big 4 Agenda on initiatives to enhance food security and nutrition in the country and to facilitate the setting up of structured commodities trading in Kenya, the Capital Markets (Commodities Markets) Regulations 2020, and Capital Markets (Coffee Exchange), Regulations 2020 were gazetted by the Cabinet Secretary for the National Treasury and Planning on 3 April 2020. Sections 19 and 23 (1) of the Capital Markets Act (CAP 485A) prohibit any person from carrying on the business of a commodities exchange or commodity broker unless they hold a valid licence or approval issued by the Capital Markets Authority.

In 2015, the Cabinet Secretary for the National Treasury amended the Investment Guidelines contained in the Retirement Benefits (Forms and Fees) Regulations to create a clear Private Equity distinction and doubled the allowable investment threshold to 10%. The amendments however did not provide clarity on mechanisms to ensure protection of pensions funds given that they are public funds. As part of measures to ensure that public funds are invested in a regulated environment, the Cabinet Secretary

to the National Treasury amended the Capital Markets Act to grant the Capital Markets Authority powers to provide regulatory oversight to Private Equity and Venture Capital firms accessing pension funds.

The final key policy and legal reform measure was the amendments to the Income Tax Act to extend a tax amnesty to entities getting listed to the Nairobi Securities Exchange on all past interest and penalties as long as they declare their past incomes in compliance with the Act.

Market Development Reforms and Innovations

The Authority on 15 August 2019 approved the issuance of Kenya's first unlisted green bond, issued by Acorn Project (Two) Limited Liability Partnership following the launch of the Policy Guidance Note on Green Bonds in February 2019. This offered investors the chance to put money into an environmentally friendly fixed income security for the first time in the bourse's 65-year history. The issuance is a critical step in advancing the development of an effective ecosystem to support the establishment of green capital markets in Kenya in line with the Marrakech Pledge 2016.

The Authority has admitted six firms into the Regulatory Sandbox; Central Depository and Settlement Corporation (CDSC), Pezesha Africa Limited, Innova Limited, Belrium Kenya, and Pyypl Group Limited, as one company exited the environment to test its innovation in the market. This underscores our commitment to supporting innovation that will serve to deepen the market while enhancing the investor experience with capital markets products, processes and services.

With regards to development of capital markets infrastructure and institutions, the year witnessed the upgrade of systems at the Nairobi Securities Exchange (NSE) and CDSC. This is part of the efforts the Authority is putting in place to align the country's capital markets infrastructure to international standards.

Lastly towards the end of the period under review, the Authority proactively developed a 5-point short-term capital markets recovery strategy to not only counter the effects of Covid-19 but to position the capital markets as the key driver for Kenya's economic recovery.

Appreciation and Outlook

We remain indebted to the excellent support extended to the Authority by the Government to meet our constitutional obligations. I wish to thank the National Treasury and Planning, capital markets stakeholders, development partners, Government Ministries, Departments and Agencies and all the other financial services regulators who have played a significant role in supporting the Authority as it executes its mandate.

Chairman's Statement (Cont'd)

On behalf of the Board, I would like to pay tribute to the former Chief Executive, Mr. Paul Muthaura, who left the Authority on 01 January 2020 after serving for 14 years with half of this time as Chief Executive. During his tenure as the Chief Executive, Mr. Muthaura was instrumental in enhancing the regulatory and legal framework, expanding the scope of capital markets products that have positioned Kenya in the regional and global capital markets arena and supporting fintech innovations through the Regulatory Sandbox. Some of the new products introduced in Kenya's capital markets during his watch include Real Estate Investment Trusts, Global Depository Receipts and Notes, Derivatives, and Securities Lending and Borrowing. He also spearheaded the development of the Capital Market Master Plan (CMMP, 2014-2023) in collaboration with the capital markets industry in Kenya. The Board wishes Paul well in his future endeavours.

I wish to commend the Authority's staff and our industry partners for the zeal with which they have worked towards achieving the 10-Year Capital Market Master Plan and the Strategic Plan 2018-2023. With their invaluable contribution, I am confident that they will collectively steer the capital markets to greater heights to position Kenya as the "Heart of African Capital Markets" by the year 2023.

We therefore look forward to the exciting years ahead in the capital markets as new products and innovations are introduced to meet demands from the dynamic set of local, regional and international investors with eyes set on Kenya as an investment destination of choice.



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James Ndegwa
Chairman

Corporate Governance Statement

The Board of the Authority (the Board) is responsible and accountable to the Government of Kenya, through The National Treasury & Planning, in ensuring that the Authority complies with the law and the highest standards of corporate governance.

- i) There are eleven members of the Board all of whom, save for the Chief Executive, are non-executive directors
- ii) The Members possess a broad range of skills and competencies, including legal, finance, banking, economics and management.
- iii) During the period under review, the Board met fourteen times.

COMPOSITION OF THE BOARD

During the period under review, the Board was composed as follows:

1. **Mr. James Ndegwa**

James Ndegwa holds a BA (Hons) and an MA degree from Oxford University. An insurer by profession, he is an Associate of the Chartered Insurance Institute (UK) and an Associate of the Insurance Institute of Kenya. He is the Chairman of First Chartered Securities Limited and a director of several companies. Prior to his present position, he was the Managing Director of Lion of Kenya Insurance Company Limited until 2003.

2. **Hon. (Amb.) Ukur Yatani (Cabinet Secretary, The National Treasury & Planning)**

Hon. Amb. Ukur Yatani Kanacho has over 27-year experience in public administration, politics, diplomacy and governance in public sector since 1992. Before his appointment as Cabinet Secretary for The National Treasury & Planning, he served as the Cabinet Secretary for Labour and Social Protection since January 2018. Between the years 2006-2007, while Member of Parliament for North Horr constituency, he also served as an Assistant Minister for Science and Technology. At the height of his career (March 2013-August 2017), he served as a pioneer Governor of Marsabit County, the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors among others.

From 1992 to 2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills.

Hon. (Amb.) Ukur Yatani holds a Master of Arts in Public Administration and Public Policy, University of York, United Kingdom, 2005 and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

3. **Alternate to the Cabinet Secretary, National Treasury & Planning: Dr. Geoffrey Mwau (Director General, Budget, Economics and Fiscal Affairs, The National Treasury) - up to 22 April 2020**

Dr Mwau graduated from McGill University in Canada with a PhD in Economics in 1994. He worked as a Senior Advisor to the Executive Director representing Kenya and 21 other African countries at the Executive Board of World Bank. Prior to joining the World Bank, he was a Senior Regional Advisor on Economic Policy Analysis with the United Nations Economic Commission for Africa. Previously, Dr Mwau also worked for the International Monetary Fund (IMF) as an economist for Rwanda, Malawi, Botswana, and Uganda.

4. **Alternate to the Cabinet Secretary, National Treasury & Planning: Prof. Dulacha Galgalo Barako (Director, Financial and Sectoral Affairs Department, National Treasury) (Appointed on 23 April 2020)**

Prof. Barako is currently, Director, Financial and Sectoral Affairs Department at The National Treasury. He previously worked at the Central Bank of Kenya and served as Head of Academic Division at the Kenya School of Monetary Studies (KSMS). He taught at Curtin University (Australia), Strathmore University and Moi University through the postgraduate collaborative programs at KSMS. He also served as Policy Advisor at the Commission on Revenue Allocation.

At the Central Bank of Kenya, he worked in various Departments: Banking, Bank Supervision and Research. He completed his PhD study at the University of Western Australia in 2005, and Bachelor of Commerce (1993) and

Corporate Governance Statement (Cont'd)

Master of Business Administration (1996) Degrees at the University of Nairobi. He has co-supervised a number of PhD students and supervised several Masters' research students. He has examined several postgraduate theses. He also served as external examiner for Curtin University, Australia (Curtin Business School) and Strathmore University, Kenya (Strathmore Business School). He served as Adjunct Professor at Curtin University, School of Business; Moi University, Associate Professor, School of Business and Economics, and Adjunct Professor at the KCA University.

He is a member of the Institute of Public Accountants, Australia as well as the Accounting and Finance Association of Australia and New Zealand (AFAANZ). He is also a practicing member of the Institute of Chartered Investment and Financial Analysts of Kenya (ICIFA). He served in various boards: Chairman of Council, Dedan Kimathi University of Technology; Chairman of Council, Meru University of Science and Technology; Treasurer of Council, Moi University; and board member, Agricultural Finance Corporation.

5. **Justice (Rtd) Paul Kihara Kariuki CBS, Hon. Attorney General**

Paul Kihara Kariuki is the Attorney General of the Republic of Kenya with effect from April 2018. He obtained a Bachelor's Degree in law from University of Nairobi in 1977 and Post Graduate Diploma in Law from Kenya School of Law in 1978. As the President of Court of Appeal of Kenya, between 2013 and March 2018, he was instrumental in the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri Counties. He directed the development of the blueprint ten-point strategy for the transformation of the Court that culminated in the Court of Appeal Bill and the strategic plan for the Court of Appeal in Kenya. As the first director of the Judiciary Training Institute (2009- 2013), Kenya, he was instrumental in establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates and all cadres of the paralegal staff at the judiciary. Mr. Kihara also served as a judge in the High Court of Kenya (2003- 2011). He served in the Civil and Commercial divisions of the Court and as a judge in the Election Court for various parliamentary petitions. Previously he was a partner, Messrs Ndungu Njoroge and Kwach Advocates, Nairobi (1986- 2000) and legal assistant and partner, Messrs Hamilton Harrison and Mathews Advocates, Nairobi (1977- 1985).

6. **Alternate to Hon. Attorney General: Mr. Nevis Ombasa**

Mr. Nevis Ombasa is a lawyer by profession. He holds a Bachelor of Arts (Econs) Degree from D.A.V.V University India and a Bachelor of Laws (LLB) degree from Karnataka University, India. He has previously worked in the law firm of Maobe Maotsetung & Co. Advocates and Omboga & Co. Advocates. Mr. Ombasa is currently working in the Office of the Attorney General and Department of Justice as a State Counsel in the Government Transactions Division.

7. **Dr. Patrick Njoroge (Governor, Central Bank of Kenya)**

Dr. Njoroge is an economist by profession and holds a PhD in Economics from the University of Yale, USA. He holds a Master's degree in Economics and a Bachelors degree in the same discipline from the University of Nairobi. He joined the Washington-based IMF in 1995 as an economist and rose through the ranks to hold the position of adviser. Prior to that, he worked briefly in the mid-1980s at the Ministry of Planning and as an economist at the Ministry of Finance in the 1990s.

8. **Alternate to Governor, Central Bank of Kenya: Mr. William Nyagaka (up to 31st March 2020)**

Mr. William Nyagaka joined the Central Bank of Kenya in May 1994. He was appointed Director, Financial Markets Department in May 2018. He previously served as Director, Internal Audit. He holds an MBA (Finance), and a Bachelor of Commerce (Accounting) degree from the University of Nairobi. He is a Certified Public Accountant (CPAK) and a Certified Public Secretary (CPSK). Mr. Nyagaka also holds a Bachelor of Laws degree (LLB) from the University of Nairobi and a Diploma in Law from the Kenya School of Law. He is an Advocate of the High Court of Kenya.

Prior to joining the Central Bank of Kenya, he worked with the Kenya Power and Lighting Company Limited as a financial accountant, in addition to working with Office of the Auditor General. He has served in various departments in Central Bank of Kenya, including Finance, Banking, Financial Markets, Bank Supervision and Deposit Protection Fund Board. He also served, on secondment, at the Kenya Revenue Authority (KRA) during its formative stages.

9. **Alternate to Governor, Central Bank of Kenya: Mr. David Luusa (Appointed from 1st April 2020)**

Mr. David Luusa joined the Central Bank of Kenya in April 2020 and was appointed Director, Financial Markets Department (FMD). Prior to joining the Bank, David served at Standard Chartered Bank as a member of the Executive Committee and Head of Financial Markets in the East Africa region. He has extensive banking experience across different markets

Corporate Governance Statement (Cont'd)

in Africa and Europe holding senior leadership responsibility within financial markets. He holds a Master of Arts degree in Economic Science from the University of Aberdeen and serves on the Monetary Policy Committee of the Central Bank of Kenya.

10. Mr. Moibi Mose

George Moibi Mose is an Advocate of the High Court of Kenya with over fifteen years' experience. He is a Commissioner for Oaths and Notary Public. Mr. Moibi holds a Master of Laws (LLM) and a Bachelor of Laws (LLB) degree (Honours) both from the University of Nairobi. Mr. Moibi is the Managing Partner and co-founder of Meritad Law Africa LLP, Nairobi, and has a vast experience in conveyancing, commercial, corporate, banking, insurance, international, and public finance law, litigation, arbitration, mediation, Real Estate, Family Court, Election Petitions and Immigration Law. He previously worked at Ongweny & Moibi Advocates as a Managing Partner, and an Associate of both Sichale & Company Advocates as well as Munoru Kagiri & Wamae Advocates

11. Ms. Christine Okoth

Christine is currently the Managing Director - MAL Consultancy Limited. She is an experienced Human Resource (HR) and Business Leader, with over 15 years of HR and business partnering practice. Prior to her current position, Christine worked at Safaricom Limited where she held several roles including HR Systems and Communications, Head of Talent and Resourcing and Head of HR Business Partnership. She holds a degree in International Relations and Marketing from the United States International University. She is a Certified Lead and Internal Auditor, Project Manager, HR Information Systems Manager, Competency Assessor, Organization Design Expert, a Leadership Coach and Mentor. Christine is a member of the Institute of Human Resource Management (IHRM) Kenya, and Chartered Institute of Personnel Development (CIPD) in the United Kingdom.

12. Dr. Thomas Kibua

Dr Kibua is a Senior Faculty Member at Strathmore University Institute of Public Policy and Governance and Economic Advisor to the Governor of Makueni County. Previously, he served as Director of Health Policy and Systems Research at the African Medical and Research Foundation (April 2008 -March 2011); the Executive Director of the Institute of Policy Analysis and Research (IPAR) a non-governmental think tank specializing in policy analysis and research (2003-2008); and Chairman of Egerton University Council (2009-2012). He previously taught for many years at the Department of Economics, University of Nairobi. He was Deputy Governor of the Central Bank of Kenya for the statutory period of eight years (1993-2001), served as Advisor to the President of East and Southern Africa Trade and Development Bank (2001), worked on long Term Technical Assistance Program as Economic Advisor to the Kenyan Ministry of Health (health care financing) (1991-1993) and sat on several Boards of State Corporations (Capital Markets Authority, Export Processing Zones Authority, Export Promotion Council and Deposit Protection Fund) and private companies.

Dr Kibua graduated from the University of Nairobi with a Bachelor's degree and a Master's degree in Economics in April 1974 and June 1976, respectively; a Master's degree in Economics from Yale University, USA, in 1979; and a Doctor of Philosophy degree from the University of Nairobi in 1983.

13. Mr. John Birech

Mr. John Birech holds an MA (Economics); B Phil. (Economics) and BA (Economics) from the University of Nairobi. He is an independent director of the Board and has previously served in various capacities at the Central Bank of Kenya, his last appointment being the Ag. Director, Financial Markets Department before retirement.

14. Dr. Freshia Mugo - Waweru

Dr. Waweru holds a Ph.D. in International Finance (Derivatives Trading) from Sogang University in Seoul (South Korea), a Master's in Business Administration (MBA) and Bachelors of Commerce (Accounting) from Kenyatta University. She is also a Certified Public Accountant of Kenya (CPA-K). In 2012, she was appointed to the 16-member steering committee to come up with the 10- year Capital Market Master Plan of the capital markets industry in Kenya which was launched in November 2014. In January 2015, she was appointed as a member of the Capital Market Master Plan Implementation Committee and the chairperson of the Financial Deepening Committee, especially on the introduction of derivatives market in Kenya. In April 2015, Dr. Waweru was appointed as a member of the Anti - Money Laundering Board where she was a member of the Finance Committee and the Chair of the Human Resources Committee. In October 2015, she was appointed as a member of the Nairobi Securities Exchange (NSE) Derivatives Risk Management Committee.

Corporate Governance Statement (Cont'd)

Dr. Waweru has extensive training and consultancy experience in different areas like; Corporate Governance, Leadership, Finance for Non-Finance Directors & Managers, Derivatives Markets & Trading, Financial Management, Investment Analysis and Portfolio Management.

She is a senior lecturer at Strathmore University teaching Derivatives Markets, Advanced Investment Analysis and Portfolio Management, Managerial Finance, Corporate Finance, International Finance, Public Sector Financial Management, Financial and Management Accounting among others.

15. Mr. Peter Mungai

Mr. Mungai is an Advocate of the High Court of Kenya and holds a Bachelor of Laws Degree (LLB) and a Masters in Business Administration (MBA) from University of Nairobi (UoN). He is currently pursuing a Ph.D. in Business Administration from the same institution. He is a Certified Public Accountant (CPA) and a Certified Public Secretary (CPS) as well an Associate of the Kenya Institute of Bankers (AKIB). He also holds a Certificate in Banking and Financial Services (CBFS).

Mr. Mungai is the Head of Tax for ABSA Bank of Kenya Limited and has over 12 years' experience in tax management and policy. Prior to joining ABSA bank, Mr. Mungai worked with PricewaterhouseCoopers (PwC) and KPMG East Africa. He is a Trustee for ABSA Bank Pension Schemes and a Member of the Standards Tribunal. He has also worked with Diamond Trust Bank (DTB).

16. Mr. Paul M. Muthaura (Chief Executive Officer) (up to 01 January 2020)

Mr. Muthaura was the Chief Executive, Capital Markets Authority up to 01 January 2020. Prior to the Chief Executive position, he held other positions as the Director, Regulatory Policy and Strategy; Head of Legal Framework and Head of Enforcement. Mr. Muthaura was a member of the Board of the International Organization of Securities Commissions (IOSCO), the Steering Committee of the Growth and Emerging Markets Committee of IOSCO, the Financial Stability Board (FSB) Regional Consultative Group for Sub-Saharan Africa and the Consultative Committee of the East African Securities Regulatory Authorities (EASRA). Mr. Muthaura was also an ex-officio member of the Boards of Directors of the Retirement Benefits Authority, the Insurance Regulatory Authority and the Vision 2030 Delivery Secretariat.

He previously worked as an Emerging Markets Advisor with the General Secretariat of the International Organization of Securities Commissions (IOSCO). Before moving into the regulatory industry, Mr. Muthaura was a senior commercial associate with the law firm of Daly and Figgis Advocates.

Mr. Muthaura is an Advocate of the High Court of Kenya and an Honorary Fellow of the Institute of Certified Secretaries. He holds a Bachelor of Laws degree from the University of Warwick, a Masters in Banking and Finance Law from the London School of Economics and Political Science and a Masters in Philosophy from the Maastricht School of Management.

17. FCPA. Wyckliffe Shamiah (Acting Chief Executive) from 2 January 2020

Mr. Shamiah was the Acting Chief Executive of the Capital Markets Authority effective 01 January 2020 and appointed to the substantive position on 19 November 2020. He was previously the Director of Market Operations. He has worked at the Authority for over 22 years in various capacities with all round exposure in various aspects of capital markets.

During this period, Mr. Shamiah has been the nominee of the Capital Markets Authority to the Council of the Institute of Certified Public Accountants of Kenya for more than 11 years and a representative of the Authority to the Financial Stability Board Regional Consultative Committee for Sub-Saharan Africa. Regionally, he has played a major role in development of capital markets having contributed immensely in capacity building programmes in Tanzania, Uganda, Rwanda and Burundi. He chairs one of the technical committees of the East African Securities Regulatory Authorities (EASRA), the Market Supervision and Risk Management Sub-Committee. He sits on various boards including Insurance Regulatory Authority, Retirement Benefits Authority and Vision 2030 Delivery Board. Mr. Shamiah is a Fellow of the Institute of Certified Public Accountants (FCPA)(K) and holds a Masters in Business Administration from the University of Nairobi and a Bachelor of Arts Degree in Mathematics and Economics from Egerton University.

Review of the Authority's Performance

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the Financial Statement, a statement of the national government entity's performance against predetermined objectives. The Capital Markets Authority (CMA) has six strategic objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The strategic objectives are as follows:

- To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency;
- To facilitate the development, diversification and uptake of capital markets products and services;
- To ensure sound market infrastructure, institutions and operations;
- To leverage technology to drive efficiency in the capital markets value chain;
- To ensure optimal institutional efficiency and effectiveness of Capital Markets Authority; and
- To enhance the strategic influence of the Capital Markets Authority.

From the Strategic Plan, CMA came up with annual obligations to ensure the strategic plan is fully met. CMA therefore develops its annual work plans based on the above six objectives pillars and identifies key thematic areas to be implemented in a specific year. (The thematic areas show the area of concentration). The key thematic areas for 2019/2020 are:

- Optimal product, services uptake and market deepening;
- Supervision, stability and governance; and
- Institutional service delivery, operational efficiency and sustainability.

Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The CMA achieved its performance targets set for the FY 2019/2020 period for six (6) of its strategic objectives, as indicated in the table below:

Table 2: Performance against predetermined objectives.

Strategic Objective	Outcome	Key Performance Indicators	Activities	Achievements
Ensure sound market infrastructure, institutions and operations	Supervision, stability and governance	Complete assessment of the soundness of market infrastructures at NSE and CDSC by September 30, 2019.	<ol style="list-style-type: none"> To assess NSE upgraded ATS and make recommendations on its support for the Capital Markets Master Plan (CMMP) outlook for trading environment and Principles of Financial Markets Infrastructure (PFMI) compliance. To assess CDSC new Perago System and make recommendations on implementation considerations in line with the CMMP outlook for clearing and settlement environment and PFMI compliance. Board approval of revisions to NSE and CDSC rules and procedures to inform system alignment To get commitment from CDSC Board on the CDSC system upgrade completion. Clear directives issued on way forward for both infrastructures at NSE and CDSC after reviewing the assessments. 	<ol style="list-style-type: none"> The upgraded NSE system and CDSC Perago system were assessed, approved and commissioned in October 2019. CDSC carried out the PFMI assessment and shared the preliminary report with CMA. The board approved the NSE rules as well as the CDSC operational rules.
To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency	Optimal product and services uptake and market Deepening	Five (5) FinTech admitted to the test environment under the regulatory sandbox.	To review applications submitted for admission to regulatory sandbox.	We admitted six (6) companies into the sandbox during the financial year.

Strategic Objective	Outcome	Key Performance Indicators	Activities	Achievements
Enhancing Strategic Influence	Optimal product and services uptake and market deepening	Non-regulatory gaps inhibiting product uptake identified and documented for staggered implementation as per Implementation Action Plan.	Coordinate and oversee the formation of a market wide influential think tank team to address market wide challenges and propose solutions that will drive uptake of capital markets products and services.	Following the guidance by the board, to go the Capital Markets Consultative forum way, the team held Stakeholder sessions with issuers, intermediaries, individual CEOs and regulators alike (including the National Treasury), culminating in a Webinar. The identified issues, challenges and have formed a firm basis for uptake strategies that will be presented to the Board in the new financial year.
To facilitate the development, diversification and uptake of capital market products and services		Number of capital markets issuers with capital markets products related to the manufacturing, housing, agriculture and healthcare sector increased by two (2) by June 2020.	Develop and implement a market deepening strategy focusing on programs and resources to drive change and ultimately onboard development innovation and uptake of capital markets products and services.	<ol style="list-style-type: none"> 1. There was issuance and listing of Kenya's first Corporate green bond by Acorn Project (Two) Limited liability partnership. 2. The Government through the National Treasury issued two (2) Infrastructure Bonds (a 9-year in April and (a 6-year in May 2020).
Leveraging technology to drive efficiency in the capital markets value chain	Institutional service delivery, operational efficiency and sustainability	Enhanced business intelligence, analytics, policy formulation and decision making process across the Authority.	Implement the Information Repository and Business Intelligence systems by June 2020.	The Data Warehouse and Financial Analysis, HCA, ERP and Market Surveillance System (MSS) data models have been developed. End users have had at least one training and or user acceptance testing (UAT) session.
Ensure optimal institutional efficiency and effectiveness of CMA		<ol style="list-style-type: none"> 1. Minimum revenue target of 1,051 million. 2. Expenditure ≤ 1,033 million budget in the absence of revenue escalation. 3. 100% safety of Principal 4. Return above 91-day T-Bills 	<ol style="list-style-type: none"> 1. Efficient allocation and control of resources to ensure all key activities and programs are funded on time and best value within budget. 2. Effective management of ICF to offer investor protection. 3. Invest the Investor compensation fund (ICF) and CMA monies prudently for safety of principal and reasonable returns as per investment policy. 	Collections in the year were Ksh1,064 million or 1% above target. The Authority fully funded all the key activities in the year. CMA and ICF funds have been well managed, and earned a non- competitive return above the 91 day Treasury bill.

Over and above being in our Annual work plan, the above items have been captured in the Authority's performance contract under specific categories such as ease of doing business, regulatory sandbox, A-I-A (Fees and levies), competency development and public awareness and market deepening.

No.	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:6	Audit Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:9(8 scheduled and 1 Special)	Technical and Policy Committee (TPC) Total number of Meetings:8 (7 Scheduled and 1 Special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:9(4 scheduled and 5 Special)	Joint Audit and Finance and Planning Committee:1	ICT Ad hoc Committee Total number of Meetings:6	KenolKobil Plc Ad hoc Committee :1	Board Total number of Meetings: 14 (6 scheduled and 8 special)
1	Mr. James Ndegwa	Independent	Board Chairman							1/1	14/14
2	Mr. Nevis Ombasa	Alt. Attorney General			7/9	4/8	8/9	1/1			12/14
3	Ms. Christine Okoth	Independent Member	Chairperson HRCC up to May 2020		8/9	1/8 Member appointed to the Committee in May 2020	7/9 ceased to be a Member of the Committee effective May 2020	1/1	5/6		14/14
4	Mr. John Birech	Independent Member	Chairperson TPC up to May 2020	5/6 ceased being a Committee member effective May 2020		7/8	1/9(co-opted)	1/1			14/14
5	Mr. Geoffrey Mwau	Alt. to the Cabinet Secretary National Treasury		1/6	2/9	2/8					6/14
6	Mr. Musa Kathanje	Representing Principal Secretary National Treasury		1/6		1/8					
7	Mr. William Nyagaka	Alt. to the Governor Central Bank of Kenya		2/6	3/9	4/8	1/9(co-opted)		3/6		7/14

No.	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:6	Audit Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:9(8 scheduled and 1 Special)	Technical and Policy Committee (TPC) Total number of Meetings:8 (7 Scheduled and 1 Special)	Human Resources and Corporate Communication (HRCC) Total number of Meetings:9(4 scheduled and 5 Special)	Joint Audit and Finance and Planning Committee:1	ICT Ad hoc Committee Total number of Meetings:6	KenolKobil Plc Ad hoc Committee :1	Board Total number of Meetings: 14 (6 scheduled and 8 special)
8	Dr. Freshia Mugo-Waweru	Independent Member	Chairperson ACM up to May 2020		8/9	6/8 Ceased to be a Committee Member in May 2020		1/1		1/1	13/14
9	Mr. Peter Mungai	Independent Member	Chairperson Audit Committee effective May 2020	5/6 ceased being a member of the Committee effective May 2020		4/8 Ceased to be a Committee Member in May 2020		1/1			14/14
10	Dr. Thomas Kibua	Independent Member	Chairperson FPC up to May 2020	4/6 ceased being a Committee member effective May 2020		1/8 Committee Member appointed in May 2020	8/9 Ceased being a Member of the Committee effective May 2020	1/1		1/1	14/14
11	Mr. Davis Luusa	Alt. to the Governor Central Bank of Kenya				1/8					1/14
12	Prof. Dulacha Galgalo Barako	Alt. to the Cabinet Secretary National Treasury				1/8					1/14
13	Mr. Moibi Mose	Independent Member	Chairperson of the ICT Ad hoc Committee		3/9		4/9 Ceased being a Member of the Committee effective May 2020		4/6		10/14

No.	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:6	Audit Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:9(8 scheduled and 1 Special)	Technical and Policy Committee (TPC) Total number of Meetings:8 (7 Scheduled and 1 Special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:9(4 scheduled and 5 Special)	Joint Audit and Finance and Planning Committee:1	ICT Ad hoc Committee Total number of Meetings:6	KenolKobil Plc Ad hoc Committee :1	Board Total number of Meetings: 14 (6 scheduled and 8 special)
14	Mr. Andrew Meme	ICT Ad hoc Member							5/6		
15	Mr. Muchemi Wambugu	ICT Ad hoc Member							4/6		
16	Mr. Geoffrey Ng'etich	ICT Ad hoc Member							2/6		

NOTES:

- * Mr. Geoffrey Mwau ceased being a Board Member effective 22 April 2020
- * Mr. William Nyagaka ceased being a Board Member effective 31 March 2020
- * Mr. David Luusa Member appointed effective 1 April 2020.
- * Prof. Dulacha Galgalo Barako appointed effective 23 April 2020

Statement of Board Members' Responsibilities

Board Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 14 of Capital Markets Act, the Board works through a number of committees which operate within defined Terms of Reference. Other committees are formed on ad-hoc basis as need arise. During the period under review, the Board constituted the following committees:

The Finance and Planning Committee

The committee consists of four members all of whom are non-executive members of the Board. The committee was chaired by Dr. Thomas Kibua upto May 2020, and subsequently chaired by Dr. Freshia Mugo-Waweru. This committee has oversight on all financial issues including budgets, financial reporting process and controls and procurement. The committee met six times during the year.

The Audit, Corporate Governance and Risk Management Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Dr. Freshia Mugo-Waweru upto May 2020, and subsequently by Mr. Peter Mungai. It has oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of financial statements. The committee met eight times and had one special meeting in the year.

The Human Resource and Communication Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Ms. Christine Okoth up to May 2020 and subsequently by Mr. John Birech. It is responsible for human resource matters including recruitment, management succession as well as the corporate communications function. The committee met four times during the year and had five special meetings.

The Technical and Policy Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. John Birech up to May 2020 and subsequently by Dr. Thomas Kibua. It is responsible for considering technical and policy matters of the Authority, including reviewing the Authority's strategy and continuous oversight of the review of the capital market legal and regulatory frameworks. The committee met seven times during the year and had one special meeting.

Ad-Hoc Board Committees

The following were the Ad hoc Committees in the financial year:

- i) The Implementation Committee for the Capital Market Master Plan- Launched in 2014.
- ii) The Board established the ICT Adhoc Committee in February 2017. This committee consists of five members three of whom are recruited from the ICT Industry with ICT Technical Skills. The committee was chaired by Mr. Moibi Mose. It consists of two non-executive members of the Board, and three external experts from ICT industry. It is responsible for continuous assessment of opportunities/innovation to improve service delivery through ICT, provide oversight and guidance on the initiative to automate and deliver effective technological solutions to access and provide inputs on strategies to deliver reliable ICT infrastructure and ensure Security (Confidentiality, Integrity and Availability) of ICT systems and to provide strategic guidance to ensure ICT operations, processes and resources are managed prudently. The committee met six times in the year.
- iii) Ad hoc Committee on Kenol Kobil PLC. This committee consisted of eight members four of whom were appointed from the industry with finance, auditing & legal skills. The committee was chaired by Mr. James Ndegwa. The committee was appointed by the Board to conduct the enforcement action hearings in the alleged "insider-trading activities" in Kenol-Kobil PLC shares. The Ad hoc committee met once in the year.
- iv) Financial Markets Law Review Panel
The Board of the Capital Markets Authority (CMA), in line with the targets set out in the Capital Market Master Plan (2014 – 2023), established a Financial Markets Law Review Panel of 16 leading domestic and international financial market lawyers and practitioners. The Panel will play a key advisory role to the Board in exercising its mandate to ensure that capital markets law remains responsive to market realities and appropriately facilitative to evolving market expectations from both a domestic and international perspective. The Panel was scheduled to meet in March 2020 but did not due to COVID-19 challenges.

Statement of Board Members' Responsibilities (Cont'd)

The Board Members are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30th June 2020. This responsibility includes; (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the authority; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Board Members accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Board Members are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority transactions during the financial year ended 30th June 2020, and of the Authority's financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board Members to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Authority's financial statements were approved by the Board on 13 November 2020 and signed on its behalf by:



Chairman



Chief Executive

Management Discussion and Analysis

SECTION A

Operational and Financial performance

The Authority promotes and facilitates the development of an ordinary, fair, and efficient Capital Market in Kenya. This mandate has continued to be delivered in the year. Revenue earned and surplus before transfer to the National Treasury were 2% and 77% above last year's performance, respectively. The increase in the realized revenue and surplus is mainly attributable to the approval fees collected in the year.

The Authority is in a strong cash flow position capable of meeting obligations as they fall due. The performance at hand has a bearing on the future market activities. It is important to note that any changes affecting investors in the economic, social and political environment, has a significant impact on the capital markets industry. The Authority is cognizant in particular of the effects of the Covid-19 pandemic on investor behaviour and the impact this may have on market activities.

SECTION B

Compliance with statutory requirements

The Authority is in compliance with all statutory obligations including but not limited to: remittances of PAYE, NHIF, NSSF, VAT, HELB, Withholding tax etc within the stipulated deadlines

The Authority, being the Capital Markets regulator in Kenya, is subject to legal proceedings in the normal course of business. While it is not possible to forecast or determine the final results of all pending legal proceedings, the Authority assesses the adequacy of its provisions periodically against case developments and related legal costs. A full provision has been made in the books, and CMA has a pre-qualified list of legal consultants from which services are sourced competitively from time to time.

SECTION C

Key projects and investment decisions being implemented

The following is the major project being implemented at CMA

Project	Brief description	Viability	Funding	Sustainability
Change Management (Uwezo Kipeo)	Cultivating a culture of excellence driven by outcomes, staff empowerment and a globally benchmarked code of conduct and ethics. This involves complete review of how we manage and motivate staff, the single most important resource in achieving the mandate of the Authority.	More skills, systems, agility, and raising the capability of CMA to regulate the capital markets, and being ready to take on new challenges in making Kenya a great place to invest.	Donor Funded/ CMA	The project is fully successful
Supply, installation & commissioning of computer hardware, data repository & business intelligence system and Microsoft software upgrade at the Capital Markets	The Authority identified the need to build capacity to respond to the impact and support the implementation of technologies in the capital market value chain. This is part of its Strategic Plan (2018-2023) which has a Strategic Objective that stipulates that the Authority intends leverage on technology to drive efficiency in the capital markets value chain".	Upgraded ERP and server software to accommodate the incoming software applications and solutions. This server software will be able to; i. Support a data repository solution; ii. Accommodate a business intelligence and analytics engine; and iii. Provide capacity for sustainable growth of the information repository.	World Bank through FSSP	The implementation of the Project is underway

Management Discussion and Analysis (Cont'd)

SECTION D

Major risks identified in the ERM

The Authority has in place an Enterprise Risk Management (ERM) Framework on the basis of which Risk Management has been mainstreamed within the Authority to allow for structured risk assessments on a continuous basis. During the Financial Year, the Authority operationalized monitoring of the integration of ERM with Strategy by bringing together the functions of Strategy, Risk, Quality Assurance, Performance and Projects.

The Board is responsible for the Authority's risk management and at least once every quarter receives reports to enable the review, monitoring and evaluation of the implementation and effectiveness of the ERM framework. The Authority identified key corporate risks, the associated risk levels, and their mitigation strategies as defined below:

1. Potential collapse of Collective Investment Schemes.

The Authority is monitoring the quality of investment assets classes, investment restrictions and redemptions request from unit holders. Additionally, the Authority is holding quarterly engagements with Trustees on effective oversight of the schemes.

2. Covid-19 Infections & loss of life

Management is mitigating the risk on Covid-19 infection by the continued implementation of Ministry of Health guidelines on handling the Covid-19 pandemic.

3. Financially distressed listed companies and market intermediaries

The Authority issued guidelines to listed companies on the precautions being undertaken and the fate of AGMs, as well as offering guidance to issuers on the management of Coronavirus in the market. Additionally, the Authority is offering regulatory flexibility through prudential easing of E-AGM/EGM, E-publication, as well as relaxation of compliance with liquidity requirements.

4. Delayed business decision making and adoption of alternative funding model by potential issuers and market organizers to come to the market

Management established a Market Deepening Department to address low uptake of capital markets products and services. Similarly, there have been continuous engagements with potential issuers such as Acorn to ensure a seamless issuance process.

Management is also supporting and implementing new strategies to promote issuance and enhance uptake of capital markets products and services.

5. Challenges of transitioning the coffee trading at the Nairobi Coffee Exchange

The Authority is mitigating this risk by engaging with stakeholders and issuance of public notice to guide the transition.

6. Ineffective vendor project planning

The Authority is curbing the risk of projects stalling by:

- (a) Having engagements with the vendor in order to resolve the issues that might have caused the delays;
- (b) Escalation of instances where the key project resources have left the vendor organization;
- (c) Escalation of instances where delivery is delayed due to lack of prioritisation by the vendor; and
- (d) Insisting on quality control and assurance documentation from vendors to ensure any technical inefficiencies are addressed.

7. Cyber security threats with increased offsite access as staff work from home

The Authority is curbing the risk on Cyber security threats by:

- (a) Maintaining a robust email spam filtering and web filtering solution;
- (b) Maintaining an updated and licensed enterprise anti-virus;

8. Loss or lack of financial resources

The Authority is mitigating this risk by following up on budget and requisite approvals /support with parent ministry.

Management Discussion and Analysis (Cont'd)

9 Inadequate Human Resource

Management secured approvals of the new organization structure by State Corporations Advisory Committee and implementation is ongoing.

10 Capital markets Fintech solutions that transform the lives of Kenyans through efficiency and convenience in savings and investment

The Authority is enhancing this opportunity by leveraging the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions.

11 Increased knowledge, interest and uptake of capital markets products and services and enhanced investor protection, through enhanced technology-driven digital outreach

Management is enhancing this opportunity by leverage technology and digital platforms to implement public awareness, education, market deepening and investor protection strategies and programs.

SECTION E

Material arrears in statutory/financial obligations

The Authority has no statutory arrears and promptly meets all its statutory obligations. The Authority's pension scheme is oversighted by a Board of Trustees and is administered by an independent administrator.

There is an ongoing engagement with KRA for the latter to grant waiver of penalties and interest in line with prior confirmations being pursued in conjunction with the Authority's tax consultants.

SECTION F

Financial probity and serious governance issues

There are no issues of financial improbity reported by Management, any board committee or by external auditors. There are no governance issues and conflicts of interest at the Board or top management of the Authority are disclosed accordingly when they arise.



Standing from left to right:

Hon (Amb) Ukur Kanacho Yatani, EGH - Cabinet Secretary, National Treasury and Planning • **Dr. Geoffrey Mwau** - Alt. PS National Treasury & Planning • **Mr. Peter Mungai*** • **Mr William Nyagaka** - Alt to the CBK Governor • **Mr. John Birech*** • **Ms. Christine Okoth*** • **Mr. Nevis Ombasa** - Alt. Attorney General • **Dr. Thomas Kibua** • **Hon. Justice (Rtd) P Kihara Kariuki** - Attorney General • **Dr. Patrick Njoroge** - Governor CBK

* Independent Directors

Directors



Seated from left to right:

Mr. Moibi Mose* • Dr. Freshia Mugo* – Waweru • Mr. James Ndegwa - Chairman • Mr. Wyckliffe Shamiah - Chief Executive Officer

Message from the Chief Executive Officer



**Wyckliffe
Shamiah**

Chief Executive
Officer

I. Market Performance

During the financial year under review, the first half of the year registered a relatively strong performance pattern, buoyed by relative stability in market performance following a number of positive factors including the enhanced market infrastructure for facilitating trading, a calm political environment and the launch of new products and innovations.

During the period under review, the capital markets infrastructure was enhanced with the implementation of an upgraded Automated Trading System (ATS) at the Nairobi Securities Exchange (NSE) and the commissioning of a new Central Depository System (CDS) at the Central Depository and Settlement Corporation (CDSC) undertaken in October 2019. This was the culmination of a process that was initiated in 2014 noting that the systems had been in operation for a period of about 13 to 15 years. This exercise was conducted under the close

supervision of the Authority in administering its regulatory function. The new system has since improved the customer experience in the trading of securities by:

- i. Reducing the risk of system failure or break downs;
- ii. De-coupling the ATS and CDS by separating trading and depository functions into independent but inter-dependent systems for greater speed and efficiency;
- iii. Enabling use of up-to-date market infrastructure able to support the rollout of new capital markets products as envisioned in the Capital Market Master Plan such as, Securities Lending and Borrowing (SLB), short selling, day trading as well as multiple settlement cycles;
- iv. Removal of pre-validation of trades (which required securities to be in the sellers account prior to any trades being effected) as a risk management measure to remove inefficiencies impacting market liquidity, as securities remained idle for the duration of the trading cycle (T+3), increasing the cost of trading in the market and blocking execution of trading strategies such as short selling and securities lending and borrowing and;
- v. Increasing the ability of the systems to connect with global and broader domestic financial systems to improve efficiency.

The benefits of the upgraded infrastructure were further cemented through the admission of the Central Depository and Settlement Corporation (CDSC) onto the Authority's regulatory sandbox programme on 8 April 2020 to test its proposed screen-based Securities Lending and Borrowing (SLB) platform for a period of five months. A total of six companies have been admitted in the sandbox as at 30 June 2020.

In addition, the Capital Markets Authority in conjunction with other market regulators oversaw the successful launch of a derivatives market in Kenya resulting in the subsequent trading of the six listed Single Stock Futures (SSF) namely; the NSE 25 Share Index, Safaricom Plc, British American Tobacco (BAT), Kenya Commercial Bank (KCB), Equity Group and ABSA,

Chief Executive Officer's Statement (Cont'd)

formerly Barclays Bank of Kenya (BBK) in October 2019. Futures played a significant role in creating a favourable environment for trading by market participants with 572 contracts traded between 4 July 2019 and 15 June 2020.

Performance in the second half of the year started on a relatively stable footing with the NSE 20-Share Index recording 2,673.98 on 2 January 2020. However, with the announcement of the first case of Covid-19 in Kenya on 13 March 2020, volatility in market performance was observed with the index plummeting to 1,942.12 as at end of the financial year. This was further characterised by increased foreign equity outflows between January and June 2020 reaching a record high of Kshs. 21.4 Billion compared to an outflow of Kshs. 582 Million and Kshs. 11.4 Billion recorded between July 2019 and December 2019 and in the financial year 2018/19.

Equity turnover levels increased by 9.20 percent to Kshs. 158.90 Billion in the financial year 2019/20 compared to Kshs. 145.51 Billion in 2018/19. Fortunately, as foreign outflows increased, local institutions took advantage of the increased supply to increase their holdings in several blue-chip counters.

In the primary fixed income market, the Central Bank of Kenya as a fiscal agent of the Government of Kenya issued 15 fixed coupon Treasury Bonds, three Infrastructure Bonds and four tap sales as the Government sought to raise Kshs. 712 billion to finance development and budgetary support. This was against Kshs. 803 billion and Kshs. 570 billion received and accepted respectively, reflecting an oversubscription by 12.62 percent and an acceptance rate of 79.94 percent in FY 2019/20. This reflected the increased

year-on-year appetite for Government securities as investors sought safer asset classes in the wake of the Covid-19 pandemic.

In the secondary fixed income market, Treasury Bonds dominated Corporate Bonds with Treasury Bond turnover levels in FY 2019/20 amounting to Kshs. 582.39 Billion against a Corporate Bond turnover value of Kshs. 4.15 Billion. This compares with Kshs. 614.22 Billion and Kshs. 850 Million in Treasury and Corporate Bond turnover levels recorded in FY 2018/19.

Further, in the second half of the year, the role of gold as a psychological barometer of market sentiment was witnessed in the face of Covid-19 based on the asset's ability to retain investment value. As a result, more trades were observed on the listed ABSA New Gold Exchange Traded Fund (ETF) in the second half of the year. ETF turnover performed favourably in the financial year with 37 ETF deals closed in FY 2019/20 and a turnover level of Kshs. 164.97 million, with Kshs. 163.49 million (99.1%) recorded in the second half of the financial year. This is compared to four ETF deals with a turnover of Kshs. 1.47 million in the FY 2018/19.

II. Measures undertaken by the Authority in the face of Covid-19 pandemic

The effects of Covid-19 have been witnessed across all sectors of the economy with various regulators innovating and adopting flexible measures to support their respective markets. The Authority was no exception and made various industry interventions to support market participants.

	Matter/Issue	Measure Undertaken
1	Reporting Requirements	<ul style="list-style-type: none"> The Authority reviewed reporting requirements with the lifting of the publishing of financial statements in two newspapers. Listed companies are now required to publish through their websites, but those who can do the former are encouraged to follow through with the requirements to reduce regulatory and compliance costs for market intermediaries.
2	Business Continuity Interventions	<ul style="list-style-type: none"> The Authority put in place necessary business continuity plans to ensure the safe and orderly conduct of its business during this time and is working with the entire capital markets industry so that appropriate measures are taken as the usual service is made available. Review and temporarily relax existing prudential and market conduct requirements for listed entities and market intermediaries where practical to keep business afloat.
3	Payment of Dividends	<ul style="list-style-type: none"> The Authority facilitated the approval for payment of dividends to shareholders awaiting ratification at the Annual General Meetings (AGMs).
4	Capital Markets Co-ordination	<ul style="list-style-type: none"> The Authority developed an industry consultative approach (CMA/NSE/CDSC/KASIB/FMA) in addressing market interventions aimed at supporting stakeholders to ensure minimal disruption to market activities while supporting the Government of Kenya strategies to contain the spread of the virus.

Chief Executive Officer's Statement (Cont'd)

	Matter/Issue	Measure Undertaken
5	Holding of Annual General Meetings (AGMs) by Licensees	<ul style="list-style-type: none"> The Authority allowed listed companies and licensed persons including Collective Investment Schemes scheduled to hold AGMs in March, April and May 2020, to postpone the meetings as they explored virtual platforms to hold the meetings.
6	Leveraging Technology in Stakeholder Engagements	<ul style="list-style-type: none"> The Authority has adopted the use of and promotion of digital technology and application of ICT in disclosures, compliance and stakeholder engagements. The technology enabled stakeholder engagements through platforms such as Facebook live streaming which allow for interaction with both local and diaspora /foreign investors.
7	Communication with the Public	<ul style="list-style-type: none"> The Authority has maintained consistent communication with the public through circulars and press releases aimed at keeping its stakeholders and the general public abreast with its activities in the face of Covid-19.
8	Regulatory Provisions	<ul style="list-style-type: none"> Review infrastructure, policy, legal and regulatory requirements to support access to capital markets investors and services. In this period, this has been undertaken through: <ol style="list-style-type: none"> Development of draft regulations to put into operation section 20 c and d of the Income Tax Act on the exemption of Real Estate Investment Trusts alongside Unit Trusts and Collective Investment Schemes from Income Tax. The draft regulations were put out for stakeholder comments with the process closed on 2 July 2020. Development of guidelines for the valuation of Collective Investment Schemes, investment performance measurement and reporting as a way of standardising reporting requirements of the different CISs in the industry. Review of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 to create room for different classes of issuers (Government and corporate)
9	Measures to support continuous investment in the capital markets during the Covid-19 Pandemic period	<ul style="list-style-type: none"> The Authority has guided the public as well as institutional investors such as pension schemes to take advantage of the undervalued securities occasioned by panic selling on the securities exchange and buying and holding the same for future capital gains. Further the Authority continues to collaborate with the NSE and market intermediaries in supporting the use of mobile phones and general online access by retail investors to enhance market activities at this period where physical movement is limited by social distancing rules.
10	Contribution to the Covid-19 National Kitty	<ul style="list-style-type: none"> In line with the commitment to support the national efforts to address the adverse effects of the coronavirus pandemic, the capital markets industry stakeholders led by the Capital Markets Authority (CMA) donated Ksh.30 million to the Covid-19 Emergency Response Fund in May 2020. The contribution came on the back of a raft of measures unveiled in April 2020 to ensure business continuity in the capital markets industry in the wake of the Coronavirus pandemic.

Source: CMA

III: Capital Markets-Related Policy Pronouncements – Budget Statement 2020

The Budget Statement for the Financial Year 2020/21 presented by the Cabinet Secretary on 11 June 2020 under the theme; “Stimulating the Economy to Safeguard Livelihoods, Jobs, Businesses and Industrial Recovery” made provisions that further position the Capital Markets as a favourable investment destination by industry participants.

These provisions include,

- Amendment of the Capital Markets Act to remove the function of payment of beneficiaries from collected

unclaimed dividends since this is a function currently domiciled under the Unclaimed Financial Assets Authority.

IV. Other Policy and Regulatory Frameworks

a) Roll out CPD Programme for the Capital Market Practitioners in Kenya

As part of the Authority's drive to enhance professionalism for customer-facing staff working for capital market intermediaries in Kenya, the Capital Markets Authority (CMA) announced plans to roll out a Continuous Professional Development (CPD)

Program with effect from 7 August 2019. The CPD programme is a follow-up to introduction of securities industry certification program in 2016 under an MoU between the Authority and the Chartered Institute for Securities & Investment (CISI).

b) **Publication of the Second State of Corporate Governance Report**

The Authority published the second State of Corporate Governance Report based on an assessment of 53 issuers of securities to the public in FY 2018/19. The

report is aimed at raising visibility of the state of corporate governance of issuers of securities to the public in Kenya in order to empower investors and respective boards as well as to encourage continuous improvement in practices. The report follows the evaluation of the second set of regulatory reports submitted in accordance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (the Code), which became effective in March 2017.

V. Financial Highlights

RESULTS		As at 30 June 2020 Shs '000	As at 30 June 2019 Shs '000
The results for the year are summarised below: -	Notes		
Total income for the year	6-9	1,064,116	1,044,093
Total operating expenditure for the year	29	(808,566)	(900,341)
Surplus under accrual accounting		255,550	143,752
Cashflow / balance sheet items	11(a)	(58,230)	(40,746)
Surplus before 90% due to the Exchequer		197,320	103,006
90% Surplus due to Exchequer	11(a)	(177,588)	(92,706)
Adjusted Retained Surplus		19,732	10,300
Add back: balance sheet/cashflow items		58,230	40,746
Retained Surplus under accrual basis		77,962	51,046

Chief Executive's Statement (Cont'd)

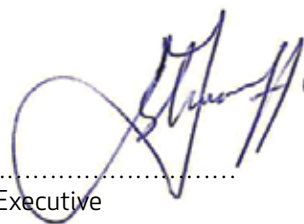
VI. Prospects

The uncertainty presented by the Covid-19 pandemic cannot be understated. With projections of economic decline across the globe, a multi-faceted approach towards attaining economic recovery remains a critical success factor. The Authority has since developed a short term recovery strategy that will be implemented within the next two to three years with the following projected outcome;

- i. Increasing the utilization of Capital Markets and listings by Micro, Small and Medium Enterprises (MSMEs), existing and potential large cap business and Counties to fund their longer-term expansion and contribution to Kenya's economic development;
- ii. Increasing primary and secondary equity and debt market liquidity;
- iii. Improving Capital Markets soundness by reducing concentration risks and
- iv. Increased mobilization of savings and investments by Kenyan populace towards

achievement of the 'Big 4' Agenda, looking forward to creating the right partnerships for success.

I wish to acknowledge that all the achievements during the period under review would not have been possible without the firm support of the CMA Board. I therefore take this opportunity to sincerely thank them. Our strategic partners and other stakeholders have also been instrumental, and I wish to appreciate them all for their steadfast support. Special recognition goes to the Management and Staff of the Authority for their commitment and drive to effectively execute our twin mandate of regulation and development of a fair and efficient capital market.



Chief Executive

Corporate Social Responsibility Statement

On 13 March 2020, the Ministry of Health reported the country's first Covid - 19 case since the outbreak of the disease in China in December 2019. A day prior to the announcement, the World Health Organization (WHO) on 12 March 2020 declared Covid-19 a pandemic, pointing to the over 300,000 cases of the coronavirus illness in over 110 countries and territories around the world and the sustained risk of further global spread. Subsequently, His Excellency the President issued several directives to contain the spread and impact of Covid-19 pandemic.

Recognizing the extra-ordinary nature of Covid-19 the Cabinet Secretary, the National Treasury and Planning, with the approval of the National Assembly, published the Public Finance Management (Covid-19 Emergency Response Fund) Regulations, 2020 through which the Covid-19 Emergency Response Fund was established to provide for a framework to mobilize resources for emergency response towards the Covid-19 pandemic.

In response, the Capital Markets Authority (CMA) established the 'Capital Markets Covid-19 Fund' in collaboration with industry stakeholders to make contributions. Kshs. 30,069,000 was collected including the Authority's contribution of Kshs. 20 million and presented to the Fund's Board on 9 May 2020 by industry stakeholders led by the CMA Board Chairman, Mr. James Ndegwa.

The Authority also participated in projects to sustain its social and environmental capital. On 8 March 2020, the Authority participated in the Beyond Zero Marathon through a corporate sponsorship worth Kshs.150,000. The charity's goal of improving maternal and child health, is aligned to the Authority's Corporate Social Investment Policy which supports initiatives in health sector.

The Authority has in place an Occupational and Safety Policy; a framework that sets out the guidelines for safeguarding a safe and healthy working environment for all employees, clients, visitors and stakeholders.

The Authority has on regular basis conducted HIV Testing Services as an initiative for HIV/AIDS prevention as well as establishing access to independent counselling for staff. Other initiatives on enhancing employee welfare included sensitization of staff on prevention and management of Cancer, Diabetes, Hypertension, Stress and Mental Health.

The Authority has consistently ensured compliance with the 1/3 gender rule, with the current ratio of Female to Male standing at 41%: 59% respectively thereby exceeding the minimum threshold of 33%. The Authority also promotes tribal diversity when conducting recruitment and promotions respectively for various positions in line with the Presidential initiatives on national values.

In carrying out its twin mandate of market development and regulation, the Authority has been ensuring the following market practices are observed:

a. Responsible competition practice

The Authority ensures that the regulated market players uphold the required regulatory standards through continuous supervision. Supervision entails both offsite and onsite monitoring to ensure observance of good conduct, deployment of safe and secure technological solutions in trading and servicing of clients' orders and contracts. Additionally, market players are required to observe good governance practices, maintain the required standards of internal controls as well as meet the stipulated financial requirements.

b. Responsible marketing and advertisement

The Authority plays the gatekeeping role to ensure that only fit and proper entities/persons/products operate and are offered in the market. Once an entity/person/product is approved to be rolled out into the capital markets space, the Authority requires such entities to submit all advertisements for their products/services for approval prior to publication.

c. Product stewardship

The Authority has consistently taken regulatory measures to ensure compensation and/or restitution of investors where they lose their investments or funds due to failure of a market intermediary to comply with their statutory obligations. The Authority's oversight role also seeks to promote responsible conduct among key officers of market intermediaries, who are responsible for safeguarding of investor's assets.

The Authority continues to build strategic alliances with key stakeholders both within and outside the country to jealously secure the markets. In this regard, the Authority has partnered with the Criminal Investigations Department whose officers are seconded to specifically pursue criminal matters in the capital markets. The Authority is working closely with the office of the Director of public Prosecution and also benefits from global regulatory cooperation on exchange of information through the IOSCO MoU.



The CMA Chairman Mr. James Ndegwa (third right) led the capital markets industry in presenting a donation of Kshs30 million to the Chairperson of the National Covid-19 Emergency Response Fund Board, Ms. Jane Karuku (centre) in May 2020. Looking on is a Board Member of the Covid-19 Fund Mr. Jeremy Awori (second right), CMA Chief Executive Mr. Wyckliffe Shamiah (first right), Secretary to the Covid-19 Fund Board Mr. Kennedy Kihara (third left), NSE CEO Mr. Geoffrey Odundo (second left), and the KASIB CEO Mr. Willie Njoroge (first left). CMA contributed Kshs20 million to the Fund.

Report of the Auditor General

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Capital Markets Authority set out on pages 27 to 56, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Mbaya & Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Capital Markets Authority as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Capital Markets Authority Act, Cap.485A of the Laws of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Capital Markets Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context. I have fulfilled the

Report of the Auditor-General on Capital Markets Authority for the year ended 30 June, 2020

Report of the Auditor General - Cont'd

responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

	Key Audit Matters	How the Audit Addressed the Key Audit Matter
1	Trade and Other Payables	Procedures done included:
	The renewed emphasis on Government Entities paying bills in a timely manner led to consideration of this as a Key Audit Matter. The trade and other payables in the year were Kshs.266.7 million, which is a 10.7% decline from Kshs.298.6 million reported in the prior year.	The following procedures were performed: <ul style="list-style-type: none"> • Verifying on the accuracy, existence and fair statement of the creditors balances by agreeing creditors statements to the confirmations; and • Reviewing the basis for provisions for liabilities and charges to verify the accuracy and assessment of reasonableness of the provisions.
2	Procurement of Goods and Services	Procedures done included:
	This was considered a Key Audit Matter due to the materiality of the goods and services procured during the year under review, as well as the need for compliance with the Public Procurement and Assets Disposal Act, 2015.	<ul style="list-style-type: none"> • Review of procurement documentation and checking compliance with the Public Procurement and Assets Disposal Act, 2015; • Verifying that there was appropriate level of segregation of duties in the procurement to payment process; • Verifying that tender invitations and quotation evaluation processes were performed in a transparent and objective manner; and • Analysing the resultant tender awards noting that the selection process ensured value for money in terms of cost and quality.

Other Information

The Directors are responsible for the other information, which comprises the statement of corporate governance, Directors' report and the statement of Directors' responsibilities. The other information does not include the financial statements and my auditor's report thereon.

Report of the Auditor General - Cont'd

My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

Report of the Auditor General - Cont'd

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless Management is aware of intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015. In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how the Authority monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

Report of the Auditor General - Cont'd

the Internal Control would not necessarily disclose all matters in the Internal Control that might be material weaknesses under ISSAIs. A material weakness is a condition in which the design or operation of one or more of the Internal Control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

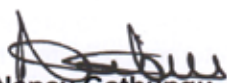
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

Report of the Auditor General - Cont'd

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the Key Audit Matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

15 January, 2021

Report of the Auditor-General on Capital Markets Authority for the year ended 30 June, 2020

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NOTE:

This is a copy of the Audit Report by the Auditor General on the financial statements for the year ended 30 June 2020. Whereas the financial statements published in this annual report are the same as in the signed accounts, the pagination is slightly different from that referenced in the auditor's report because of the additional business-related material included in the annual report. The financial statements as presented in this report are in pages 44 to 79.

Statement of Financial Performance

	Note	2020 Shs'000	2019 Shs'000
Capitalization, rights and new issue fees	6	950,838	887,998
Donor fund income	7	18,556	50,144
		969,394	938,142
Revenue from exchange transactions			
Other income	8	93,136	105,819
Total revenue		1,062,530	1,043,961
Expenses			
Operating expenditure	29	(808,566)	(900,341)
Total expenses		(808,566)	(900,341)
Other gains/ (losses)			
(Loss)/Gain on disposal of property and equipment	9	1,586	132
Surplus under accrual accounting	10	255,550	143,752
Cashflow/Balance Sheet items	11(a)		
Add back:			
Depreciation and Amortization.		18,411	19,575
Less:			
Increase in Approved Building fund reserve		(44,037)	(20,000)
Capital expenditure during the year		(17,110)	(23,683)
Utilisation of approved staff housing/other facilities		(15,494)	(16,638)
Surplus before 90% due to the Exchequer		197,320	103,006
90% Surplus due to Exchequer	11(a)	(177,588)	(92,706)
Adjusted Retained Surplus		19,732	10,300
Add back:			
Balance Sheet/ cashflow Items	11(a)	58,230	40,746
Retained Surplus under accrual basis		77,962	51,046


Consolidated Statement of Financial Position


(Including investor compensation fund)

	Note	2020 Shs'000	2019 Shs'000
ASSETS			
Current assets			
Inventories	12	2,067	1,622
Trade and other receivables from non-exchange transactions	13(a)	36,912	45,207
Trade and other receivables from exchange transactions	13(b)	9,919	14,676
Staff loans and advances/guarantee fund	14	47,957	50,208
Held-to-maturity investments	15	713,377	1,029,420
Cash at bank and in hand	16	62,298	29,615
Investors' Compensation Fund	17	2,051,182	1,934,621
		2,923,712	3,105,369
Non-current assets			
Property and equipment	18	59,082	44,316
Intangible assets	19	66,167	2,307
Staff loans and advances/guarantee fund	14	343,137	342,568
Held-to-maturity investments	15	168,495	141,861
Investors' Compensation Fund's investments	17	1,481,997	1,187,129
		2,118,878	1,718,181
Total Assets		5,042,590	4,823,550
Liabilities			
Current liabilities			
Trade and other payables	20	174,654	216,112
Provision for liabilities and charges	21	92,018	82,445
Investors' Compensation Fund	17	2,051,182	1,934,621
Deferred income	22	83,947	-
Surplus payable to National Treasury	11(a)	177,588	92,706
		2,579,389	2,325,884
Non-current liabilities			
Investors' Compensation Fund liabilities	17	1,481,997	1,187,129
Total liabilities		4,061,386	3,513,013
Net assets		981,204	1,310,537
Funds			
Capital fund	24	27,886	27,886
General fund	23	353,318	726,688
Building fund	25	600,000	555,963
Total Funds		981,204	1,310,537
Total Funds and Liabilities		5,042,590	4,823,550

The financial statements set out on pages 42 to 77 were approved for issue by the Board Members of the Authority on 13 November 2020 and were signed on its behalf by:


Chief Executive
 13 November, 2020


 ICPAK No. 1849
Director, Corporate Services
 13 November, 2020


Chairman of the Board
 13 November, 2020

CMA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Shs'000	2019 Shs'000
ASSETS			
Current assets			
Inventories	12	2,067	1,622
Trade and other receivables from non-exchange transactions	13(a)	36,912	45,207
Trade and other receivables from exchange transactions	13(b)	9,919	14,676
Staff loans and advances/guarantee fund	14	47,957	50,208
Held-to-maturity investments	15	713,377	1,029,420
Cash at bank and in hand	16	62,298	29,615
		872,530	1,170,748
Non-current assets			
Property and equipment	18	59,082	44,316
Intangible assets	19	66,167	2,307
Staff loans and advances/guarantee fund	14	343,137	342,568
Held-to-maturity investments	15	168,495	141,861
		636,881	531,052
Total Assets		1,509,411	1,701,800
Liabilities			
Current liabilities			
Trade and other payables	20	174,654	216,112
Provision for liabilities and charges	21	92,018	82,445
Deferred Income	22	83,947	
Surplus payable/ (Credit) to National Treasury	11(a)	177,588	92,706
		528,207	391,263
Non-current liabilities			
Total liabilities		528,207	391,263
Net assets		981,204	1,310,537
Funds			
Capital fund	24	27,886	27,886
General fund	23	353,318	726,688
Building fund	25	600,000	555,963
Total Funds		981,204	1,310,537
Total Funds and Liabilities		1,509,411	1,701,800

The financial statements set out on pages 42 to 77 were approved for issue by the Board Members of the Authority on 13 November 2020 and were signed on its behalf by:



Chief Executive

13 November, 2020



ICPAK No. 1849

Director, Corporate Services

13 November, 2020



Chairman of the Board

13 November, 2020

INVESTOR COMPENSATION FUND STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

	Note	2020 Shs'000	2019 Shs'000
ASSETS			
Current assets			
Fees receivable	17	55,534	44,516
Cash and cash equivalents	17	7,598	1,176
Investor Compensation Fund Investments Held-to-maturity	17	1,988,050	1,888,928
		2,051,182	1,934,621
Non-current assets			
Investments in Listed Companies	17	80,500	119,438
Investors' Compensation Fund's investments Held to maturity	17	1,401,497	1,067,691
		1,481,997	1,187,129
Total Assets		3,533,179	3,121,749
The Fund	17	3,533,179	3,121,749

The Authority is required to maintain a fund to be known as the Investors' Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. The Fund value was Shs 3.53billion (2019: Sh3.12billion).

The financial statements set out on pages 42 to 77 were approved for issue by the Board Members of the Authority on 13 November 2020 and were signed on its behalf by:



Chief Executive

13 November, 2020



Director, Corporate Services

13 November, 2020



Chairman of the Board

13 November, 2020

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Capital fund Shs'000	General fund Shs'000	Building fund Shs'000	Total Shs'000
At 1 July 2018	27,886	695,642	535,963	1,259,491
Surplus for the year	-	51,046	-	51,046
Transfer to building fund	-	(20,000)	20,000	-
At 30 June 2019	27,886	726,688	555,963	1,310,537
At 1 July 2019	27,886	726,688	555,963	1,310,537
Transfer of surplus to National Treasury				
Surplus for the year	-	77,962	-	77,962
Payment to The National Treasury		(407,294)	-	(407,294)
Transfer to building fund	-	(44,037)	44,037	-
At 30 June 2020	27,886	353,318	600,000	981,204

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Surplus for the year		255,550	143,752
Adjustments for:			
Tax expense			
Depreciation of property and equipment	18	16,737	16,939
Amortisation of intangible assets	19	1,674	2,636
Deferred donor funded income	22	83,947	-
Gain on disposal of property and equipment	9	(1,585)	(132)
Interest income	8	(92,567)	(104,106)
Operating Surplus before working capital changes		263,756	59,089
Decrease/(increase) in:			
Inventories		(445)	16
Trade and other receivables		13,052	5,339
Staff loans and advances		1,682	(14,370)
Increase/(decrease) in:			
Trade and other payables		(41,458)	17,406
Provision for liabilities and charges		9,573	3,361
Investors' Compensation Fund		411,430	850,933
Cash generated from operations		657,590	921,774
Interest received	8	92,567	104,106
Surplus paid		(500,000)	(21,127)
Net cash generated from operating activities		250,157	1,004,753
Cash flows from investing activities			
Purchase of property and equipment	18	(31,574)	(23,289)
Purchase of intangible assets	19	(65,533)	-
Proceeds from disposal of property and equipment		1,653	478
Purchase of treasury bonds from the Investors' Compensation Fund		(355,135)	160,503
(Purchase)/sale of treasury bills from the Investors' Compensation Fund		(49,873)	(1,035,213)
(Purchase)/sale of treasury bonds		18,469	66,496
(Purchase)/sale of treasury bills		270,941	(210,765)
Net cash used in from investing activities		(211,052)	(1,041,790)
Net increase/(decrease) in cash and cash equivalents		39,105	(37,036)
Cash and cash equivalents at start of the year		30,791	67,828
Cash and cash equivalents at end of the year	16	69,896	30,791

CMA STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Surplus for the year		255,550	143,752
Adjustments for:			
Tax expense			
Depreciation of property and equipment	18	16,737	16,939
Amortisation of intangible assets	19	1,674	2,636
Deferred donor funded income	22	83,947	-
Gain on disposal of property and equipment	9	(1,585)	(132)
Interest income	8	(92,567)	(104,106)
Operating Surplus before working capital changes		263,756	59,089
Decrease/(increase) in:			
Inventories		(445)	16
Trade and other receivables		13,052	5,339
Staff loans and advances		1,682	(14,370)
Increase/(decrease) in:			
Trade and other payables		(41,458)	17,406
Provision for liabilities and charges		9,573	3,361
Cash generated from operations		246,160	70,841
Interest received	8	92,567	104,106
Surplus paid		(500,000)	(21,127)
Net cash generated from operating activities		(161,273)	153,820
Cash flows from investing activities			
Purchase of property and equipment	18	(31,573)	(23,289)
Purchase of intangible assets	19	(65,533)	-
Proceeds from disposal of property and equipment		1,653	478
(Purchase)/sale of treasury bonds		18,469	66,496
(Purchase)/sale of treasury bills		270,940	(210,765)
Net cash used in from investing activities		193,956	(167,080)
Net increase/(decrease) in cash and cash equivalents		32,683	(13,259)
Cash and cash equivalents at start of the year		29,615	42,875
Cash and cash equivalents at end of the year	16	62,298	29,615

ICF STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Shs'000	2019 Shs'000
Cash flows from operating activities			
Interest income	17	(334,277)	(263,116)
Operating Surplus before working capital changes		(334,277)	(263,116)
Decrease/(increase) in:			
Trade and other receivables		(11,018)	2,726
Increase/(decrease) in:			
ICF Fund		422,448	848,207
Provision for liabilities and charges			
Cash generated from operations		77,153	587,817
Interest received	17	334,277	263,116
Surplus paid			
Net cash generated from operating activities		411,430	850,933
Cash flows from investing activities			
Purchase of treasury bonds from the Investors' Compensation Fund	17	(355,135)	160,503
(Purchase)/sale of treasury bills from the Investors' Compensation Fund	17	(49,873)	(1,035,213)
Net cash used in from investing activities		(405,008)	(874,710)
Net increase/(decrease) in cash and cash equivalents		6,422	(23,777)
Cash and cash equivalents at start of the year		1,176	24,953
Cash and cash equivalents at end of the year	17	7,598	1,176

Statement of Comparison of Budget and Actual Amounts

	Approved budget 2019-2020 Shs'000	Adjustments (Reallo- -cations) 2019-2020 Shs'000	Final budget 2019-2020 Shs'000	Actual on comparable basis 2019-2020 Shs'000	Performance difference 2019-2020 Shs'000	
Revenue						
Fee income from NSE	446,183	-	446,183	398,961	(47,222)	a)
Licenses and permits	22,900	-	22,900	21,099	(1,801)	
Market development Fees	11,770	-	11,770	9,381	(2,389)	b)
Capitalisation and bond approvals	280,000	-	280,000	521,389	241,389	c)
Derivatives Fees	8,894	-	8,894	8		d)
Fee based income	769,747	-	769,747	950,838	189,977	
Donor Funding- gifts and services-in-kind	141,910	-	141,910	18,556	(123,354)	e)
Finance income - external investments	97,000	-	97,000	92,567	(4,433)	
Gains on disposal, rental income and agency fees	-	-	-	1,586	1,585.90	f)
Other income	26,570	-	26,570	570	(26,000)	g)
Total income	1,035,227	-	1,035,227	1,064,116	37,775	
Expenses						
Personnel cost	590,514	-	590,514	466,800	123,714	a)
Rent and maintenance	41,500	-	41,500	39,970	1,530	
Equipment maintenance and stationery	40,817	(3,000)	37,817	31,632	6,185	b)
Telephone, postage and utilities	15,850	-	15,850	14,667	1,183	
Publicity and Advertising	20,719	18,950	39,669	31,152	8,517	c)
Medical scheme and insurance expenses	40,383	(1,500)	38,883	33,932	4,951	d)
Training and conferences	49,472	-	49,472	43,166	6,306	e)
Motor vehicle running expenses	6,200	-	6,200	5,728	472	
Subscriptions and IOSCO membership	12,582	(3,350)	9,232	8,891	341	
Authority board members' emoluments and allowance	34,224	-	34,224	32,331	1,893	
Professional & consultancy services	8,300	(1,500)	6,800	5,220	1,580	f)
Litigation/legal expenses	20,005	7,029	27,034	25,812	1,222	
Market Development & Islamic Finance	27,850	(10,100)	17,750	16,476	1,274	
Capital Markets Masterplan	3,200	(1,400)	1,800	699	1,101	g)
Donor Funded Projects	42,000	-	42,000	18,572	23,428	h)
Depreciation of property, plant and equipment	49,139	-	49,139	16,737	32,401	i)
Amortisation of intangible assets	7,646	-	7,646	1,674	5,973	i)
Auditor's remuneration	2,090	-	2,090	2,090	0	
Investors' education and awareness programme	15,050	(2,129)	12,921	11,407	1,514	j)
Tribunal expenses	5,570	(3,000)	2,570	1,359	1,211	k)
Provision for doubtful debts	-	-	0	250	(250)	
Total expenditure	1,033,111	-	1,033,111	808,566	224,545	
Surplus for the period	2,116	-	2,116	255,550	253,434	

Statement of Comparison of Budget and Actual Amounts (Cont'd)

Notes on Significant variances (10% and above) between actual and budget.

REVENUE

- a) **Transaction Fee income from NSE:** The cumulative performance was 15% below budget but 9% above last year mainly due to low activity and suppressed stock prices of listed companies.
- b) **Market Development** fee income was below annual budget by 16% mainly due to the redemption of the following corporate bonds in the period: CIC Insurance Group, Consolidated Bank of Kenya, Housing Finance Kenya, I&M Holdings, KenGen, NIC and UAP.
- c) **Capitalization and bond approvals income** was higher than budget mainly due to National Bank of Kenya buy-out by KCB and KCB's approval fee for the issue and listing of additional shares on the Main segment on NSE.
- d) **Derivative Fees** YTD was 99% below budget since this is a new market segment and uptake has not been as favourable as had been anticipated.
- e) **Donor Funding- gifts and services-in-kind** was below budget by 83%, as income was deferred for ongoing donor funded capital projects.
- f) **Gains on disposal** income was due to the receipts from disposal of obsolete assets through competitive bidding.
- g) **Other income** realized were mainly from the CMA-ICF management fees.

EXPENDITURE

- a) **Personnel cost:** The Authority's staff complement was gradually filled in the year, and the staff cost were well within the approved budgeted amount.
- b) **Equipment maintenance and stationery costs** were 15% lower than budget attributable to re-negotiated service maintenance contract for existing systems (Enterprise Resource Program (ERP) and Risk Based Supervision System (RBSS)).

- c) **Advertising and public relations-**The expense line was 22% below budget mainly due to reduction in publicity costs. The budget line was reallocated Ksh20 million from other un-utilized expense lines towards payment into the Covid-19 Emergency Fund. NB: The Authority paid Ksh20 million.
- d) **Medical Scheme & Other insurance expenses** lines were 11% below budget. The low spend on medical scheme expense could have been impacted by the 'stay at home' measure for families due to the Covid-19 pandemic.
- e) **Training and conferences:** Due to Covid-19 measures there were no training activities in the quarter 4, but the expenses were 13% below budget as most of the scheduled trainings were done in the previous three quarters.
- f) **Professional & consultancy services were 18% below budget.** Several consultancies were not carried out due to stay at home measures due to Covid-19 pandemic.
- g) **Capital Market Master Plan** - The budget line was 61% below budget mainly due to stay at home measures to contain Covid-19 pandemic.
- h) **Donor Funded Projects-** cost - were 56% below the anticipated budget level as lengthy donor procurement processes delayed completion of certain planned donor funded projects and related acquisitions.
- i) **Depreciation of property, plant and equipment and amortization cost** was below budget. Difference was due to assets not acquired, see (h) above, during the period as well as assets which were fully depreciated in the year.
- j) **Investors' education and awareness programme expenses** were below budget mainly due to activities affected by Covid-19 containment measures which impacted on planned activities.
- k) **Capital Markets Appeals Tribunal** expenses remained low against budget as the tribunal membership was not quorate for the better part of the year.

Notes to the Financial Statements

1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (Kshs. '000'). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. ADOPTION OF NEW AND REVISED STANDARDS

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combination	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly, with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.
IPSAS 41: Financial Instruments	Applicable: 1 January 2021: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.
Other Improvements to IPSAS	Applicable: 1 January 2021: a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment.

3. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

The Authority recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Donor Income

Donor funds are received through Government supported programs and other development Agencies. These funds are recognised at fair value when there is reasonable assurance that the Authority will comply with the conditions attaching to them and the funds will be received. Donor funds related to purchase of assets are treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets while grants related to expenses are treated as donor fund income in the income statement.

Notes (Cont'd)

ii) Revenue from exchange transactions

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

Interest income is accrued as it is earned over the life of the investments held.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes / Surplus due to the National Treasury and Planning

The Authority is exempt from income tax vide PFMA Regulation no. 34 of 2015.

On 20 March 2015, National Treasury and Planning issued PFMA Regulation No. 34 which under Section 219 exempts the Authority from paying taxes in the future. The Authority is however required to submit 90% of its surplus to the National Treasury.

d) Property and equipment

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate
Motor vehicles	25%
Furniture & fittings	12.5%
Office equipment	20%
Computers & copiers	25%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are considered in determining surplus for the year.

e) Leases

Operating leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. The Authority's lease for premises occupied as an operating lease.

Notes (Cont'd)

If a convergence had been reached for IPSAS 13 to IFRS 16, for similar treatments of operating and financing leases, the impact of the amendment of the existing operating lease would have resulted in recognizing a lease asset/ liability amounting to Ksh109,587,249 to be amortized over the remaining lease contract period. The amortization would have resulted in a reduction in earning through interest charge in the books amounting to Ksh7,564,000 in the current financial year.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. Amortisation is calculated using the straight-line method to write down the cost of each licence or item of software to its residual value over its estimated useful life of three years.

The useful life of the intangible assets is assessed as finite.

g) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment because of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or a group of debtors are experiencing significant financial difficulty;
- ii) Default or delinquency in interest or principal payments;
- iii) The probability that debtors will enter bankruptcy or other financial reorganization; and

Notes (Cont'd)

iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Authority does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is not remote.

i) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

j) Employee Benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined Contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The Authority also contributes to the statutory National Social Security Fund (NSSF), a national defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh200 per employee per month.

k) Gratuity obligations

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

Notes (Cont'd)

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

The Authority manages the Investor Compensation Fund (ICF) and reports the funds held in the bank, call accounts on behalf of ICF as part of cash and cash equivalents.

n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

o) Related party

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties.

p) Comparative figures

Where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

4. Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Significant judgements made in applying the Authority's accounting policies

The judgements made by the board members of the Authority in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Whether the Authority could hold 'held-to maturity' investments until they mature. If the Authority were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

Notes (Cont'd)

i) Retirement benefit obligations

The pensions contributions into the Defined Contribution (DC) Scheme are expensed as incurred in the year

ii) Impairment losses

Estimates are made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 12.

5. Risk management objectives and policies

a) Financial risk management

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the Board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on an Authority wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by considering the financial position, experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
At 30 June 2020				
Held-to-maturity investments	881,872	-	-	881,872
Staff loans and advances/ fund	391,095	-	-	391,095
Trade receivables	31,200	-	-	31,200
Other receivables	5,897	-	-	5,897
Cash at bank, in hand and deposits	62,158	-	-	62,158
Maximum exposure to credit risk	1,372,221	-	-	1,372,221
	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
At 30 June 2019				
Held-to-maturity investments	1,171,281	-	-	1,171,281
Staff loans and advances/ fund	392,776	-	-	392,776
Trade receivables	41,589	-	-	41,589
Other receivables	6,566	-	-	6,566
Cash at bank, in hand and deposits	29,475	-	-	29,475
Maximum exposure to credit risk	1,641,687	0	0	1,641,687

Notes (Cont'd)

The ageing analysis of past due but not impaired trade receivables is

	2020 Shs'000	2019 Shs'000
Over 6 months	0	0

The past due debtors are nil. An impairment provision of Shs 4,795,000 (2019: Shs4,546,000) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Authority manages liquidity risk by continuously reviewing forecasts and actual cash flows and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
Year ended 30 June 2020					
Trade payables	3,800	-	-	-	3,800
Other payables	28,746	2,231	1,206	-	32,183
Provision for liabilities and charges	25,260	-	-	89,329	114,589
Gratuity obligations	24,082	-	-	-	24,082
	81,888	2,231	1,206	89,329	174,654

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
Year ended 30 June 2019					
Trade and other payables	27,152	2	-	-	27,154
Accruals	31,908	4	1,395	665	33,972
Provision	39,244	-	-	77,878	117,122
Gratuity obligations	37,865	-	-	-	37,865
	136,169	6	1,395	78,543	216,113

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: interest rate risk, price risk and foreign exchange risk.

Interest rate risk

Interest rate risk is the risk that the interest rate movement may have a significant impact on Authority's value of investments.

Notes (Cont'd)

The Authority's investments in fixed rate bonds expose it to fair value interest rate risk. The Authority has no interest bearing liabilities. The Authority considers that a change in interest rates of 2 percentage points in the year ending 30th June 2020 is reasonably possible. If the interest rates on the Authority's held-to-maturity investments at the year-end were to decrease/increase by this number of percentage points, with all other factors remaining constant, the surplus would be lower/higher by Kshs. (2019: Shs 13,000,000).

Price risk

Marketable instruments held by the Authority include Treasury Bonds and Treasury Bills whose market prices are subject to change. The Authority reviewed the portfolio, set exposure limits and responded to market price changes and conditions to secure both fair values and cash flow from such instruments.

Foreign exchange risk

Foreign exchange risk would arise where transactions or bank balances are denominated in foreign currency. The Authority's transactions and bank balances are denominated in Kenya Shillings. Hence the exposure to foreign exchange risk does not exist.

6. Revenue from non - exchange transactions

	2020 Shs'000	2019 Shs'000
Fees income		
Capitalization, rights and new issue fees	92,060	149,776
Approval for listing of Government securities	429,329	332,848
NSE - transaction fees	398,961	367,575
Application and licensing fees	21,099	26,676
Market development fees	9,381	11,123
Derivative fees	8	-
	950,838	887,998

The Authority charges fees on the following basis :

- Capitalization / rights issues at a rate of 0.25% of the value of the issue.
- Approval for listing of Government securities is charged at a rate of 0.075% of the amount raised.
- New issues / IPOs at a rate of 0.15% of the value of the issue.
- NSE Transaction fees at a rate of 0.12% of the value of the equities traded and 0.0015% of the value of bonds traded.
- Application for license at Kshs. 2,500 while annual licensing fees are up to a maximum of Shs 250,000.
- Market development fees are charged to listed companies at a rate of 0.01% subject to a minimum of Shs 50,000 and a maximum of Shs 100,000 per annum and
- Derivative fees-CMA charges Levy fees with respect to derivatives contracts traded at 0.01% of value of contracts traded.

7. Donor fund income

	2020 Shs'000	2019 Shs'000
Donor fund income	18,556	50,144

The Authority received support worth Shs18.6 million (2019: Shs42.8 million) in the year to support various capacity development among them being the roadmap Consultancy for the Hybrid Bond Market, and also the design of the Securities Market Multi Asset Surveillance System for the Capital Market Authority.

Notes (Cont'd)

8. Revenue from exchange transactions - other income

	2020 Shs'000	2019 Shs'000
Interest income	92,566	104,106
Miscellaneous income	570	1,713
	93,136	105,819

9. (Loss)/Gain on disposal of property and equipment

Gain or (loss) on disposal of obsolete and retired Property and Equipment	1,586	132
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10. Surplus

	2020 Shs'000	2019 Shs'000
a) Items charged		
The following items have been charged in arriving at net surplus for the year		
Depreciation of property and equipment	17 16,737	16,939
Amortisation of intangible assets	18 1,674	2,636
Authority board members' emoluments, allowances and other		
Board related expenses	27 32,331	31,553
Post-employment benefits expense	10(b) 34,416	32,180
Provision on Trade and other receivables	13(b) 250	100

b) Employee benefits expense

The following items are included in employee benefits expense:

	2020 Shs'000	2019 Shs'000
Retirement benefit costs		
Defined contribution scheme	34,087	31,822
National Social Security Fund	329	358
	34,416	32,180

The Authority operated an in-house defined benefits pension scheme for its employees and made contributions up to 31 December 2011. The investment of the scheme's assets was managed by an independent fund manager, GenAfrica Investment Management Limited, on behalf of the Trustees. The DB Scheme has since been wound up and all the assets transferred to the DC scheme on 31st December 2019.

Notes (Cont'd)

11 a. Transfer of Surplus to National Treasury

	Shs'000	2020 Shs'000	Shs'000	2019 Shs'000
Total Revenue (Note No.6, 7,8 and 9)		1,064,116		1,044,093
Operating Expenses		(808,566)		(900,341)
Surplus before tax		255,550		143,752
Add back: Depreciation	16,737		16,939	
Amortization	1,674	18,411	2,636	19,575
Adjusted Surplus		273,961		163,328
Transfer from Deferred Income				
Adjusted Surplus		273,961		163,328
Less: Building fund	(44,037)		(20,000)	
Capital expenditure	(15,533)		(23,683)	
Intangible Assets	(1,577)		-	
Staff Mortgages net	(28,635)		(16,593)	
Staff Car loans net	13,141		(45)	
		(76,641)		(60,321)
Net Surplus/ (Deficit)		197,320		103,006
90%		177,588		92,706
		-		-
90% Surplus due to KRA		177,588		92,706

On 20th March 2015, The National Treasury issued PFMA Regulation No.34 which under section 219 exempts the Authority from paying taxes. The regulation requires corporations exempted from income tax to remit 90% of surplus to National Treasury.

11b. Status of Surplus and remittances in the Year Surplus Computed

	Date /Year	Shs'000	2019/2020 Shs'000
90% of Surplus for FY 2018/2019	2018/2019		92,706
90% of Surplus for FY 2019/2020	2019/2020		177,588
Total 90% Surplus for FY 2018/2019 and 2019/2020			270,294

Payment of Surpluses

	Date	Shs'000	
90% Surplus for FY2018/2019	18.09.2019	92,706	92,706
Payment from accumulated Reserves			
Paid to the National Treasury	11.11.2019	85,964	
Paid to the National Treasury	13.11.2019	65,000	
Paid to the National Treasury	22.05.2020	256,330	

Sub total 407,294

Total Surplus paid as demanded by National Treasury vide letter dated 16 September 2019 **500,000**

11c. The Authority is an appointed agent of KRA for Withholding agency Tax and Withholding VAT respectively. In the Financial Year 2019/20 remittances of Ksh 6.76 million (FY 2018/19: Ksh 9.06 million) for Withholding Tax and Ksh 4.77 million (FY 2018/19: Ksh 10.76 million) for Withholding VAT were made.

Notes (Cont'd)

12. Inventories

	2020 Shs'000	2019 Shs'000
Consumables	2,067	1,622

Inventories consist of stationery and computer consumables required for day to day use by the Authority.

13a. Trade and other receivables from non-exchange transactions

	2020 Shs'000	2019 Shs'000
Trade receivables	31,974	42,571
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(4,796)	(4,546)
Net trade receivables	27,178	38,025
Other receivables	9,734	7,181
Trade and other receivables from non-exchange transactions	36,912	45,206

13b. Trade and other receivables from exchange transactions

	2020 Shs'000	2019 Shs'000
Trade receivables	4,022	3,564
Less: Provision for impairment losses	-	-
Net trade receivables	4,022	3,564
Prepayments	5,897	11,112
Trade and other receivables from exchange transactions	9,919	14,676
Total trade and other receivables from non-exchange and exchange transactions	46,831	59,882

The movement on the provision for impairment losses for non-exchange transactions is as follows:

At 1 July	4,796	4,546
Less: Provision utilised as debts written off	-	-
Less: Provision reversed on debt collection	-	-
At 30 June	4,796	4,546

The movement on the provision for impairment losses for exchange transactions is as follows:

At 1st July	-	-
Add: Additional provision	250	-
At 30 June	250	-

Notes (Cont'd)

14. Staff loans and advances

	Current 2020 Shs'000	Current 2019 Shs'000	Non- current 2020 Shs'000	Non- current 2019 Shs'000	Total 2020 Shs'000	Total 2019 Shs'000
Car loans	8,645	11,828	10,251	18,255	18,896	32,036
Other loans and advances	1,676	4,481	-	-	1,676	4,481
Staff mortgage back up funds*	37,637	32,240	332,886	324,313	370,523	341,888
	47,957	48,548	343,137	342,568	391,095	378,406

* These funds are deposited with the bank to support concessionary interest rate facilities to staff.

Mortgage back up accounts are:

HFC: Mortgage 3000013543 and Mortgage 2000094161

KCB Mortgage MM1509100194

Shs'000

198,024

172,499

Total

370,524

15. Held-to -maturity investments - government securities

	2020 Shs'000	2019 Shs'000
Non-current		
Treasury bonds		
Maturing after four years	155,050	129,950
Unamortised premium	(6,929)	(8,464)
	148,121	121,486
Treasury bonds		
Maturing after one year	20,375	20,375
Unamortised (discount)/premium	0	0
	20,375	20,375
	168,495	141,861
Current		
Treasury bonds		
Maturing within one year	0	45,110
Unamortised (discount)/premium	-	(7)
	0	45,103
Treasury bills	721,550	1,014,150
Unamortised discount	(8,173)	(29,833)
	713,377	984,317
	713,377	1,029,420
	881,872	1,171,281

The fair value of the held-to-maturity assets -treasury bonds and treasury bills at the reporting date were:

Non- current		
Held-to-maturity investments	168,495	190,476
Current		
Held-to-maturity investments	713,377	836,536

Notes (Cont'd)

16a. Banks

Name of the Bank	Bank Account no.	Account currency	2020 Shs'000	2019 Shs'000
Commercial Bank of Africa Limited	6580810018	Shs	7,790	5,475
HF Bank	3000013543- 0	Shs	29,838	-
			37,628	

16b. Cash in hand

Cash in hand	Shs	140	140
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16c. Short term deposits

Commercial Bank of Africa Limited	MM2017800056	Shs	5,000	24,000
Commercial Bank of Africa Limited	MM1933300091		780	
Commercial Bank of Africa Limited	MM1933300096		3,978	
Commercial Bank of Africa Limited	MM1933300097		584	
Commercial Bank of Africa Limited	MM1933300098		3,050	
Commercial Bank of Africa Limited	MM2001500022		588	
Commercial Bank of Africa Limited	MM2008500026		1,450	
Commercial Bank of Africa Limited	MM2016000078		4,200	
Commercial Bank of Africa Limited	MM2016000079		2,850	
Commercial Bank of Africa Limited	MM2016000080		1,350	
Commercial Bank of Africa Limited	MM2016000081		700	
			24,530	24,000
Total cash in hand and bank			62,298	29,615

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Short-term bank deposits	24,530	24,000
Cash at bank and in hand	37,768	5,615
Investors Compensation Fund bank balance (Note 16) - (KCB)	7,598	1,176
	69,896	30,791

17. Investors' Compensation Fund

In accordance with Section 18 of Capital Markets Act, Cap 485A, the Authority is required to maintain a fund to be known as the Investors' Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. This requirement was implemented in July 1995.

The fund derives its income from the following sources:

- Interest accruing on funds received from subscribers to public issues, between the day of closing the issue and making the refunds;
- 0.01% of the consideration from sale and purchase of shares through the Nairobi Securities Exchange;
- 0.004% of the consideration from sale and purchase of bonds traded through the Nairobi Securities Exchange;
- Interest earned from investment of the funds held in this account; and
- Financial penalties imposed on operators for non-compliance with Capital Markets Authority Rules and Regulations.

Notes (Cont'd)

The movement in the fund balance during the year is as shown below:

	2020 Shs'000	2019 Shs'000
At beginning of the year	3,121,749	2,270,817
Nairobi Securities Exchange transactions fees	78,703	78,033
Interest on investments	334,277	263,116
Financial penalties	32,497	555,286
Withdrawals (Investor Claims)	(3)	(563)
Gain/(loss) in Investment in NSE	(33,518)	(44,396)
Management Fees	(500)	(500)
Bank Charges	(26)	(44)
At end of the year	3,533,179	3,121,749

The Investors' Compensation Fund balance is represented by the following assets:

	2020 Shs'000	2019 Shs'000
Non-current		
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	68,250	107,188
	80,500	119,438
Treasury bonds		
Maturing after five years	954,900	776,950
Unamortised discount (premium)	11,567	(513)
	966,467	776,437
Maturing after one year	442,365	290,465
Unamortised discount	(7,334)	789
	435,031	291,254
	1,401,497	1,067,691
	1,481,997	1,187,129
Current		
Treasury bonds	80,100	20,000
Unamortised discount	159	(7)
	80,259	19,993
Treasury bills	2,025,400	1,973,500
Unamortised discount	(117,609)	(104,565)
	1,907,791	1,868,935
Fees receivable	55,534	44,516
Bank balance	7,598	1,176
	63,132	45,692
	2,051,182	1,934,621
	3,533,179	3,121,749

Notes (Cont'd)

18. Property and equipment

	Motor vehicles Shs'000	Computer copiers & faxes Shs'000	Office equipment Shs'000	Furniture & fittings Shs'000	Capital work-in- progress Shs'000	Total Shs'000
Cost						
At 1 July 2018	29,818	119,206	23,520	91,673	393	264,611
Additions	11,300	8,035	296	101	3,951	23,683
Disposals	-	(4,598)	(1,992)	(1,984)	-	(8,574)
Reversal	0	0	0	0	(393)	(393)
At 30 June 2019	41,118	122,643	21,824	89,790	3,951	279,327
Additions	-	11,014	513	4,005	19,992	35,524
Disposals	(3,995)	(581)	(33)	-	-	(4,609)
Reversal	-	-	-	-	(3,951)	(3,951)
At 30 June 2020	37,123	133,077	22,304	93,795	19,992	306,291
Depreciation						
At 1 July 2018	(24,506)	(104,960)	(18,197)	(78,637)	-	(226,299)
Depreciation	(2,638)	(7,674)	(2,164)	(4,464)	-	(16,939)
Accumulated depreciation reversed on disposal	0	4,343	1,992	1,893	-	8,228
At 30 June 2019	(27,144)	(108,291)	(18,368)	(81,208)	-	(235,011)
Depreciation	(4,757)	(6,963)	(1,869)	(3,149)	-	(16,737)
Accumulated depreciation reversed on disposal	3,995	531	13	-	-	4,538
At 30 June 2020	(27,906)	(114,723)	(20,224)	(84,357)	-	(247,210)
Net carrying amount						
At 30 June 2020	9,217	18,354	2,080	9,438	19,992	59,081
At 30 June 2019	13,974	14,353	3,455	8,582	3,951	44,316

Included above in the items of property and equipment is the cost of fully depreciated assets of Shs 211,035,632 (2019: Shs 185,361,090) which are still in use and have not been impaired. Work in progress was carried at cost.

Work in progress relates to computer server hardware funded as part of ongoing ICT Projects which are yet to be commissioned. The detailed works are as follows:

Description	Cost Ksh'000
Supply, Installation & Commissioning of Computer Servers Hardware	19,992
Total	19,992

Notes (Cont'd)

	Intangible assets Shs'000
19. Intangible assets	
Software costs	
Cost	168,463
At 1 July 2018	-
Additions	
Derecognition of intangible asset	168,463
At 30 June 2019	
Additions	
Work in progress	65,533
At 30 June 2020	233,996
Amortisation At	
1 July 2018	163,520
Amortisation	2,636
At 30 June 2019	166,156
Amortisation	1,674
At 30 June 2020	167,829
Net book value At 30 June 2020	66,167
At 30 June 2019	2,307
Work in progress relates to software for Data repository Business Intelligence System, Multi Asset market system funded as part of ongoing ICT Projects not yet to be commissioned, and ongoing installation of a self- funded Financial reporting software. These are yet to be commissioned and the detailed works are as follows:	
Description	Cost (Ksh'000)
Supply, Installation & Commissioning of Data Repository & Business Intelligence System	50,098
Design of the Securities Market Multi Asset Surveillance System	13,857
Installation of and implementation of Caseware Financial Reporting Software	1,577
	65,533

Notes (Cont'd)

20. Trade and other payables

	2020 Shs'000	2019 Shs'000
Trade payables	3,800	27,154
Provisions	114,589	117,122
Gratuity obligations	24,082	37,865
Accruals	32,183	33,971
	174,654	216,112

Included under trade and other payables are the provisions for various services whose movement has been presented below:

Provisions	Leave benefits Shs'000	Performance Shs'000	Total Shs'000
At 1 July 2019	15,108	102,014	117,122
Additional provisions raised	100	27,486	27,586
Provision utilized/reversed	(15,108)	(15,011)	(30,119)
At 30 June 2020	100	114,489	114,589

Accruals	Provisions Shs'000	Other Consultancies Shs'000	Total Shs'000
At 1 July 2019	1,082	32,390	33,472
Additional accruals		29,308	29,308
Accruals realized/reversed	(1,082)	(32,390)	(33,472)
At 30 June 2020	-	29,308	29,308

21. Provision for liabilities and charges

At 1 July 2019	82,445	79,084
Add: Additional provision	41,215	31,405
Less: Provision written back	(31,642)	(28,044)
At 30 June 2020	92,018	82,445

The Authority being the Capital Markets regulator in Kenya, is subject to legal proceedings in the normal course of business. While it is not possible to forecast or determine the results of all pending legal proceedings, the Authority assesses the adequacy of its provisions periodically against case developments and related legal costs.

Notes (Cont'd)

22. Deferred income

In line with the Authority's accounting policy, Kshs. 83,947,161.56 of the donor funded income has been deferred for future periods the amounts relate to projects being financed by FSSP which include Supply, Installation & Commissioning of Data Repository & Business Intelligence Software and Design and installation of the Securities Market Surveillance System (Multi Asset Surveillance System).

As at 1 July

Recognised in the year

2020 Shs'000	2019 Shs'000
	-
83,947	
83,947	-

23. General fund

At 1 July

Surplus for the year

Payment to The National Treasury

Transfer to building fund (Note 24)

2020 Shs'000	2019 Shs'000
726,688	695,642
77,962	51,046
(407,294)	-
(44,037)	(20,000)
353,318	726,688

At 30 June

General fund represents accumulated surpluses over the years.

24. Capital fund

At 1 July 2019 and at 30 June 2020

27,886	27,886
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Capital fund represents the initial contribution by the Government of Kenya towards the establishment of the Capital Markets Authority.

25. Building fund

At 1 July

Appropriation from general fund (Note 23)

2020 Shs'000	2019 Shs'000
555,963	535,963
44,037	20,000
600,000	555,963

At 30 June

Building fund represents an appropriation from the general fund towards the purchase/construction of the Authority's future building for approved limit of Ksh600million. The appropriation in the year is Ksh44million to achieve the approved limit.

26. Related party transactions

i) Board members of the Authority's remuneration

Honoraria

Retainer

Sitting allowances

Training expenses

Others (medical, mileage, bonus)

2020 Shs'000	2019 Shs'000
783	348
8,295	8,179
8,740	8,100
9,892	7,727
4,621	7,200
32,331	31,553

There were 10 board members during the year (2019:10)

ii) Key management compensation

Gross salaries

Pension-NSSF

Gratuity

33,623	39,550
8	10
8,207	9,360
41,838	48,919

There were 4 members of senior management who served during the year (2019:4)

Notes (Cont'd)

27. Commitments

a. Contracted for but not recognised

Capital expenditure and recurrent expenditures contracted for at the balance sheet date but not recognised in the financial statements is as follows:

	2020 Shs'000	2019 Shs'000
Capital expenditure contracted for	242	4,614
Recurrent expenditure contracted for	271	2,792
	513	7,406

b. Item description	Capital Shs'000	Recurrent Shs'000	Total Shs'000
Fumigation		49	49
Social Media Equipment	113		113
Cellphones		159	159
Fire Resistant Cabinet	129		129
Printing License		46	46
Speed Governor		17	17
Total	242	271	513

Operating lease commitments

Operating lease commitments represent rentals payable by the Authority for rented office space. Rental expenses during the year amounted to Shs 38,503,000 (2019: Shs36,363,000).

The future minimum lease payments under operating leases are as follows:

	2020 Shs'000	2019 Shs'000
Not later than 1 year	38,503	36,363
Later than 1 year and not later than 5 years	108,544	142,872
	147,047	179,235

The Board members of the Authority are of the view that future net revenues and funding will be sufficient to cover these commitments.

The International Public Sector Accounting Standards Board (IPSASB) had issued Exposure Draft (ED) 64, Leases. The Exposure Draft proposed a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessees, ED 64 proposes accounting requirements that are converged with IFRS 16, Leases issued by the International Accounting Standards Board. For lessors, ED 64 proposes a right-of-use model specifically designed for public sector financial reporting. Once adopted the new standard will gross up financial position and change income statement and cash flow presentation. Rent expense, for example, will be replaced by depreciation and interest expense in the income statement. This will result in a front-loaded lease expense, (see note 3(e)) which may decrease earnings and equity immediately after compared to the current treatment of the operating lease.



Notes (Cont'd)

28. Contingent liabilities

In the normal course of operation, Kenya Revenue Authority (KRA) had completed a tax audit for the period 2007 to 2012 and had issued an assessment notice. The total tax liability arising from the year 2012 assessment was Shs 46 million. The Authority in conjunction with its tax agents has been following up on the outstanding tax issues raised. Principal tax arrears amounting to Shs 12 million were paid in the previous years and the Authority had applied for set-off of tax paid in error in previous years amounting to Shs 14.8 million. The Authority had also applied for waiver of interest and penalties amounting to Shs 19 million providing mitigating grounds in support of the waiver. KRA during the financial year 2015/16 granted full waiver of interest and penalties for the years 2003-2009 estimated at Shs9.5million. The balance on the Statement of Account (comprising of penalties and interest for the years 2010-2012), for which waiver was applied for is being addressed by KRA. Based on the professional advice received and the mitigating grounds provided, the Authority is of the opinion that no material liability is expected to arise to have an impact on these financial statements.

	2020 Kshs'000	2019 Kshs'000
29 . Operating expenditure		
29.1 Employment expense		
Consolidated pay, leave pay and passages	411,771	434,023
Staff uniform expenses	11	408
Staff welfare and other costs	10,319	12,266
Staff retirement benefits	34,087	31,822
Staff gratuity	10,283	12,791
National Social Security Fund (NSSF)	329	358
	466,800	491,668
29.2 Other administrative expenses		
Rent and maintenance	39,970	38,610
Equipment maintenance and stationery	31,632	38,103
Telephone, postage and utilities	14,667	14,765
Publicity and Advertising	31,152	18,726
Medical scheme and insurance expenses	33,932	36,146
Training and conferences	43,166	64,546
Motor vehicle running expenses	5,728	5,870
Subscriptions and IOSCO membership	8,891	11,390
Authority board members' emoluments and allowances	32,331	31,553
Professional and market development services	66,780	111,248
Depreciation of property and equipment	16,737	16,939
Amortisation of intangible assets	1,674	2,636
Auditor's remuneration	2,090	1,726
Investors' education and awareness program	11,407	16,016
Tribunal expenses	1,359	399
Provision for doubtful debts	250	-
	341,766	408,673
Total expenditure	808,566	900,341

Progress on follow up of Auditor Recommendations

Reference No. on the external audit Report		Management Comments	"Focal Point person to resolve the issue (Name and Designation)"	Status: (Resolved/ Not Resolved)	Time frame: (Put a date when you expect the issue to be resolved)
During the previous year, the Authority Auditor's Report was unmodified/unqualified. There were no issues for follow up					
<div style="display: flex; justify-content: space-between; align-items: flex-end;"> <div style="text-align: center;">  Chief Executive 13 November 2020 </div> <div style="text-align: center;">  Chairman of the Board 13 November 2020 </div> </div>					

Appendix 1: Projects Implemented by the Entity

Projects implemented by the State Corporation Funded by development partners (Financial Sector Support Programme)

Project title	Donor	Period/ duration	Donor commit- ment	Separate donor reporting required as per the donor agreement (Yes/No)
Medium Term resident advisory on Derivatives in Kenya	World Bank through FSSP	25 months (15th May 2017 – 31st Dec 2019)	Yes	Yes. Quarterly reports done to World Bank through PIU
Consultancy for the Hybrid Bond Market	World Bank through FSSP	12 months (15th February – 18th August 2019)	Yes	Yes. Quarterly reports done to World Bank through PIU
Assess the Funding Gaps at National and County Governments	World Bank through FSSP	20 months (2nd May – 31st Dec 2018)	Yes	Yes. Quarterly reports done to World Bank through PIU
Develop Specifications for an Information Repository, Advanced Financial Analysis System, E-Learning System and Communications/IT Infrastructure	World Bank through FSSP	22 months (28th August 2017 – 30th June 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU
Supply, Installation & Commissioning of a Data Repository & Business Intelligence System at the Capital Markets Authority -(Tender 1 Lot 1)	World Bank through FSSP	23 months (30th September 2019 - 28th February 2021)	Yes	Yes. Quarterly reports done to World Bank through PIU
Supply, Installation & Commissioning of Computer Hardware at the Capital Markets Authority. (Tender 1 Lot 2):	World Bank through FSSP	8 months (30th September 2019 - 31st May 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU
Supply, Installation & Commissioning of Microsoft Software Upgrade at the Capital Markets Authority (Tender 1 Lot 3)	World Bank through FSSP	12 months (30th September 2019 - 30th September 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU
Supply, Installation & Commissioning of a Video Conferencing System at the Capital Markets Authority (Tender 2 Lot 2)	World Bank through FSSP	8 months (30th August 2019 - 30th April 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU
Review and Design securities Market Surveillance System	World Bank through FSSP	22 months (29th April 2019 - 28th February 2021)	Yes	Yes. Quarterly reports done to World Bank through PIU
Upgrade and integration of the Capital Markets Authority's Market Surveillance system to the new Automated Trading System at the Exchange and the Central Depository system	World Bank through FSSP	12 months (3rd May 2019 - 3rd May 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU
Consultancy to develop an oversight framework and capacity building on supervision of Self-Regulatory Organizations (SROs) in Kenya	World Bank through FSSP	1.5 Months (15 May 2020 - 31 July 2020)	Yes	Yes. Quarterly reports done to World Bank through PIU

Status of Projects completion

(Summary of the status of project completion at the end of year)

Project title	Total project Cost (USD)	Total expended to date (USD)	Comple- tion % to date	Budget	Sources
Medium Term resident advisory on Derivatives in Kenya	\$158,850	\$133,894.57	100%	\$158,850	World Bank through Financial Sector Support Project (FSSP)
Consultancy for the Hybrid Bond Market	\$181,512	\$181,512	100%	\$161,250	World Bank through FSSP
Assess the Funding Gaps at National and County Governments	\$104,300	\$99,655	95%	\$104,300	World Bank through FSSP
Develop Specifications for an Information Repository, Advanced Financial Analysis System, E-Learning System and Communications/IT Infrastructure	\$284,998	\$284,998	90%	\$285,000	World Bank through FSSP

Appendix 1: Projects Implemented by the Entity - Cont'd

Project title	Total project Cost (USD)	Total expended to date (USD)	Completion % to date	Budget	Sources
Supply, Installation & Commissioning of a Data Repository & Business Intelligence System at the Capital Markets Authority -(Tender 1 Lot 1)	KES 54,196,991.57 + \$441,270.70	KES. 15,863,393.04 + USD. 176,508.43	40%	KES 54,196,991.57 + \$441,270.70	World Bank through FSSP
Supply, Installation & Commissioning of Computer Hardware at the Capital Markets Authority. (Tender 1 Lot 2):	\$ 379,367.48	\$379,367	100%	\$ 379,367.48	World Bank through FSSP
Supply, Installation & Commissioning of Microsoft Software Upgrade at the Capital Markets Authority (Tender 1 Lot 3)	KES 37,742,880.51	KES 15,041,680.25	40%	KES 37,742,880.51	World Bank through FSSP
Supply, Installation & Commissioning of a Video Conferencing System at the Capital Markets Authority (Tender 2 Lot 2)	KES 8,270,718	KES 8,270,718	100%	KES 8,270,718	World Bank through FSSP
Review and Design securities Market Surveillance System	\$290,000	\$116,000	40%	\$ 290,000	World Bank through FSSP
Upgrade and integration of the Capital Markets Authority's Market Surveillance system to the new Automated Trading System at the Exchange and the Central Depository system	\$66,671	\$60,004	90%	\$66,671	World Bank through FSSP
Consultancy to develop an oversight framework and capacity building on supervision of Self-Regulatory Organizations (SROs) in Kenya	\$294,843	\$29,484.30	10%	\$294,843	World Bank through FSSP

Appendix 2- Inter Entity Transfers

Name of the MDA/ Donor Transferring the funds	Date received		Total Amount - KES	Where Recorded/ recognized					Total Transfers during the Year
	as per bank statement	Nature: Recurrent/Development/ Others		Statement of Financial Performance	Capital Fund	Deferred Income	Receiv- ables	Others - must be specific	
FSSP	See Appendix 3	Recurrent	2,219,042	2,219,042	-	-	-	-	2,219,042
FSSP	See Appendix 3	Recurrent	16,337,188	16,337,188	-	-	-	-	16,337,188
FSSP	See Note 23	Development	83,947,162	-	-	83,947,161.56	-	-	83,947,162
National Treasury	See Appendix 3	Others/ Reimbursement	6,094,447	6,094,447		-	-	-	6,094,447
Total			108,597,839	24,650,678	-	-	-	-	108,597,839

As per note 7 - **Donor Fund income:** The Authority received support from FSSP, and the funds were paid directly to the suppliers.

The above amounts have been communicated to and reconciled with FSSP-Project implementation Unit of the National Treasury

Finance Manager
Capital Markets Authority

Sign 

KEY:

FSSP: Financial Sector Support Project. This is a World Bank funded project that strengthens the legal regulatory and institutional environment for improved financial stability.

Appendix 3: Recording of Transfers from Donors

ENTITY NAME: CAPITAL MARKETS AUTHORITY Break down of Transfers from Donors FY 2019/2020				
a.	Reimbursements for Capacity building Technical Costs.	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Financial Sector Support Project (FSSP)			
		Between 01/07/2018 and 30/06/2019	2,219,042.30	2019/20
		Sub Total	2,219,042.30	
b.	Other Payments- Reimbursement Details of the Payment	Transaction Description	Amount (KShs)	
		Reimbursements for National Treasury Seconded staff	3,090,387.70	2018/19
		Reimbursements for National Treasury Seconded staff	3,004,059.20	2019/20
			6,094,446.90	
b(ii)	Donor funded Consultancies			
		Consultancy to provide Medium Term Resident Advisory on Derivatives to the CMA	1,637,971.90	2019/20
		Consultancy to develop specifications for an Information Repository - Advanced Financial System, E-learning system and communications/IT Infrastructure for CMA, ISCL	2,949,324.95	2019/20
		Consultancy for the Implementation of the Hybrid Bond Market in Kenya	3,986,189.45	2019/20
		Multi Asset Surveillance system	7,763,702.15	2018/19
		Total	16,337,188.45	
		GRAND TOTAL	24,650,677.65	

As per note 7 - **Donor Fund income:** The Authority received support from FSSP, and the funds were paid directly to the consultants.

Appendix 4: Capital Markets Authority 5 Year Statement Of Financial Performance

	2020 Shs'000	2019 Shs'000	2018 Shs'000	2017 Shs'000	2016 Shs'000
Revenue from non-exchange transactions					
Capitalization, rights and new issue fees	950,838	887,998	825,828	759,059	749,682
Donor fund income	18,556	50,144	34,303	109,246	91,140
	969,394	938,142	860,131	868,304	840,822
Revenue from exchange transactions					
Other income	93,136	105,819	107,355	115,457	108,510
Total revenue	1,062,530	1,043,961	967,486	983,761	949,332
Expenses					
Operating expenditure	(808,566)	(900,341)	(889,282)	(970,011)	(812,206)
Total expenses	(808,566)	(900,341)	(889,282)	(970,011)	(812,206)
Other gains/ (losses)					
(Loss)/Gain on disposal of property and equipment	1,586	132	(17)	(221)	654
Surplus (gross)	255,550	143,752	78,187	13,529	137,780
Tax Expense	-	-	-	-	-
Surplus paid to National Treasury	197,320		(92,706)		(21,127)
Net Surplus	19,732	51,046	57,060	13,529	137,780

Market Deepening

Market Development Initiatives

The Authority constituted a Market Deepening Workstream to support implementation of the Strategic Plan (2018-23)

The key functions of the workstream are the following:

- a. Advising on policies, procedures, methodologies, and quality standards to support introduction of new products, services and innovations in the capital markets.
- b. Designing, developing, and implementing policies, procedures, methodologies, and quality standards to support introduction of new products, services and innovations in the capital markets
- c. Drive stakeholder's engagement to increase uptake and design of new products based on identified needs
- d. Devising strategies to enhance product uptake, product development and innovation.
- e. Guiding feasibility studies for new capital markets products and services and making recommendations regarding their introduction and positioning in the capital markets; and
- f. Undertaking surveys, collate market players feedback to inform improvements in new directions on product update strategies.

The following are some of the product uptake, innovation and product development initiatives undertaken during the financial year;

Stakeholder Engagement

Green Bonds Market

The Capital Markets Authority (CMA) approved the issuance of Kenya's first green bond on August 2019 which was preceded by the launch of the Policy Guidance Note on Green Bonds in February 2019.

A green bond is a fixed income instrument whose proceeds are used to finance or refinance projects which generate climate or other environmental benefits that conform to green guidelines and standards.

The first Green Bond issued by Acorn Project (Two) Limited. Acorn Project LLP sought to raise Ksh5 billion to finance sustainable and climate-resilient student accommodation. The green bond was structured as a restricted public offer for sophisticated investors. The investors participating in the bond were to benefit from a 50 per cent guarantee from Guarantco on principle and interest payments. This is a major milestone for the Kenya capital markets.

Islamic Finance

During the period, the following Islamic Finance activities were progressed;

A Research Brief that evaluated the pre- and post-terminology change on the performance of select jurisdictions/institutions that have in the past adopted a different terminology from 'Islamic' Finance or completely removed the term 'Islamic' from their name, citing various reasons ranging from religious unbiasedness to financial inclusion was submitted to the National Treasury for consideration.

During the 11th Joint Boards of the Financial Sector Regulators Retreat held in 2019, the Project Management Office for Islamic Finance (PMO) made a presentation and highlighted some key achievements and challenges of Islamic Finance in Kenya. After the presentation, the joint boards approved a resolution requiring each regulator to facilitate the completion of the PMO project activities within established timelines.

The Authority drafted and submitted the Terms of References for a Consultancy on the National Policy on Islamic Finance in Kenya.

Actively participated in the Islamic Financial Services Board (IFSB) technical and annual meetings, including contributing to the development of IFSB Standards, for example, on Investor Protection and on Core Principles for Islamic Finance Regulation (Financial Market Infrastructures)

Interaction with Shenzhen Securities Exchange under the China-Kenya Capital Markets Initiative forum

In line with the NSE vision to be the leading securities exchange in Africa with a global reach, the exchange has embraced strategic partnerships as a key pillar to the success and growth of the capital market in Kenya. Through this approach, the NSE is now a renowned global exchange offering best in class products and services.

The Authority participated in the CMA, NSE and Shenzhen Securities Exchange organized consultation forum geared towards sharing experiences and finding areas of synergy between the two transcontinental exchanges. The forum also provided a platform for connecting Kenyan Micro, Small and Medium Enterprises to capital raising opportunities in China. The Authority made a presentation during the forum highlighting the key partnership areas with the Shenzhen including technical support, multi-asset surveillance, capacity building support, the ChiNext Board that is similar to NSE Ibuka/GEMS Board and support in the development of regulatory Sand Box to drive listings by tech companies.

The collaboration between the NSE and SZSE is well aligned with the long-standing China-Kenya Bilateral Ties, which seek to boost trade and development in both countries. In the same vein, the NSE and SZSE agree that China and Kenya have a great potential for economic cooperation, which is presently witnessing rapid growth in both jurisdictions.

Market Deepening - Cont'd

The capital market services are key in facilitating capital formation to stimulate these developmental goals.

Therefore, a high-level delegation from the SZSE visited the Kenyan Capital Markets on October 14-16, 2019. During the visit, the two exchanges hosted and launched for the first time a joint investor forum dubbed the China-Kenya Capital Market Service Initiative Forum (the "China-Kenya Initiative"). The forum aimed at linking Micro, Small and Medium Enterprises (MSMEs) sector in Kenya to investors in Shenzhen to allow a capital formation platform on a larger scale.

The forum also presented the companies on the Ibuka Program to potential investors in China through the V-Next Platform. The National Treasury has set priorities for development of an efficient primary and secondary market for Government bonds by undertaking to introduce several reforms among them an electronic auction system; separation of retail and wholesale market; institutionalizing an issuance calendar; establishment of an efficient and transparent OTC bond market; establishment of an efficient horizontal REPO market as well as introducing securities lending and short selling for market participants. This is imperative for Kenya to achieve the Capital Markets Master Plan aspirations to transform Kenya into the ultimate choice market for domestic, regional and international issuers and investors looking to invest and realize their investments in Kenya, within East Africa and across Central Africa by 2023.

In line with the above, the Authority has been actively implementing key strategies to establish a transparent and efficient OTC debt market in coordination with the Bond Market Steering Committee (BMSC) which brings together bond market policy makers and industry players.

To achieve the aforementioned, the Authority on-boarded Consultants from FDHL-Salonica Consortium to support the Capital Markets in actualizing the hybrid bond market model with support from the World Bank through the National Treasury Financial Sector Support Programme.

Further, a stakeholder's consultation workshop for stakeholders including industry associations/committees and commercial and investment banks who will play a role in the success of the new model to build consensus and ensure support for implementation was held on 24th and 26th April 2019. The final report will inform the road map for successful implementation of Kenya's Hybrid Bond Markets model.

County Financing Initiatives (Kenya Cities Forum)

Throughout the year, the Authority continued to pioneer market-based financing solutions for devolved entities with participation in an inter-agency committee comprising of institutions such as the Commission on Revenue Allocation,

Ministry of Devolution, Kenya Law Reform Commission, State Department of Housing and Urban Development, the Nairobi Securities Exchange amongst others. The objective of the committee included mapping and matching of urban infrastructure financing demand by the 5 Kenyan cities (Nairobi, Mombasa, Nakuru, Kisumu and Eldoret) with potential capital markets sources and products with the aim of promoting the use of such products in the mobilization of domestic financial resources for development while identifying legal, structural, policy and operational challenges inhibiting the same for consideration by policy makers.

In the spirit of public participation, the inter-agency team, through the Ministry of Devolution organized sessions targeting Investment Banks, Fund Managers and Trustees, Insurance Firms and SACCOs between 18 and 20 September 2019 to facilitate discussions amongst supply side industry stakeholder. Further, the interagency team developed a proposal on integrated interagency intervention to facilitate subnational funding and financing for the cities in Kenya.

In addition, in the second half of the year, the Authority developed a joint white paper in conjunction with the Commission on Revenue Allocation on market-based financing solutions. The paper identifies the problem statement, details the value proposition upon which market-based solutions are based, identifies policy and regulatory gaps currently limiting use of capital markets by devolved entities and finally forwards policy and regulatory propositions for consideration by the National Treasury and Planning. The white paper also details an operational framework upon which the realization of the white paper proposition is anchored.

The Authority holds a Capital Markets Industry Webinar on Industry Challenges and solutions

The Authority in its bid to achieve its market development mandate, identified a trend of low uptake of new products. Over the years the Authority has rolled out various initiatives to address this challenge which include; research, benchmarking with other jurisdictions and holding various forums with the market stakeholders.

A webinar was held on 25 June 2020 where various market stakeholders presented their challenges. The stakeholders represented in the meeting were; KASIB (Kenya Association of Stockbrokers and Investment Banks), FMA (Fund Managers Association), CDSC (Central Depository and Settlement Corporation), NSE (Nairobi Securities Exchange) and legal firms.

Challenges highlighted:

- Regulatory challenges such as the tedious listing process and continuous listing obligations

Market Deepening - Cont'd

- Unpredictable policy environment
- Lack of Investor confidence in the market
- Liquidity and concentration challenges
- Lack of risk management expertise among asset managers
- Lack of credible issuers
- Lack of knowledge among investors
- Misconceptions regarding investments in the capital markets
- Lack of government and regulatory support
- High interest rates

Most of the issues raised by the market players revolved around lack of a facilitative regulatory framework and the goodwill which play a very vital role in the development of the market. CMA is in the process of reviewing most of its regulations especially those relating to the Collective Investment Schemes and Public Offers, Listing and Disclosures legal framework to address issues raised by the stakeholders.

Short Term Capital Markets Recovery Strategy Post COVID

CMA aims to position the capital market to support rapid post Covid-19 economic recovery through smart policies and regulations that enhance access to long term capital and investments by diverse stakeholders while sustaining survival and ultimate recovery of the affected businesses.

To achieve this, the Authority has developed a Recovery Strategy with the overarching objective being to ensure economic recovery by restoring financial markets growth through innovative and responsive regulation.

Regulatory Sandbox

Following the approval of the Regulatory Sandbox Policy Guidance Note (Regulatory Sandbox PGN) with effect from 26 March 2019, the Capital Markets Authority (CMA) begun receiving applications and admitting fintech firms seeking to be admitted into the Regulatory Sandbox. As at July 2019, three applicants had been admitted to live test innovative solutions with the capacity to deepen and enhance the efficiency of capital markets. Innova Limited has been approved to test its cloud-based data analytics platform designed for use by Investors, Fund Managers, Custodian Banks, Actuaries, Pension Administrators and Regulators. The approval restricts the testing period to 12 months. The second fintech, Pezesha Africa Limited has been approved to test an internet-based crowd-funding platform through which investors can provide loan facilities

structured as loan notes (debentures) for Small and Medium Enterprises (SMEs). The approval restricts the testing period to 12 months. The third fintech firm admitted has elected to remain anonymous during its three months test period, except to its closed group of test subjects, an option provided in the Regulatory Sandbox PGN.

- Further, on 8 April 2020, the Capital Markets Authority (CMA) announced the admission of the Central Depository and Settlement Corporation (CDSC) to the Regulatory Sandbox to test its proposed screen-based Securities Lending and Borrowing (SLB) platform for a period of five months.
- The Capital Markets Authority's board on 19 June 2020 admitted two additional firms, Pyypl Group Limited and Belrium Kenya Limited to the Regulatory Sandbox. The two firms will test innovations in accordance with the requirements of the Capital Markets Regulatory Sandbox Policy Guidance Notes (PGN).

Pyypl Group Limited seeks to test its Pyypl for Entrepreneurs product, a blockchain-based platform for issuance of debentures (unsecured bonds) among entrepreneurs for 12 months. It is licensed by the securities market regulator in United Arab Emirates – Financial Services Regulatory Authority in line with the Regulatory Sandbox PGN.

Belrium Kenya Limited has been admitted to the Regulatory Sandbox to test a blockchain-based and shareable know your customer (e-KYC) solution for capital markets intermediaries and investors. The test will be executed in a period of nine months. It's parent company Belfrics Malaysia Sdn Bhd is a reporting institution with the Bank Negara Malaysia.

Table 1: Capital Markets Industry Recovery Strategy

STRATEGIC ISSUES	PRIORITY	INITIATIVE	OUTCOME
Support market based long-term funding for all sizes of business to jump-start economic recovery and growth	Smart policy, legal and regulatory requirements to be responsive to demands of micro, small, medium, large cap entities Policy and regulatory framework to support capital raising by counties and/or county-based corporations	<ul style="list-style-type: none"> Review of Public Offers, Listings and Disclosure Regulations for capital raising and listings for all Market Segments at the Nairobi Securities Exchange Develop policy and regulatory framework for capital raising by counties and county-based corporations Tax incentives (including amnesty) for MSMEs raising capital through capital markets Facilitate the establishment of an MSME Guarantee Scheme to support equity and debt issuance Develop tailored corporate governance requirements for MSMEs raising funds through the capital markets Enhance strategic influence to build strategic alliances with key/influential partners/ stakeholder to address key capital markets policy, legal, operational challenges. 	Increased number of equity and debt capital raising and listings on the Nairobi Securities Exchange
Support alternative approaches to increase retail and institutional investor and participation in the capital markets (Demand side):	Review infrastructure, policy, legal and regulatory requirements to support access to capital markets investors and services directly or through Collective Investment Schemes to	<ul style="list-style-type: none"> Retool the CMA public education and awareness and strategy to facilitate retail investors to fully leverage technological platforms to invest directly or through pooled vehicles like Collective Investments Schemes (CIS) in the primary and secondary capital markets Develop and implement a cross industry digital public education and awareness campaign tailored for specific categories of investors 	<p>Two Counties raising funds through the capital markets by 2021</p> <p>10% increase in number of investors investing in the capital markets</p> <p>Assets Under management by Collective Investment Schemes to double to Kshs 150 billion</p> <p>Increase the Investor Education Measurement Index to 44 by June 2021</p>
Support business continuity by embracing digital technology and application of ICT in all aspects of capital markets business (except where impractical)	Promote digital technology and application of ICT in disclosures, compliance and stakeholder engagements	<ul style="list-style-type: none"> Engage technology institutions such as the Communications Authority of Kenya (CAK), ICT Authority to ensure compliance by users of technological platforms (e.g. e-signatures, stamps) to carry out smooth operations and meet obligations (filings, general meetings and stakeholder engagements) 	50% automation levels by all market players
Support capital markets stakeholders to weather the Covid-19 impact and sustain businesses	Review and temporarily relax existing prudential and market conduct requirements for listed entities and market intermediaries where practical or unimpactful to keep business afloat	<ul style="list-style-type: none"> CMA to use smart regulation and discretionary powers to reduce regulatory and compliance costs for market intermediaries and listed companies Issue circulars and press releases and necessary to support short term compliance solutions for listed companies and market intermediaries Explore bail-out options for listed companies and market intermediaries Set up a fund to support SME intermediation 	<p>90% sustained listings</p> <p>90% sustained licenses/ approvals</p>

Capital Markets Fraud Investigation Unit

Introduction

The Capital Markets Fraud Investigations Unit is a specialized Unit under the Directorate of Criminal Investigations. The Unit undertakes criminal investigations of cases falling under the Capital Markets Authority. The Unit was set up in 2009. The functions of the Unit include; detection and prevention of fraud in the securities industry; investigation of all detected and reported cases of fraud in the securities industry; apprehension of offenders; and act as a liaison between CMA and other Law Enforcement Agencies.

Crime Trends

During the financial year 2019/2020, it was noted that:

1. There was an increase in companies registered outside our jurisdiction involved in online forex trading without licences.

2. Mushrooming trade in Bitcoin/Crypto currencies which are not regulated hence exposing investors to risks. It could be an avenue for money laundering.

Recommended Solutions

1. Public/Investor education and awareness
2. Proactive networking with regulators outside our jurisdiction.
3. Urgent policy to regulate Bitcoin and Crypto currencies
4. Make it a criminal offence to trade without a licence, while those already in business to be identified and monitored.

SUMMARY OF CASES

YEAR	PBC	PUI	PAKA	ENFORCEMENT	FINALISED	NFPA	TOTAL
2014	5	20	3	2	3		22
2015	6	22	4	-	4		36
2016	6	10	2	1	5		25
2017	4	13	2	2	0		21
2018	7	14	5	1	14		40
2019	3	16	2	1	11	2	35
2020	6	18	3	2	3	1	33

PBC - Pending before court

PUI - Pending under investigation

PAKA - Pending arrest of known accused

ENFORCEMENT - Referred to Directorate of Market Operations to consideration and action

FINALIZED - The files that have been closed after judgement from court

NFPA - No further Police action

Corporate Communications

The Corporate Communications Department is responsible for developing and implementing communication strategies to ensure that the Authority's brand is appropriately positioned among all capital markets industry stakeholders. As such, the department supports units within the organization to achieve intermediate strategic outcomes determined for the second year of the Strategic Plan 2018-2023.

Stakeholder Engagement

Communication strategies were designed to support outcomes related to all strategic objectives. A mix of communication tools were employed to maximize the value and impact of stakeholder engagements in support of the Authority's desired outcomes.

The Department continues to leverage mutually beneficial media relationships to ensure that the corporate messages from the Authority are well received and shared with the diverse stakeholders. As a result of this relationship, several opinion editorials have been published to raise awareness and share information on topical and relevant capital market issues. With the mainstreaming of social media tool as effective communication channels, the Authority uses social media to deepen awareness about various capital market products and issues.

The youth remain a key target group hence the enhanced deployment of messages on the Authority's social media channels as key strategic communication tools, which continue to enhance reach and awareness. Through its four networks namely: - Facebook, Twitter, YouTube and LinkedIn the Authority has successfully built an online community and reached specific demographics with relevant and compelling educational content. Social media has also been instrumental in enhancing our visibility and tracking follower sentiments globally. The outbreak of the Coronavirus (Covid-19) pandemic presented an opportunity for enhanced communication through social media channels in the face of requirements for social distancing and ban on public gatherings to mitigate the spread of the disease.

Information Sharing

Corporate Communications published and disseminated information and updates on wide ranging capital markets issues such as license approvals, new capital raising issuances, new partnerships and admissions to the Regulatory Sandbox. The department also circulated information on new Regulations, enforcement action and guidance to the market, particularly during the Covid-19 pandemic.

Corporate Social Investment and Sustainability

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital.

The Authority participated in the Beyond Zero Marathon that took place on 8 March 2020 by undertaking a corporate sponsorship. The Charity's goal of improving maternal and child health, is aligned to the Organization's Corporate Communication Policy which supports initiatives in health sector.

The Authority led a capital markets industry initiative that donated just over Ksh30 million to the National Covid-19 Emergency Response Fund Board.

International Affairs

The department supported the Qatar Financial Markets Authority (QFMA) organise and coordinate the 44th Africa Middle East Regional Committee (AMERC) of the International Organization of Securities Commissions (IOSCO). The meeting took place in Doha, Qatar on 29 and 30 January 2020. The Corporate Communications Department also offered support to the AMERC Working Group on Listings and was responsible for designing and distribution of the Quarterly AMERC Newsletters from April 2018 to March 2020 when the Authority served as the AMERC Secretariat.

Strategy, Risk and Performance

The Authority transformed its approach as we awaited the new organization structure approval by coming up with different teams within the Authority to ensure its core business was delivered. One of the teams formed was Strategy, Risk and Performance to oversee the development and implementation of its Strategic plans, Project management, monitor the organization performance while recommending areas of improvement, and finally ensure that the organization remains sound by managing its risks and ensuring that we remain compliant with ISO 9001:2015 Quality Management System.

On strategy and projects

The Authority continued implementing the Strategic Plan (2018-2023) launched in July 2018, anchored on the Capital Market Masterplan (CMMP), with a key focus on ensuring robust, facilitative policy and regulatory framework for capital market development, supervise the maintenance of efficient pre-trading and post trading environment including trade facilitation, access to data, information and stable technology.

In the second year of implementation, we adopted a theme-based approach to help us focus on our core areas of delivery and track them successfully. The areas are:

- i) Optimal product and Services Uptake and Market Deepening
- ii) Supervision, Stability and Governance
- iii) Institutional Service Delivery, Operational Efficiency and Sustainability

Some of the key achievements under the strategic plan during the year were:

1. Oversaw the successful upgrade and go live of the modernised automated trading system provided by the Exchange as well as the new Central Depository and Settlement system.
2. Onboarded six participants in the Regulatory Sandbox touching on crowdfunding, Securities Lending and Borrowing among others.
3. There was issuance and listing of Kenya's first corporate green bond by Acorn Project (Two) Limited Liability Partnership.
4. The Government through the National Treasury issued Two Infrastructure Bonds (a 9-year in April and a 6-year in May 2020).
5. The CMA Board approved a Home Ownership Savings Plan CIS by Genghis Capital.
6. There was an issuance of a Kenya Roads Board Bond for roads rehabilitation by the National Treasury through CBK.

The Projects Management Unit is a function within the Strategy, Risk and Performance team that is mandated with ensuring the Authority achieves its strategic objectives and the implementation of the Capital Market Master Plan by ensuring projects are run in an efficient and effective manner within a defined set of constraints as outlined in the Authority's Project Management Guidelines. This entails management of internal and external stakeholders such as donors who include the World Bank and Financial Sector Deepening Africa (FSDA) and other external consultants. The projects can be either internally or externally funded. During the year under review, the Authority on-boarded and implemented the following projects:

Project Name	Funded by	Project Outcome
Upgrade & Integration of the Capital Markets Authority's Market Surveillance system to the new Automated Trading System at the Exchange and the Central Depository system	Financial Sector Support Project (FSSP)	To upgrade the Authority's MSS Capizar system following upgrade and enhancements of the automated trading system at the Nairobi Securities Exchange and the implementation of a new Central Depository System at the CDSC. The Authority's supervision team has visibility of the trading as well as settlement systems. Such visibility enables the Authority to effectively monitor the entire trading process to ensure it is seamless and intervene at any point where it's required to do so.
Review and design of the securities market surveillance system.	FSSP	The design of a multi asset surveillance system with advanced surveillance capabilities that would allow effective and efficient real time and offline monitoring of all traded instruments including but not limited to equities, bonds, ETFs and derivatives (warrants, futures and options).

Strategy, Risk and Performance -Cont'd

Project Name	Funded by	Project Outcome
		<p>The system will be modern, robust and flexible enough to meet the rapidly changing market needs.</p> <p>With prudent monitoring of all products, it will be possible to flag any inconsistencies and act appropriately therefore enabling the Authority to carry out its mandate to protect investors.</p>
Development of an Oversight Framework and capacity building on supervision of Self-Regulatory Organizations (SROs) in Kenya	FSSP	To enable the Authority develop an oversight framework on the supervision of Self-Regulatory Organizations (SROs) that adheres to international best practice and a capacity building programme on the same to benefit the Authority, existing SROs and SRO candidates.
Consultancy services to develop specifications and implement an Information Repository, Advanced Financial Analysis system, eLearning system, Video Conferencing system and Communications/IT infrastructure	FSSP	<p>The implementation of a data repository and Business Intelligence tool that can carry out data analysis including advanced financial analysis will lead to increased efficiency and effectiveness in market operations and in decision making at the Authority due to easier access to information from a central database. This will enhance data mining opportunities through analysis from data obtained from both within and outside the Authority owing to enhanced data collection useful for research as well as market supervision and dissemination of processed information to the public.</p> <p>Additionally, the Authority implemented a video conferencing system as a strategic approach aimed at managing costs.</p>

Implementation of the Capital Market Master Plan

The capital markets remain a key component of the Foundations for National Transformation, as it helps in bridging the resource gap in funding Vision 2030 Projects through mobilizing savings and investments to support Kenya's aspirations to be an upper-middle-income economy. The ten-year Capital Markets Master Plan, a Vision 2030 flagship project retained in the Medium Term Plan III, remained the key blueprint towards achieving the vision to become the heart of capital markets in Africa.

The milestones achieved in the year under review include;

- i. The Authority was co-opted into an inter-agency committee comprising the Kenya Cities Forum (Consortium of the 5 Kenyan Cities – Nairobi, Mombasa, Nakuru, Eldoret and Kisumu) through which an interagency paper was developed modelling market-based financing as a solution towards funding development projects of County Governments.
- ii. Capital Markets Investor Behavioural and Opportunities Study undertaken resulting in the review of Investor Education Awareness Strategy that

includes specific programmes targeting the counties through strategic partnerships and intermediaries' empowerment through a train the trainer program. An Action Plan from the strategy has been developed and is currently under implementation. In the financial year, a white Paper on Consumer Financial Education Strategy was developed to provide capital markets contribution to the National Consumer Financial Education Strategy.

- iii. A standard Reporting template for Collective Investment Schemes (CIS) was developed by the Authority and adopted by the market and is now operational.
- iv. CISI and ICIFA were accredited as Continuous Professional Development (CPD) providers after meeting the requirements and MOUs signed to the same effect.
- v. Gazettement of the Capital Markets (Commodity Markets) Regulations 2020 and Capital Markets (Coffee Exchange) Regulations 2020. Commodity Markets Regulations will facilitate the licensing of commodity exchanges, commodity brokers and

Strategy, Risk and Performance -Cont'd

- approval of clearing houses. The regulations further provide for the governance, trading and conduct of business of commodity exchanges and commodity brokers, including the disclosure, compliance and reporting requirements. The Capital Markets (Coffee Exchange) Regulations 2020 provide for; incorporation of the coffee exchange; licensing of brokers; establishment and operationalization of a direct settlement system for expedited and transparent payment of coffee sales proceeds; conducting of trading in a secure, stable and transparent manner in an environment of fair competition; and protection of the interests of the grower, the buyer and other stakeholders at an exchange.
- vi. In a bid to promote better corporate governance the Stewardship Award for Institutional Investors was introduced as an award category under the Institute of Corporation Secretaries (ICS) Champions of Governance Awards. The participating institutional investors will be assessed on the extent of their implementation of the Stewardship Code and ranked with the winners being awarded.
 - vii. The launch of Nairobi Securities Exchange Derivatives Market to facilitate the trading of futures contracts on the Kenyan Market. The Exchange enables trade in Equity Index Futures and Single Stock Futures.
 - viii. Availability of Sponsored Direct Market Access an arrangement whereby investors (domestic or foreign) can access the technical trading infrastructure of the exchange directly. This is to enhance efficiency and to facilitate the swift and orderly processing and execution of orders.
 - ix. CDSC upgraded its systems with enhanced multiple capabilities in strive to operate to best international standards.
 - x. Nairobi entered the Global Financial Centre Index (GFCI) ranking of financial centres published by the Z/Yen Group in 2019. Currently, In GFCI 27, Nairobi has a ranking of 87.

Human Capital & Administration

The Human Capital and Administration (HCA) function oversees the effective management of the Authority's principal asset – staff. The function oversees the following critical Human Resources Management functions:

- a) **Recruitment:** The function ensures that the Authority has the human resources required to meet its mandate through internal and external filling of vacant positions;
- b) **Performance Management:** The function supports the evaluation of staff performance to ensure outcomes that are aligned with CMA's strategic goals;
- c) **Reward and Recognition:** This involves the effective deployment of reward and recognition programmes to incentivise staff to deliver outstanding results;
- d) **Learning and Development (L&D):** In order to ensure staff have the requisite skills and knowledge to provide world-class regulatory standards, the function supports staff to identify L&D solutions based on the Authority's 65:20:15 Learning and Development strategy;
- e) **Staff Welfare:** The function plays a critical role in delivering a range of staff welfare services including medical support, transport and others as set out in the Staff Welfare and Staff Wellness Programmes; and
- f) **Change Management:** The function has been at the forefront of driving cultural transformation at the Authority through the Uwezo Kipeo change programme whose overall objective is to embed an outcomes-driven corporate culture at the Authority.

The following are the highlights of key achievements by the HCA function during Financial Year (FY) 2019/2020:

- a) **Recruitment:** During FY 2019/2020, the HCA function ensured the Authority's human resource needs were met through a mix of internal and external recruitments. Highlights of the key human resource priority initiatives for the year included the following:
 - i. On 1 January 2020, the Authority's Chief Executive, Mr Paul Muthaura, exited after serving for 14 years. The function supported the Board in the recruitment process for a suitable replacement leading to the appointment of Mr Wyckliffe Shamiah as the Acting Chief Executive beginning 2 January 2020.
 - ii. The filling of the Director Market Operations position vacated by Mr Shamiah by Mr Abubakar Hassan in an acting capacity.
 - iii. The filling of the Manager Corporate Approvals position by Mr Nyale Yanga following the exit of the previous position holder, Ms Mary Njuguna, in October 2018.
 - iv. As part of the Authority's commitment to providing young graduates with work experience and mentorship, the Authority hosted thirteen interns seconded from the Public Service

Commission. The interns underwent an elaborate on-boarding process in line with the Authority's Human Resources Management practices to optimise the internship opportunity to acquire beneficial skills and knowledge.

- a) **Performance Management System (PMS):** The Authority uses the Annual Capability Review (ACR) to evaluate staff performance with a focus on the delivery of mission-critical outcomes. The ACR focuses on the delivery of targets that are tied to the workplan, technical and behavioural capabilities as well as a special objective by each employee. During the year under review, the HCA team oversaw the successful completion of the FY 2019/2020 PMS cycle.
- b) **Reward and Recognition:** A key pillar of the ongoing culture change programme (Uwezo Kipeo), has been the provision of staff incentives to support positive behaviour change and align staff towards an outcomes-orientation. During the year under review, the Authority reframed the implementation process for its employee recognition programme shifting the focus to the departments where most of the impactful work is undertaken. A key innovation in this regard was the formation of departmental recognition committees led by a departmental recognition champion to oversee the recognition process in each department. During the year, awards were made to outstanding staff across the Authority for work-based innovations, exemplary leadership, collaboration as well as outstanding service.
- c) **Learning and Development (L&D):** The following initiatives were undertaken in the year:
 - i. **Milken Programme:** The IFC-Milken Institute Capital Markets Programme is an accredited, 8-month, graduate-level certificate programme for finance professionals. The programme blends academic rigor with work experience in the US financial industry, exclusive interaction with private-sector players and market regulators, and networking opportunities with the next generation of leaders across developing and emerging economies. During the FY 2019/2020 period, four CMA staff applied and were accepted into the Programme.
 - ii. **GLOPAC Fellowship Programme for Securities Authority:** The objective of the GLOPAC Programme is to provide financial sector technical assistance for infrastructure development and strengthen relationships with financial authorities around the world. GLOPAC offers a fellowship programme for financial regulators and supervisors as visiting fellows.

Human Capital & Administration (Cont'd)

One staff member participated in the programme which was sponsored by Japan Financial Services Agency (JFSA) between January and March 2020.

- iii. **Core Curriculum Certificate Course:** The Toronto Centre Core Curriculum Certificate Course is a cross-cutting programme designed to prepare future leaders of financial sector supervisory agencies by exposing them to diverse areas to create a broad-based understanding of the objectives, principles and best practices for regulating and supervising financial markets. The Course is designed and delivered by former senior supervisors of the different financial sectors, builds participants' capacity for effective leadership in their agencies and to advocate for sound and inclusive regulation and supervision. Four staff attended the course held in Lusaka, Zambia in November 2019.
- d) **Staff Welfare:** Staff welfare is a critical pillar in ensuring employees remain optimally motivated and engaged. Key staff welfare highlights during the year under review included:
 - i. **Employee Engagement Survey 2019:** The HCA function undertook an Employee Engagement Survey to establish engagement levels and gaps at the Authority. The overall engagement index for 2019 was 81 per cent against a corporate target of 75 percent. The survey also pointed out areas of improvement especially in employee communication, which continued to be a priority improvement area going forward. The high engagement score was attributed to the key outcomes of 'Uwezo Kipeo' and leadership commitment.
 - ii. **Covid-19 Support to Staff:** The Covid-19 pandemic has transformed the delivery of work around the globe and CMA has been no exception. In order to ensure the health and safety of CMA staff in line with Government Covid-19

Guidelines, the HCA function was instrumental in facilitating staff to effectively deliver their work remotely. The ICT department continued to ensure staff can access office resources virtually as they work from home. The work-from-home support included provision of data bundles, private transport for staff delivering office-based essential services, gloves and masks for all staff as part of Covid-19 mitigation measures. HCA continued to provide staff with timely information on Covid-19 to ensure staff take the necessary precautions at home and in the office. Sanitizer dispensers were also placed in strategic locations at the Authority's premises and undertook regular premise fumigation exercises to keep the working environment safe.

- iii. **Diversity Management:** To signify management commitment on diversity, the National Council for Persons Living With Disabilities undertook an audit focused on facilities and services that the Authority has put in place to facilitate people living with disabilities.
- e) **Change Management:** The HCA function has been overseeing the effective embedding of an outcomes-driven and excellence-focused corporate culture at the CMA as part of the Uwezo Kipeo change program. A key pillar in the change deepening process in 2019/2020 was the CMA Leadership Development Programme (LDP) started in 2018. During the year, the HCA function continued to support leaders to put the leadership skills and lessons learnt into action through the delivery of their work. An important aspect of the continuing leadership development was the regular leadership business impact meetings where managers and supervisors shared the key innovations that they have put in place. Notable initiatives included enhanced employee communication, the roll out of the CMA Management Pledge and effective delegation of leadership roles as part of the mentorship process.

Information and Communications Technology

Of the Authority's six strategic priorities, the ICT department hinges fundamentally on two which are; To ensure optimal institutional efficiency and effectiveness and Leveraging on technology to drive efficiency in the capital markets value chain. As with any modern institution or organization, the Authority continued to rely heavily on sound, effective, secure and reliable technology and underlying ICT infrastructure. The quest for improved and increased automation levels, enhanced system and business process flows, ability to conduct real-time market surveillance, intention to leverage on business intelligence and augmented cybersecurity measures led the Authority to invest in extensive infrastructure, system and application upgrades.

During the Financial Year 2019/2020 the ICT Department undertook projects through the support of the Financial Sector Support Project (FSSP). At the same time, with the proclamation of the Covid-19 pandemic by the President on 13 March 2020 that, where possible government offices, businesses and companies are encouraged to allow employees to work from home, with the exception of employees working in critical or essential services. The department extended its already existing remote access services to all employees to enable them seamlessly adopt the work from home arrangement.

To leverage technology especially on the market facing systems and infrastructure, the Authority on 8 October 2019 granted approval for Go-Live of the upgraded Automated Trading System (ATS) and the new CDS system to the Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC), respectively. Before the go-live an extensive review was conducted to ensure that the new systems were robust enough to support diversification of securities trading and that they were efficient, scalable and able to offer functionalities in line with international standards and more so as envisaged in the Capital Market Master Plan. Similarly, the surveillance system was upgraded to allow a seamless integration with the new ATS and CDS system. Further, the department initiated a business process re-engineering to facilitate the upgrade of the Enterprise Resource Planning (ERP) and the Risk-Based Supervision system (RBSS). This involved re-looking at the existing workflows with a view to ensure processes matched the business strategy.

The upgrade process extended to the server operating system software, database management systems, messaging infrastructure and proprietary applications where the latest versions of these systems were successfully configured and installed. To ensure that the above upgrades were efficacious, the Authority acquired and installed a state-of-the-art storage infrastructure with the associated peripherals to accommodate the pre-determined systems and applications which were

provisioned with sufficient resources for optimal use. In the same breadth, an additional modular power backup supply system was fitted to provide redundant clean power to the server and client infrastructure. The combined uptime of the power backup systems in place was increased from four to eight hours.

These fundamental upgrades were intended at mitigating the high risk of running on obsolete hardware and software.

The Authority in its pursuit of leveraging technology for value addition in the capital markets value chain as well as its internal business processes, was cognizant of the need for applying business intelligence and financial analysis capabilities for a better, effective and quick turnaround in the decision-making process. This followed the realization that data and information at the Authority was sitting in silos with little and/or sometimes no co-relation. To overcome this challenge, the Authority partnered with a vendor to develop a Business Intelligence and Information Repository Systems to enhance integration information. To inform the development of a system that meets the need, an extensive functional requirements gathering process was conducted with input from all the stakeholders in the Authority where clear and concise data and data sources that will form the BI solution were identified. Business Intelligence tools will then be used to mine data from the repository based on user input parameters. It is this automated processing and analysis of data and information that is expected to significantly reduce the decision-making process. Once the system is fully developed and functional, it is expected it will contribute significantly to the knowledge management scope in general.

For better collaboration and communication, a new video conferencing solution was acquired and installed. The video conferencing equipment is expected to facilitate online meetings and training without the need to incur expenses arising from travel logistics.

To test the effectiveness of the backup and recovery measures put in place as per the Disaster Recovery Policy and Plan, the department conducted two successful failover tests of the critical services to the disaster recovery site. These tests ascertained the Authority's ability work from the secondary site in the event services at the primary site were unavailable.

Following the proclamation to work from home arrangement as a result of Covid-19, the department increased the user awareness campaigns on cybersecurity threats. The department took steps to enhance security around the remote access of the virtual private network (VPN). To enhance physical security within the office premises, the Authority acquired and installed closed-circuit-television (CCTV) at the common entrances and corridors.

Information and Communications Technology - Cont'd

Going forward, the department identified some keys areas of focus. These include; the development of an Enterprise Architecture which is a conceptual blueprint that defines the structure and operation of an organization with regard to technology; implement a Business Continuity Plan (BCP) which is a document that will outline how the Authority

will continue to operate during an unplanned disruption in operations or services or loss of life; actualize the cybersecurity framework; and finally operationalize the Knowledge Management and Information Technology strategy.

Spot Commodities

Kenya's envisages to position itself as a centre of excellence in spot commodities markets in agriculture, energy, minerals, and metals supported by national derivatives exchanges to stimulate development and economic transformation in the country. This objective has been articulated in the Vision 2030 Development Strategy, the Northern Corridor Integration Projects (NCIP) Summit of Heads of States/ Governments Presidential Directives (2014) and the 'Big 4' Agenda.

Consequently, the Capital Markets Authority, in consultation with the National Taskforce on establishment of a Commodities Exchange in Kenya and the Coffee Sub-Sector Reforms Implementation Committee (CSIC), developed the Capital Markets (Commodity Markets) Regulations 2020 and the Capital Markets (Coffee Exchange) Regulations 2020. These regulations were gazetted by the Cabinet Secretary of the National Treasury and Planning on 3 April 2020. In addition, The Ministry of Agriculture, Livestock, Fisheries and Cooperatives developed the Warehousing Receipts System Act 2019 for agricultural commodities. This was in line with the Government's agenda to support the establishment of structured commodities trading in Kenya via the development of a Warehousing Receipt System and establishment of fully fledged Commodities Exchange(s).

The regulations were developed after various inputs including: a robust policy framework; benchmarking with regional and international jurisdictions; expert review by consultants; as well as extensive stakeholder engagement at the National, County and Parliamentary levels to ensure that they are fit for purpose.

The need to develop structured mechanisms for commodities trading in Kenya is supported by the recognition that the country's smallholder farmers face several challenges related to existing market inefficiencies manifested in the form of supply chain inadequacies, constrained access to credit, inefficient price discovery, volatility and poor market access which leads to high production and marketing costs as well as low competitiveness.

The development of structured commodities trading is anticipated to provide a transparent, efficient, and structured trading system, quality assurance for commodities, efficient price discovery and in the long-term, facilitate improved export competitiveness for Kenyan commodities, by stimulating domestic value addition and processing, while at the same time improving the country's food security status as well as developing other non-agricultural commodity value chains.



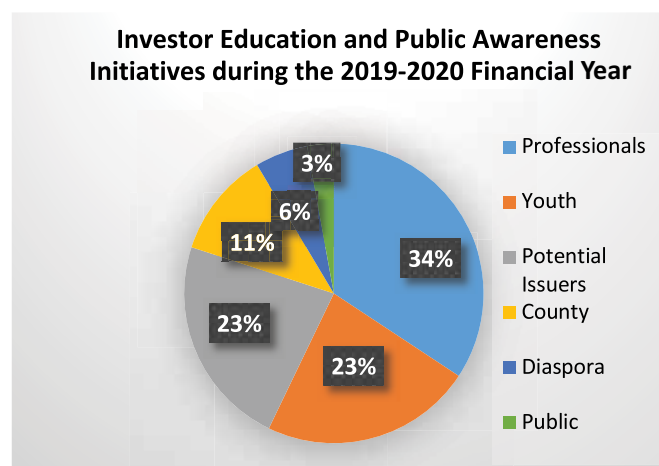
CMA Board and Management Retreat on draft Commodity Markets and draft Warehouse Receipt System Regulations held at Lake Naivasha Resort in March 2020.

Investor Education and Public Awareness

Investor education and awareness continued to be a key mandate with respect to increasing knowledge, attitude as well as product uptake within the capital markets. The Authority continues to implement the final phase of its current strategy largely informed by the Capital Markets Investor Education Behavioural and Situational Analysis Study conducted in 2018. Several initiatives outlined below were undertaken targeting the various sub-groups by leveraging on strategic partnerships as well as technology.

Despite the outbreak of the Covid-19 pandemic which affected several initiatives, the Authority was able to effectively utilize technology to conduct programmes virtually as well as leveraging social media to disseminate information.

During the financial year, the Authority undertook 41 initiatives in 11 counties targeting various groups including the youth, potential issuers, professionals, diaspora community and the public in general as represented in the pie chart below:



The engagements included seminars, workshops, exhibitions and live Facebook conferences using various outreach strategies as follows:

1) Awareness Benchmarking Study Tour

Following the successful completion of the Capital Markets University Challenge 2018 which culminated with an award ceremony on 17 May 2019, the top three winners were sponsored by the Authority for a 3-day capital markets study tour of Nigeria, 18 to 21 August 2019. The tour was part of the prizes in addition to the monetary awards for purchase of securities of listed companies. The winners, who were Mr. Jacob Masara (grand winner), Ms. Lorna Waweru (first runners up) and Mr. John Gitonga (second runners up) visited the Nigerian Stock Exchange, the Central Securities Clearing System, GTI Capital Ltd, FMDQ Securities Exchange PLC, and the NASD OTC Securities Exchange, all in Lagos Nigeria, and Securities and Exchange

Commission offices. The winners were accompanied by two staff members of the Authority and the trip was hosted by the Securities and Exchange Commission of Nigeria.

The visit was very useful in imparting knowledge to the winning students especially from a global perspective. It also served as an opportunity for CMA officials accompanying the students to pick lessons and ideas that could be implemented in Kenya.

2) Youth forums

The youth remain a key constituent of the Authority's target group with regard to CMA's education and awareness agenda. In this regard, the Authority in liaison with the Kenya Institute of Curriculum Development (KICD) and other stakeholders, participated in several workshops to review the subjects for both junior and senior schools and identified possible subject strands and sub-strands for infusion of financial literacy within the Competency Based Curriculum (CBC).

Further, the Authority hosted students from learning institutions for educational tours aimed at enhancing awareness on capital markets and protection amongst the youth, role of the Authority, capital markets products and international investment opportunities, amongst other topics. Examples of these institutions included Northwest Nazarene University, Kitale Polytechnic and Baraton University.

The Authority also participated in an Annual Boot Camp organized by the Actuarial Students Society of Maseno University. The two-day workshop attracted over 300 students from all universities across the country and various professionals from the actuarial and related fields of Actuarial Science. The workshop aimed at promoting creativity among actuarial students, enhancing market research and encouraging teamwork among students through talks and panel sessions with professionals.

3) Strategic Partnerships

The Authority collaborated with eleven key strategic partners, amongst others, to jointly hold various structured forums and exhibitions. The strategic partners included:

- Institute of Certified Investment & Financial Analysts (ICIFA)
- Chartered Institute for Securities and Investment (CISI)
- Kenya Institute of Curriculum Development (KICD)
- Institute of Human Resource Management (IHRM)
- Institute of Surveyors of Kenya
- Kenya Planners Association
- Kenya Diaspora Alliance
- Kenya Accountants and Secretaries National Examinations Board (KASNEB)
- Directorate of Criminal Investigations Academy and

- other learning institutions
- Kenya National Spelling Bee
- Capital markets intermediaries

Key among the partnerships was the signing of a Memorandum of Understanding (MoU) with the Institute of Certified Investment & Financial Analysts (ICIFA) and the renewal of an existing MoU with Chartered Institute for Securities and Investment (CISI). The scope of the collaboration with ICIFA touches on many aspects in a joint quest to deepen the understanding of the capital markets industry to continue to have a vibrant, robust, and efficient capital market in Kenya.



ICIFA and CISI officials after the signing of the partnership agreement; Sitting from left are Mr. Kevin Moore, Chartered MCSI, CISI Global Business Development Director, and FA Dr. Jonah Aiyabei, Chairman of ICIFA.

The partnership with the (CISI) includes the implementation of a robust continuous professional development (CPD) programme.

At the same time the Authority also assisted CISI and ICIFA to sign a partnership agreement to support the enhancement of standards in professionalism and integrity in Kenya's capital market.

It is also worth mentioning that the Authority sponsored the Spelling Bee Championship, which is a spelling competition among primary school pupils from County to National level and finally to African continent level. The African level involved 10 African countries. The Authority in partnership with the Kenya National Spelling Bee supported 800 pupils from 16 schools in different counties. The Authority benefitted from several financial and capital markets words incorporated in the Championship as well as media visibility as a result of TV coverage of the competition. The objective of this partnership was introduction of financial literacy to pupils at an early age.

4) Structured Forums and Exhibitions

In an effort to unlock challenges with respect to capital markets products uptake, the Authority organized forums targeting pension fund administrators to sensitize the trustees on the capital markets products they could invest in as well as the role of the pension funds in deepening capital markets. Further, various initiatives targeting the intermediaries and potential issuers were held aimed at

presenting the regulatory requirements for raising funds in capital markets.

During the financial year, the Authority also hosted an Ethiopian delegation comprising ten staff members from the Awash Bank, the second largest private bank in Ethiopia. The visit was geared towards assisting the visitors receive pertinent information with respect to capital raising through the capital markets as Ethiopia gears to set up a stock exchange.

At the same time CMA in collaboration with IHRM, KASNEB, Africa Nazarene University and the ISK, participated in four exhibitions which gave participants opportunities to engage one-on-one with Authority's staff as well as receive additional capital markets materials from exhibition booths.

5) Diaspora Initiatives

The Authority, in partnership with the local business community, participated in the Dallas Trade and Investment Summit in November 2019 and presented trade and investment opportunities from Kenya under the Big 4 Agenda for Kenyans living in the USA and American investors wishing to enter the Kenyan market.

Further, the Authority organized two Diaspora Facebook conferences to create awareness and educate the diaspora community on how to invest and prosper in Kenya's capital markets. This enabled the Authority to discuss investment opportunities and their accompanying risks, share investor protection materials, as well as obtain feedback on the experiences of the diaspora investors already investing in the capital markets.

6) National and Global Campaigns

As an International Organisation of Securities Commissions (IOSCO) member, the Authority participated in the 2019 World Investor Week which is an annual week-long global campaign to raise awareness about the importance of investor education and protection, and to highlight the various initiatives of securities regulators in these two critical areas. The event involved various initiatives among them social media campaigns, Online Resource Centre Campaign, Resource Centre Portal Scavenger Hunt, Resource Centre physical visit campaigns, county initiatives, intermediaries' outreach programme, Facebook Conferences and Crossword Puzzle, amongst others.

7) County Forums

In spite of the Covid-19 pandemic which affected the initiatives lined up during the third and fourth quarter in the year under review the Authority conducted initiatives in 11 Counties reaching approximately 21,000 retail and institutional investors comprising largely of the youth and opinion/groups leaders. Out of the 41 initiatives undertaken, three (3) were international while 38 forums were held in 11 Counties representing 23% of the counties reached during the year. The outreach programmes targeted the various

Investor Education and Public Awareness (Cont'd)

constituents with respect to their actual needs and included professionals, trustees, youth groups as well as potential issuers of securities.

The Counties reached within the financial year included: Nairobi, Kirinyaga, Mombasa, Kwale, Nakuru, Kisumu, Kajiado, Embu, Machakos, Makueni and Kitui. So far the Authority has visited 35 counties and reached the remaining ones through other means such as radio, television, social media and competitions leveraging the CMA website and mobile phone technology.

8) Train the Trainers Initiatives

The Authority continued to implement a framework for working with professionals across the country in furthering the investor education and public awareness agenda by conducting initiatives utilizing the outsourcing strategy. Further, the Authority held Train the Trainers initiatives targeting intermediaries as part of the World Investor Week. To ensure the contracted resource persons are updated on the current situations within the industry, the Authority conducted a sensitization forum for them aimed at providing more details on public awareness and investor protection as well as expectations.

9) Leveraging Technology

The Authority continued to leverage on technology through posting and boosting of information materials of different kinds, on investment opportunities and investor protection, on social media as well as ensuring relevant and current information is accessible to the public through the Resource Centre Portal, given the prevailing Covid 19 pandemic. The Authority also participated in live webinars in collaboration various stakeholders such as the Institute of Certified Investment & Financial Analysts (ICIFA), Chartered Institute for Securities and Investment (CISI), Nairobi Securities Exchange (NSE), Central Depository and Settlement Corporation (CDSC) and market intermediaries.

Further, cognizant of the role information technology continue to play in service delivery, the Authority held a Scavenger Hunt competition through the Resource Centre Portal, organized Facebook Live Online Public forum and Diaspora Live Facebook Conference targeting Diaspora Associations and the youth. E-Brochures were also developed and a Diaspora page on the Authority's website created. The Diaspora page provides a quick access to relevant information to current and potential investors in the diaspora.

10) White Paper on Consumer Financial Education Strategy on Capital Markets

A White Paper on Consumer Financial Education Strategy

on Capital Markets to inform a National Consumer Financial Education Strategy was finalized. Development of the White Paper was informed by the Capital Markets Investor Behavioural and Situational Analysis Study conducted in 2018 was aimed at providing the basis for informing investor education strategies for the capital markets in Kenya and enable the Capital Markets Authority contribute ideas to the proposed Kenya National Consumer Financial Education policy and strategy for the wider financial services sector.

11) Industry Certification and Continuous Professional Development

Following successful stakeholder engagements to receive views of the Continuous Professional Development (CPD) program, the Authority issued a circular to all market intermediaries formalizing the CPD programme to all target employees of market intermediaries. The CPD program requires all employees of capital market intermediaries, who have direct dealings with clients, to maintain and develop their knowledge by undertaking at least 35 hours of CPD annually. Full implementation of the mandatory CPD was expected to be achieved in 2020 and thereafter apply on an annual CPD cycle as from 1 January 2021. Key to the success of the program is leveraging to technology as much as possible to conduct various structured foras.

During the Financial Year three institutions, CISI, ICIFA and NSE, have been accredited as providers of the CPD programme having met all the requirements set by the Authority.



The CMA CEO, Mr. Wyckliffe Shamiah (centre), Head of Education and Awareness, Mr. Konrad Afande (left) as well as Resource Centre staff, Mr. Humphrey Muturi unveiling the Winners of the Scavenger Hunt Competition and Resource Centre Physical visitors held at the Authority offices.

Market Supervision

Market Surveillance

The Authority has continued to fulfil its mandate to ensure that the market is fair, orderly and transparent through real time and offline market surveillance. The surveillance function includes monitoring the trading activities at NSE with the objective of identifying any suspected cases of insider trading and other forms of market abuse. Any suspected case of market abuse is subjected to further investigation and where sufficient evidence is available, appropriate enforcement action taken. It is noteworthy that even with the restrictions brought about by the COVID-19 pandemic, the Authority's robust surveillance systems have been fully accessible remotely and there has been no disruption in the surveillance activities and capabilities.

In addition, to spot and derivatives markets, the Authority has continued to facilitate the roll out of new products and services such as short selling and securities lending and borrowing. In this regard, the Authority embarked on a review of its existing surveillance ecosystem with a goal to have a best in class multi-asset surveillance system. So far, the specifications for this system have been developed. In addition, capacity building activities continue to be conducted for both the Authority's team and the Nairobi Securities Exchange staff. The project also includes a component to review market surveillance policies and procedures with a special focus on embracing technology.

Markets Infrastructure

During the year, new market infrastructure systems for the capital markets were commissioned. On the 14 October 2019, the Nairobi Securities Exchange (NSE) went live on a new state of the art automated trading system. The Central Depository and Settlement Corporation (CDSC) concurrently commissioned a new central depository system with the capacity to support new products as outlined in the Capital Market Master Plan. The new systems have the capacity to support market growth into the future and aligns Kenya's infrastructure with global best standards. The Authority also upgraded its Market Surveillance System to ensure that surveillance activities on trading activities conducted through the new systems was maintained.

In addition to the upgrade of systems and in line with the Strategic Plan (2018 - 2023), to ensure that capital market infrastructures adhere to global best practice standards, the Authority supported the CDSC to conduct a self-assessment against the IOSCO-CPMI Principles for Financial Market Infrastructures (PFMIs). The assessment was carried out by an independent assessor Thomas Murray and considered the compliance levels of CDSC with international best practice as stipulated in the standards. CDSC was ranked highly as having broadly observed the principles. Financial Market Infrastructures (FMIs) that facilitate the clearing,

settlement and recording of monetary and other financial transactions play a critical role in fostering financial stability and in strengthening the markets they serve.

Several market players also upgraded their systems in a bid to adopt fintech and digital services to reach more clients. These included mobile share trading applications as well as ability to buy unit trusts through the mobile phone. These systems are reviewed and approved by the Authority to ensure that robust risk management arrangements are in place and that investors who access these systems are protected.

Prudential Risk - Based Supervision

The Authority has continued to carry out offsite supervision for all market intermediaries and onsite inspections for high risk firms as well as low risk firms that had not been inspected in the last two years in accordance with the Authority's internal procedures. A total of 33 intermediaries were inspected in 2020. In addition, several premises inspections for new license applicants were carried out.

The last half of 2020 was challenging due to COVID-19 restrictions. However, the Authority has continued to formulate new strategies to ensure uninterrupted and effective market oversight. Several circulars have been issued to guide the market on reporting requirements, stakeholder engagements, annual general meetings as well as other regulatory obligations.

The Authority is continuously working to enhance its procedures, systems and technology to better support the new way of doing business occasioned by the directives issued by the Ministry of Health on social distancing with minimal face to face engagements. Once the ongoing enhancements are completed, we expect to improve the communication between the Authority and market intermediaries through a robust online portal that would enhance the security and efficiency of submission of information to the Authority.

Derivatives Market

The Derivatives Market was launched on 4 July 2019. This was subsequent to the successful completion of the pilot testing phase. Trading commenced with equity futures contracts structured on the NSE 25 share index and six counters that met the single stock futures eligibility criteria, namely, Safaricom, KCB Bank, Equity Bank, East African Breweries Ltd (EABL), British American Tobacco (BAT) and Absa Kenya (formerly Barclays Bank of Kenya). The market is supported by seven Trading Members who are members of the Exchange. The derivatives market has achieved modest growth in the 2019-20 financial year with 905 contracts traded valued at Ksh37 million from the date the market started on 4 July 2019 to 30 June 2020.

Market Supervision Cont'd

During the financial year, the market supervision team conducted off-site inspections on all the participating trading members with a focus on the review of trading and operations in the first year of the derivatives market. The Authority also approved the commencement of proprietary trading by the trading members that was expected to drive up liquidity as measured by value and volume of contracts traded. This in turn promotes greater price discovery and subsequently promote product uptake.

The Exchange introduced a new category of membership known as non-executing membership. These are custodians in the market who hold assets on behalf of their institutional clients and their role would be to facilitate settlement of transactions in conjunction with the clearing members.

Online Forex Brokers and Money Managers

The Authority has so far issued non-dealing online forex brokers licenses as follows; EGM Securities Limited (FX Pesa) in 2018, SCFM Limited (Scope Markets) in 2019 and Pepperstone Markets in 2020. Standard Investment Bank (Mansa X) was granted a money manager license in 2019. Supervision activities were undertaken on these newly licensed entities during the financial year.

The non-dealing online foreign exchange broker license means the entity is licensed by the Authority to act as a link between the online foreign exchange market and a client in return for a commission or mark-up in spreads and does not engage in market-making activities (buying and selling of foreign currencies). Money Managers trade on online forex on behalf of clients.

Research and Analytics

A. RESEARCH AND SURVEYS

In the 2019/20 Financial Year, the Authority conducted research studies and provided inputs to joint publications as highlighted below;

i) Information Paper on Client Asset Segregation

The aim of this paper was to establish if market players were adhering to the legal and regulatory requirements outlined through Regulations 20 and 43 of the Capital Markets Licensing Regulations (2002) as well as Regulations 28 through 31 of the Capital Markets Conduct of Business Regulations (2011) which provide mechanisms for segregation of client assets by intermediaries. Also, the aim of the paper was enhancing client protection should an intermediary become insolvent.

The output include analysis of client account segregation practices, models, challenges, and proposes recommendations for implementation.

ii) Research Paper on strengthening investor protection in Kenya by enhancing the Investor Compensation Fund framework

The Investor Compensation Fund Framework of the Authority has been put to test in the past through the failure of three stockbrokers (Nyaga stockbrokers, Discount Securities Limited and Francis Thuo and Partners Ltd) between 2006 and 2008. Post this era, CMA engagements with stakeholders through various forum such as investor education initiatives has revealed investors' dissatisfaction with respect to the maximum repayment amount as well as the processes involved in settling claims. The fund's mandate was further brought to question in 2016 with the financial challenges witnessed at the former Chase and Imperial Banks. These incidences have contributed to negative sentiments with respect to the level of safety of client investments within Capital Markets.

It is based on this that the Authority in collaboration with KIPPRA conducted this research providing a review of the structure of ICF as constituted currently while making recommendations aimed at improving the fund's framework from a multi-faceted approach.

iii) A Research Paper to establish the effectiveness of Professional Indemnity covers in protecting investors and enhancing capital markets stability

Market stability is a very crucial pillar in the capital markets as it helps in boosting investor confidence and avoid systemic risk. Professional Indemnity (PI) covers are one of the ways utilized to protect investors and enhance capital markets stability. This is achieved by ensuring that all market intermediaries who handle with the investors' money has this cover just in case

they make a wrong decision and the investor loses the money.

In a bid to ensure the achievement of the Capital Markets Master Plan, the Authority has continued to review its regulatory framework to ensure it is facilitative to all the market participants. These efforts are meant to deepen the market and bring on board as many investors as possible to the capital markets industry. Investor confidence is a key determinant of how successful this plan will be.

During the review period, the Authority developed a research paper in an effort of evaluating how well to enhance capital markets stability and protect the investors particularly, establishing the effectiveness of Professional Indemnity covers.

iv) Capital Markets Corporate Governance Survey of Small and Medium Enterprises (SMEs) in Kenya

The Kenyan financial market offers a wide range of platforms through which Small and Medium Enterprises (SMEs) can source for funds to finance their operations. The capital market is one of the avenues that SMEs can use to raise capital. A company however required to adhere to certain set rules and regulations including good corporate governance practices which are set by the Capital Market Authority (CMA). These regulations require listed companies, companies intending to offer securities to the public and market intermediary to comply with corporate governance practices prescribed by CMA.

To assess and inform the capability of SMEs to comply with the standard corporate governance practices, the Authority during the financial year conducted a research survey with aim of using the findings to inform the changes and possible separate corporate governance practices for SMEs that would allow them to easily qualify to access finance through the capital market.

v) Economic Survey 2019

The Authority provided capital markets relevant data and information to the Kenya National Bureau of Statistics Economic Survey 2019. The Economic Survey report is an annual publication prepared by the Kenya National Bureau of Statistics that provides socio-economic information covering a five-year period. Statistics presented in Economic Survey reports are produced in line with internationally sound and scientific methods that are anchored on the fundamental principles of producing official statistics.

vi) Financial Sector Stability Report 2019

The Authority provided capital markets relevant input

Research and Analytics (Cont'd)

to the Financial Sector Stability Report 2019. This is a joint annual publication prepared by the Financial Sector Regulators Forum, which brings together the Central Bank of Kenya, Capital Markets Authority, Insurance Regulatory Authority, Retirement Benefits Authority and Sacco Societies Regulatory Authority under a Memorandum of Understanding (MOU) for collaboration in several areas of mutual interests.

The publication provides an assessment of key developments in Kenya's macro-financial conditions. It highlights key developments, risks and vulnerabilities, and growth opportunities resulting from global, regional and domestic factors.

vii) CMA Publications

During the review period, the Authority also developed and published Quarterly Capital Markets Statistical Bulletins and Capital Markets Soundness Reports. The Soundness Report contextualizes major developments in Kenya and beyond while highlighting the lessons and implications of those events for Kenya to inform strategies on mitigating key risks affecting Capital Markets in Kenya and leveraging on the opportunities presented. The Authority also provided input to and published other reports such as the AMERC Quarterly Report.

B. OPERATING ENVIRONMENT

GLOBAL ECONOMY

As per United Nations report, the World Economic Situation and Prospects 2020 the global economy recorded its slowest growth of the decade in 2019, falling to 2.3 per cent. The same report forecasted a model acceleration in global growth, reaching 2.5 per cent in 2020 and 2.7 per cent in 2021 earlier in the year, January 2020.

According to World Economic Outlook Update by International Monetary Fund (IMF), June 2020, global growth is projected at -4.9 per cent in 2020, 1.9 percentage points below the April 2020 World Economic Outlook (WEO) forecast. The COVID-19 pandemic has had a more negative impact on activity in the first half of 2020 than anticipated, and the recovery is projected to be more gradual than previously forecast. In 2021 global growth is projected at 5.4 percent. Overall, this would leave 2021 GDP some 6.5 percentage points lower than in the pre-COVID-19 projections of January 2020.

SUB-SAHARAN AFRICA

According to the African Economic Outlook 2020, Growth in Sub-Saharan Africa is estimated at 3.4 per cent for 2019, up from 2.3 per cent for 2018. Although stable, this rate is below

the decadal average of 5 per cent growth for the region. The slower than expected growth is partly due to the moderate expansion of the continent's big five— Algeria, Egypt, Morocco, Nigeria, and South Africa, which jointly grew at an average rate of 3.1 per cent, compared with the average of 4.0 per cent for the rest of the continent. Growth is forecast to pick up to 3.9 percent in 2020 and 4.1 percent in 2021.

Later, after factoring the effect of covid-19 pandemic, in the Africa Economic Outlook 2020 supplement, Real GDP in Africa is projected to contract by 1.7 per cent in 2020, dropping by 5.6 percentage points from the January 2020 pre-COVID-19 projection, if the virus has a substantial impact but of short duration. If it continues beyond the first half of 2020, there would be a deeper GDP contraction in 2020 of 3.4 per cent, down by 7.3 percentage points from the growth projected before the outbreak of COVID-19.

DOMESTIC ECONOMIC ENVIRONMENT

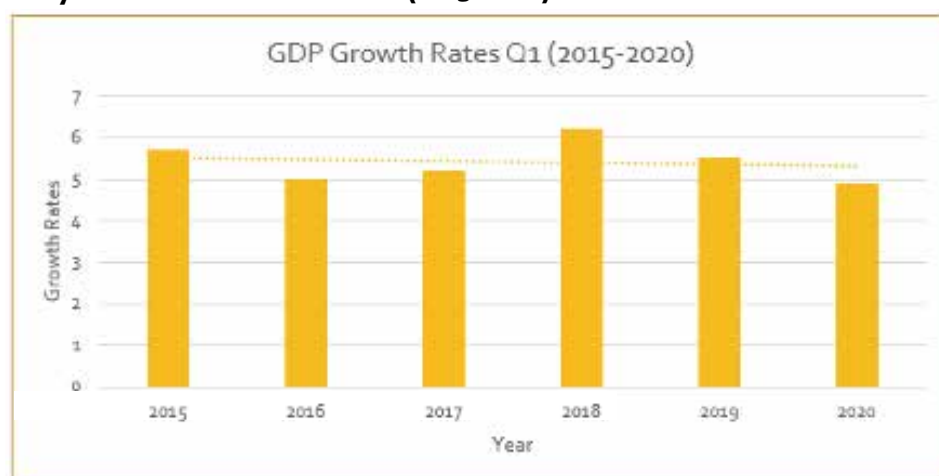
According to the World Bank's GDP growth estimates for 2019, the Kenyan economy expanded by 5.4 per cent, down from real GDP growth of 6.3 per cent in 2018. The slower growth was associated with underperformance in agriculture (due to poor rains) and private investment, which weakened due to crowding out from widening fiscal deficits and, relatedly, limited private sector credit growth (7.1 per cent year-on-year in December 2019). Nonetheless, strong performance in the services sector helped overcome a slowdown in agricultural output.

With the novel coronavirus, the COVID-19 shock is expected to further reduce growth in 2020 with large impacts on services (transport, retail trade, tourism, events, leisure, etc.), industry (manufacturing and construction), and agriculture. The health system is facing an unprecedented challenge to contain the spread of COVID-19 and care for the infected. In addition, measures taken to slow down the rate of infection, including home confinement, travel restrictions, the closure of schools and entertainment spots, the suspension of public gatherings and conferences, and a nightly curfew, are expected to affect both production and consumption across the economy.

Even before being affected by the novel coronavirus, Kenya's economy had decelerated. The real GDP growth in 2019 was about 5.4 per cent, down from 6.3 percent in 2018. Further, the World Bank in the 21st Edition of the Kenya Economic Update 2020 has already predicted growth of 1.5 per cent in 2020 in the baseline scenario, with a potential downside scenario of a contraction to 1.0 per cent, if Covid-19 related disruptions in economic activity last longer.

Research and Analytics (Cont'd)

Kenya's Annual GDP Growth Rate- (2015-2020)



Source: KNBS; 2020 figures are reported as at Q1 2020

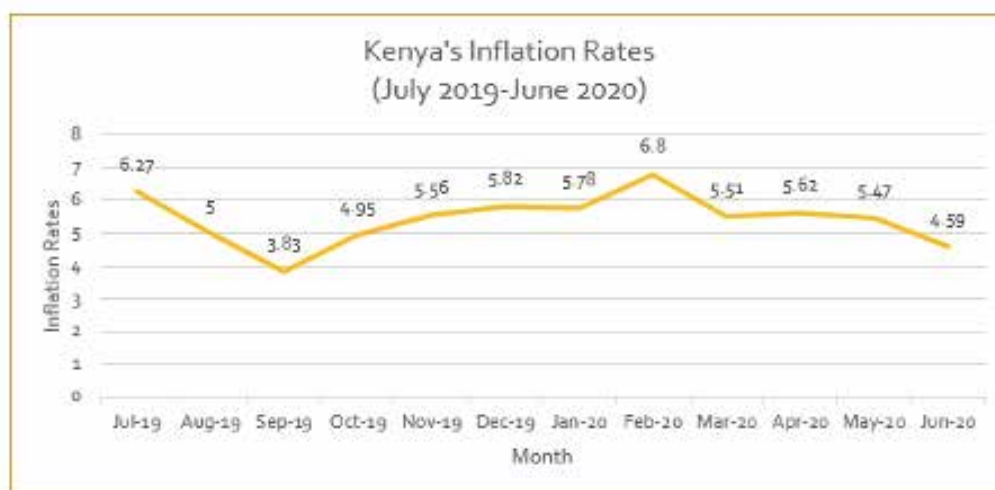
Research and Analytics (Cont'd)

Kenya's Inflation Rate- (July 2019-June 2020)

The most recent release on Growth Domestic Product by the Kenya National Bureau of Statistics (KNBS) indicates that economic activity grew at the rate of 4.9 per cent in the first quarter of 2020 recording a drop from the 5.5 per cent growth rate recorded in the first quarter of 2019. This decline is attributable to the economic effects of the Covid-19 pandemic even as Kenya's major trading partners began facing the brunt of the virus within the first quarter of the year.

Further, the growth was mostly supported by pickup in activities in the Agriculture, Forestry, and Fishing sectors grew by 4.9 per cent compared to 4.7 per cent growth recorded in a similar quarter of 2019. The slowed overall performance was occasioned by the 9.3 per cent decline in the Accommodation and Food service sector following the lockdown and restricted movement measures put in place by various governments across the globe to curb the spread of the Covid-19.

Trend of Inflation Rate July 2019- June 2020



Source: KNBS

Kenya up 5 Places in the World Bank 2020 Ease of Doing Business Ranking

According to the recent Ease of Doing Business 2020 Report by the World Bank Group, Kenya improved by 5 places to position 56 globally out of 190 countries compared to position 61 in the 2018 report. The score improved by 2.2 points to 73.2 from 71.1 in the 2019 report. Kenya strengthened registration of property, payment of taxes, the process of starting a business, trading activities across borders and enforcement of contracts.

The reforms highlighted include:

- Dealing with Construction Permits:** Kenya made acquisition of construction permits more transparent by making all the requirements available to the public through an online platform. Further to this the reduction of fees to acquire these permits was reduced significantly.
- Getting Electricity:** There was an improvement in the reliability of electricity supply in Kenya through the upgrade of the electricity infrastructure to more modern ones. Additionally, the launch of a new substation in Nairobi made a significant change in power supply in Nairobi and other areas.
- Getting Credit:** Kenya strengthened access to credit through the introduction of online registration and alteration of security interests and digitization of

online searches of collateral registry which can now be accessed by members of the public.

- Protecting minority investors:** Kenya strengthened the protection of minority investors by requiring listed companies to involve their shareholders in deciding whether to approve or dismiss an external auditor.
- Paying taxes:** Payment of taxes was made easier by the implementation of an online platform to file and pay the social security contributions.
- Resolving Insolvency:** Improvements were made in ensuring that there is continuity of a debtor's business during insolvency proceedings

Key Areas of Improvement

- Registering Property:** Property registration became harder after the introduction of additional requirement to generate a payment slip and increased fees in consent application and acquisition title deeds.

Kenya has continued to improve in the Ease of doing business global ratings over the last 15 years, these improvements are meant to boost the level of efficiency in conducting businesses as well as increase the level of both local and Foreign Direct Investment which has a positive impact on Job creation and poverty alleviation. The key areas of improvement are as tabulated;

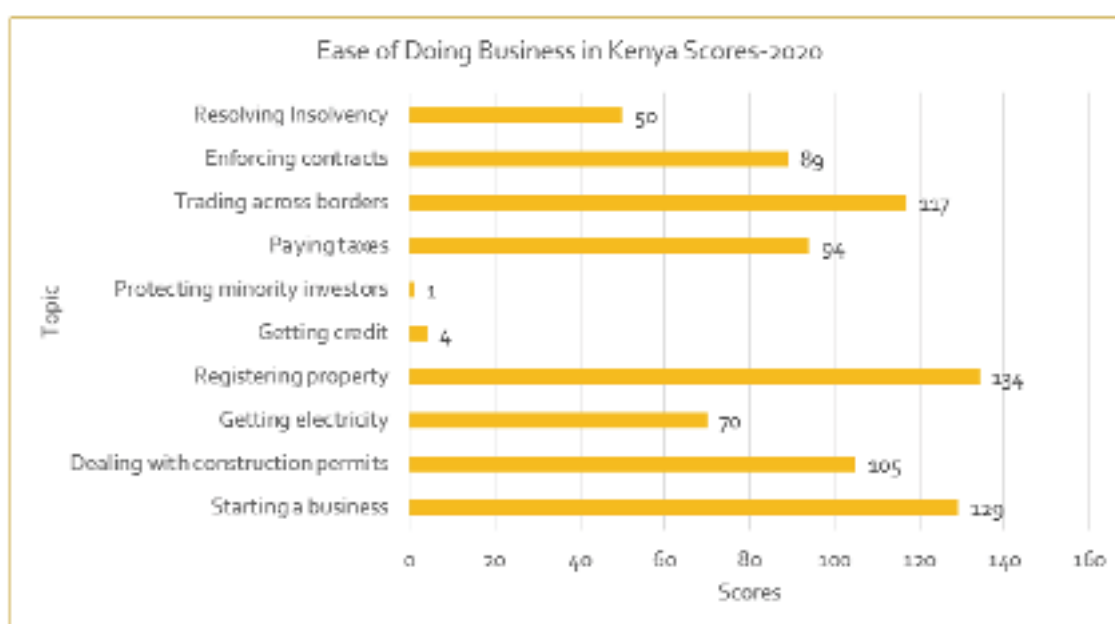
Research and Analytics (Cont'd)

Table 1: Ease Of Doing Business Ranking DB 2020

⁶	Topic⁷	DB 2020⁸	DB 2019	Change
1.	Starting a business	129	126	3
2.	Dealing with construction permits	105	128	23
3.	Getting electricity	70	75	5
4.	Registering property	134	122	12
5.	Getting credit	4	8	4
6.	Protecting minority investors	1	11	10
7.	Paying taxes	94	91	3
8.	Trading across borders	117	112	5
9.	Enforcing contracts	89	88	1
10.	Resolving Insolvency	50	52	2

Source: World Bank

Figure 1: Ease of Doing Business Score on Doing Business topics - Kenya



Source: World Bank

Market Performance

Primary Equity Markets

LISTING BY INTRODUCTION

During the year, there was no listing on the Nairobi Securities Exchange.

Listings by Introduction 2000 – 2020

Company	Shares on Issue	Year of Issue	Offer Price
Equity Bank	90,500,000	2006	90.00
CFC Insurance Holdings	515,270,364	2011	6.15
Trans century Limited	267,038,090	2011	50.00
Longhorn Publishers	58,500,000	2012	14.00
CIC Insurance	2,179,615,440	2012	3.50
Umeme	1,623,878,005	2012	8.80
Home Afrika Ltd.	405,300,000	2013	12.00
Flame Tree	24,287,500	2014	8.00
Kurwitu Ventures	102,272	2014	1,250.00
Nairobi Business Ventures	23,600,000	2016	5.00
Barclays New Gold ETF	400,000	2017	1,205.16
Bank of Kigali group Plc	896,759,222	2018	30.00
TOTAL	6,085,250,893		

Source: CMA Data 2018

Primary Bond Markets

TREASURY BONDS

During Financial year 2019/20, twenty-four (24) Treasury bonds (i.e. 10 re-openings, 7 new issues, 4 tap sales and 3 Infrastructure development bond issuances) were issued as the Government sought to raise KShs.712.97 billion. KShs.803.02 billion worth of bond applications were received, with the Government accepting KShs.569.94

billion. The three (3) new infrastructure bonds issued in October 2019, April 2020, and June 2020 to raise KShs.145.6 billion. KShs.176.52 billion worth of bond applications were received with the Government accepting KShs.126.76 billion. Additionally, KShs.62.61 billion was raised from tap sales during FY 2019/20.

Issued and reopened Treasury Bonds FY 2019/2020

Month/Year	BOND	Amt Issued (Kshs. Bn)	Amt Received (Kshs. Bn)	Amt Accepted (Kshs. Bn)	% AA/AI	% AR/AI
July 2019	FXD 3/2019/15	40.00	86.67	50.58	126.45	216.68
August 2019	FXD3/2019/10	50.00	52.77	42.01	134.88	113.36
	FXD1/2019/20		14.67	14.67		
Sep 2019	FXD 1/2018/15	50.00	15.26	15.26	65.26	65.26
	FXD 2/2019/15		17.37	17.37		
	Tap Sale	30	9.36	9.36	31.2	31.2
Oct 2019	IFB1/2019/16	60.00	86.95	68.47	114.12	144.92
Nov 2019	FXD 4/2019/10	50.00	38.37	28.35	56.7	76.74
	Tap Sale	21.65	8.11	8.11	33.79	33.79
Dec 2019	FXD 3/2019/5	25.00	28.47	18.74	74.96	113.88

⁹<https://openknowledge.worldbank.org/bitstream/handle/10986/32436/9781464814402.pdf>

⁷<https://www.doingbusiness.org/en/data/exploreeconomies/kenya#>

⁸<https://www.doingbusiness.org/en/rankings>

⁹A tap sale/issue allows borrowers to sell bonds or other short-term debt instruments from past issues. The bonds are issued at their original face value, maturity and coupon rate, but sold at the current market price.

Market Performance - Cont'd

Month/ Year	BOND	Amt Issued (Kshs. Bn)	Amt Received (Kshs. Bn)	Amt Accepted (Kshs. Bn)	% AA/AI	% AR/AI
	Tap Sale	9.72	9.75	9.75	100.31	100.31
Jan 2020	FXD 1/2019/5	50.00	44.52	44.49	88.98	89.04
	FXD 1/2019/10		25.43	19.26	38.52	50.86
Feb 2020	FXD 1/2020/15	50.00	18.44	5.19	10.38	36.88
	FXD 1/2018/25		24.06	22.68	45.36	48.12
Mar 2020	FXD 1/2018/20	50.00	19.82	8.27	16.54	39.64
	FXD 1/2018/25		15.34	14.64	29.28	30.68
April 2020	IFB1/2020/9	60.00	68.41	39.01	65.02	114.02
	Tap Sale	21.00	37.84	35.39	168.52	180.19
May 2020	FXD1/2020/5	50.00	34.53	20.78	41.56	69.06
	FXD1/2020/5	30.00	20.58	8.95	29.83	68.6
June 2020	IFB1/2020/6	25.60	21.16	19.28	75.31	82.66
	FXD3/2019/5	40.00	60.89	16.53	41.33	152.22
	FXD4/2019/10		44.25	32.80	82.00	110.62

Source: CBK/CMA

CORPORATE BONDS

Corporate Bonds Issues as at June 2020

During the financial year the bourse listed its first green bond which was issued by Acorn Holdings in an effort to raise Kshs. 5 billion in order to fund their student accommodation project. This bond was also cross listed at the London Stock Exchange.

ISSUER	ARRANGERS	APPROVED AMOUNT	ISSUED AMOUNT	APPROVAL DATE	ISSUE DATE	MATURITY DATE	OUTSTANDING AMOUNT AS AT June 30, 2020
STANBIC MULTICURRENCY MEDIUM TERM NOTE	CFC Stanbic Bank	5,000,000,000	5,080,000,000	3-Nov-14	15-Dec-14	8-Dec-21	4,000,000,000
CBA FIXED MEDIUM TERM NOTE	CBA Capital	8,000,000,000	7,000,000,000	21-Nov-14	22-Dec-14	14-Dec-20	7,000,000,000
EABL FIXED MEDIUM TERM NOTE -Second Tranche	NIC Capital	6,000,000,000	6,000,000,000	25-Jun-15	3-Apr-17	28-Mar-22	6,000,000,000
REAL PEOPLE MEDIUM TERM NOTE		5,000,000,000					
RPBD.BD.19/04/21-0049-13.75			267,600,000		10-Aug-15	2021	267,100,000
RPBD.BD.03/08/20-0047-13.65			1,363,900,000		10-Aug-15	3-Aug-28	1,036,000,000
Total		5,000,000	1,631,500,000				1,303,100,000
FAMILY BANK MEDIUM TERM NOTE	Faida Investment Bank & NIC Capital	10,000,000,000	1,297,600,000	22-Sep-15	26-Oct-15	19-Apr-21	1,297,600,000
FAMILY-FLT							
FAMILY-MXD			600,800,000				600,800,000
FAMILY-FXD			120,400,000				120,400,000
Total		10,000,000,000	2,018,800,000				2,018,800,000
THE ACORN PROJECT: DRAWDOWN 1	Stanbic Bank	5,000,000,000	786,000,000	31-Jul-19	8-Nov-19	8-Nov-24	786,000,000
			930,000,000	9-Jan-20			930,000,000
IMPERIAL BANK MULTI CURRENCY MEDIUM TERM NOTE PROGRAMME	Dyer & Blair Investment Bank	2,000,000,000	2,000,000,000	6-Oct-14	13-Oct-15	21-Dec-20	2,000,000,000
CHASE BANK FIXED MEDIUM-TERM NOTE	Genghis Capital & NIC Capital	10,000,000,000	4,822,400,000	19-May-15	10-Jun-15	2-Jun-22	4,822,400,000
Total Outstanding Amount							28,860,300,000

Source: Capital Markets Authority

Research and Analytics

RIGHTS ISSUES

Rights Issues 2007-2020

There were no right issues during the 2019/20 Financial Year.

Company	Shares on Issue	Date of Issue	Offer Price	Sum Raised	Subscription level
Olympia Capital	30,000,000	2007	14.00	428,400,000.00	102%
DTB	23,291,015	2007	70.00	2,902,060,469.00	178%
NIC Bank	16,482,910	2007	70.00	1,719,167,513.00	149%
HFCK	115,000,000	2008	20.00	2,369,000,000.00	103%
KCB	221,777,777	2008	25.00	8,122,024,075.00	146.0%
KCB	887,111,110	2010	17.00	12,500,000,000.00	82.5%
TPS East Africa	24,701,774	2010	48.00	1,185,685,152.00	135.0%
Standard Chartered	15,109,323	2010	165.45	2,499,837,490.00	161.0%
KPLC	488,630,245	2010	19.50	9,830,340,000.00	103.0%
KQ	1,477,169,549	2012	14.00	14,487,949,714.00	70.1%
DTB	24,455,566	2012	74.00	3,369,522,734	186.2%
NIC	98,724,391	2012	21.00	7,007,457,273.00	338.0%
CFC Stanbic	121,637,427	2012	33.00	4,495,719,302.00	112.0%
SCB	22,080,000	2012	145.00	8,272,934,400.00	258.0%
Diamond Trust Bank	22,010,009	2014	165.00	3,631,651,485.00	440.3%
NIC Bank	42,663,040	2014	49.25	1,904,030,511.50	221.0%
Uchumi supermarket	99,500,000	2014	9.00	579,116,043.00	183.6%
HFCK	116,666,667	2015	30.00	9,011,836,920.00	257.0%
LONGHORN	126,190,476	2016	4.20	533,000,000.00	101%
KenGen	4,396,722,912	2016	6.55	28,798,535,073.60	92.01%
TOTAL	8,567,451,534		130,717,803,591.10		

Source: Capital Markets Authority/Nairobi Securities Exchange

BONUS ISSUES

Bonus Issues 2012-2020

There were two bonus issues during the review period.

Company	Date (Month/Year)	Bonus Issue Ratio
NIC Bank	Feb-12	1:10
Cooperative Bank	Mar-12	1:5
Access Kenya	Mar-12	1:20
Jubilee	Mar-12	1:10
Standard Group	Apr-12	1:10
Kenya Re	Apr-12	1:6
Eaagads	Jul-12	1:1
Nation Media Group	Mar-13	1:5
Carbacid Investments	Oct-13	1:2
CIC insurance	July-14	1:5
Longhorn Kenya	Sep-2014	3:2
Panafric	Feb -2015	1:2
National Bank	Mar- 2015	1:10
Jubilee	Mar- 2015	1:10
Crown Paints	May -2015	2:1
WTK	Jun-2015	1:1

Research and Analytics - Cont'd

Company	Date (Month/Year)	Bonus Issue Ratio
Kapchorua	Jun -2015	1:1
Diamond Trust Bank	Mar-2016	1:10
NSE	Mar-2016	1:3
Jubilee Holdings Limited- Uganda Listing	Mar- 2017	1:10
Cooperative Bank (K) Ltd	Mar- 2017	1:5
National Bank of Kenya	Apr- 2017	1:10
Flame Tree Group	Apr- 2017	1:10
NIC Bank	Mar-2018	1:10
HFCK	Mar-2018	1:10
I&M Holdings	Mar- 2019	1:1

Source: Capital Markets Authority/Nairobi Securities Exchange

STOCK SPLITS

Stock Splits (2007 - 2020)

There was one stock split during the review period.

Company	Date (Month/Year)	Bonus Issue Ratio
CMC Holdings	Jan-07	10:1
KCB	Mar-07	10:1
Nation Media Group	Mar-08	2:1
Equity Bank	Feb-09	1:10
Kenol Kobil	May-10	10:1
KPLC	Oct-10	1:8
ARM	May-12	5:1
City Trust	Jan-13	5:1
Carbacid Investments	Oct-13	1:5
Limuru Tea	May-15	1:2
Kenya Airways	Nov-17	1:20

Source: Capital Markets Authority/Nairobi Securities Exchange

SECONDARY MARKETS

The 2019/20 financial year recorded a significant decline market performance which could be attributed to the impact of Covid-19 on the market. The NSE 20 Share Index, Market Capitalization and the Bonds Turnover recorded notable decreases of 26.25%, 7.63%, and 4.66% respectively. On the other hand, the Equity Turnover and Share Volume recorded increased activity by 8.43% and 0.14% which was as a result of the massive panic trading that occurred with the declaration of Covid-19 presence in Kenya.

Market Statistics 2019/2020

Year	Month	Equity Turnover (KSHS Bn)	Share Volume (Mn)	NSE 20 Share Index	Market Capitalization (KSHS Bn)	Bond Turnover (KSHS Bn)
2019	July	11.45	374.21	2,627.81	2,258	91.67
	August	8.65	321.99	2,467.68	2,222	44.22
	September	10.56	367.61	2,431.97	2,172	49.55
	October	16.02	450.71	2,643.39	2,435	36.81
	November	17.02	482.16	2,618.62	2,410	51.42
	December	11.97	357.25	2,654.39	2,540	18.23
2020	January	12.34	336	2,600.41	2,474	38.9
	February	12.27	385.15	2,337.03	2,268	50.35
	March	19.09	639.33	1,966.12	2,016	68.73
	April	12.66	439.03	1,958.07	2,135	30.55
	May	14.57	430.26	1,948.08	2,096	47.15
	June	12.3	552.55	1,942.12	2,105	58.95
Total FY 2019/2020		158.9	5136.25	1,942.12	2,105	586.54
Total FY 2018/2019		146.54	5,128.97	2,633.32	2,279	615.07
Percentage Change		8.43%	0.14%	26.25%	7.63%	4.66%

Source: Capital Markets Authority

Research and Analytics - Cont'd

Market Outlook

The review period recorded noteworthy developments towards product diversification, which includes: - successful issuance of the country's first Green Bond by property developer Acorn Group and PE Fund Helios. The Bond attracted an 85 percent subscription rate, raising Sh4.3 billion out of the targeted Sh5 billion with a blend of investors including pension funds, commercial

banks, development financial institutions (DFIs) and insurance firms; Admission of more FinTech's in Authority's regulatory sandbox; and launch of derivatives market in Kenya which will deepen Kenya's capital markets.

TRENDS IN FOREIGN INVESTORS PORTFOLIO ACTIVITY

The Fiscal year 2019/20 witnessed a

net portfolio outflow amounting to Kshs. 22,016 million compared to a net outflow of Kshs. 11,416 million in FY 2018/19. The negative foreign investor participation recorded in the period is attributable to declined foreign investor confidence in the Kenyan market largely attributable to fear of the impact of the Covid-19 pandemic to different sectors.

Foreign Investor Net Cash Flow Activity (KShs Millions) 2012 to 2020

	2012	2013	2014	2015	2016	2017	2018	2019	2020
January	(812)	2,133	(876)	(273)	(533)	1,608	(1,464)	(1,357)	530
February	795	(3,927)	(1,505)	201	281	435	(5,137)	216	(2,656)
March	2,651	1,810	(399)	(3,085)	(1,334)	(55)	(1,483)	1,742	(9,058)
April	1,771	3,026	1,409	(67)	80	433	(1,815)	93	(4,098)
May	1,099	3,475	(2,578)	(2,030)	196	(1,888)	(4,022)	2,166	(4,462)
June	1,639	2,602	2,586	(447)	100	(813)	(2,339)	(900)	(1,690)
July	828	1,625	142	(1,127)	974	(2,054)	(2,111)	(2,073)	
August	1,048	9,839	3253	1,183	3,703	(3,268)	(1,565)	1,509	
September	3,286	2,063	(850)	6,500	1,343	(5,799)	(3,029)	827	
October	2,965	2,723	(1,208)	889	(125)	486	(4,287)	(1,361)	
November	4,335	884	2,535	(829)	459	(450)	(599)	(730)	
December	2,129	(690)	1,021	1	615	(218)	(1,785)	1,247	
Net Portfolio Flows	21,734	25,563	3,530	916	5,759	(11,583)	(22,965)	1,378	(21,434)

Source: Capital Markets Authority

CORPORATE ACTIONS JAN 2018 to June 2020

SECURITY	Date	Corporate Action	Amount(KES)/Ratio
SASINI	16-Jan-2018	Final	0.75
EABL	26-Jan-2018	Interim	2.00
CAR & GENERAL	26-Jan-2018	First&Final	0.60
BAT	16-Feb-2018	Final	22.50
BARCLAYS	28-Feb-2018	Final	0.80
CFC STANBIC HOLDINGS	05-Mar-2018	Final	4.00
KCB	08-Mar-2018	Final	2.00
KENOLKOBIL	14-Mar-2018	Final	0.30
CO-OPERATIVE BANK	15-Mar-2018	First&Final	0.80
CIC INSURANCE	15-Mar-2018	First&Final	0.12
NSE	19-Mar-2018	First&Final	0.30
NIC BANK	22-Mar-2018	First&Final	1.00
EQUITY BANK	22-Mar-2018	First&Final	2.00
SCBK	23-Mar-2018	Final	12.50
BRITAM	23-Mar-2018	First&Final	0.35
KAKUZI	23-Mar-2018	First&Final	7.00
DIAMOND TRUST	26-Mar-2018	First&Final	2.60
BAMBURI CEMENT	27-Mar-2018	Final	1.50
UMEME	28-Mar-2018	Final	7.60
I&M HOLDINGS	28-Mar-2018	First&Final	3.50
FAHARI IREIT	29-Mar-2018	First&Final	0.75
LIBERTY KENYA HOLDINGS	28-Mar-2018	First&Final	0.50
KENYA-RE	29-Mar-2018	First&Final	0.85
HFCK	29-Mar-2018	Final	0.35
TOTAL KENYA	29-Mar-2018	First&Final	1.30

Research and Analytics - Cont'd

SECURITY	Date	Corporate Action	Amount(KES)/Ratio
JUBILEE HOLDINGS	16-Apr-2018	Final	8.00
TPSEA	17-Apr -2018	Final	0.35
BOC	17-Apr -2018	Final	3.00
NMG	18-Apr-2018	Final	7.50
WPP SCAN GROUP*	25-Apr-2018	First&Final	0.75
CROWN	9-May-2018	Final	0.60
SAFARICOM*	9-May-2018	Final	1.10
CENTUM	13-Jun-2018	First&Final	1.20
BAT	20-Jul-2018	Interim	3.50
EABL	27-Jul-2018	Final	5.50
KAPCHORUA	7-Jul-2018	Final	10.00
WTK	2-Aug-2018	Final	20.00
STANBIC UG	10-Aug-2018	Interim	2.25
BBK	13-Aug-2018	Interim	0.20
KCB	16-Aug-2018	Interim	1.00
NMG	20-Aug-2018	Interim	1.50
UMEME	20-Aug-2018	Interim	12.70
SCBK	22-Aug-2018	Interim	5.00
BOC	30-Aug-2018	Interim	2.35
JUBILEE	31-Aug-2018	Interim	1.00
BAMBURI	31-Aug-2018	Interim	1.00
LONGHORN	3-Sep-2018	Interim	0.42
UNGA	28-Sep-2018	First & Final	1.00
KENGEN	26-Oct-2018	Final	0.40
SASINI	19-Dec-2018	Final	0.50
CAR & GENERAL	27-Dec-2018	Final	0.80
I&M	31-Dec-2018	Interim	3.90
EABL	25-Jan-2019	Interim	2.50
BAT KENYA	14-Feb-2019	Final	31.50
CFC STANBIC	01-Mar-2019	Final	3.55
KCB	06-Mar-2019	Final	2.50
BARCLAYS	11-Mar-2019	Final	0.90
CIC	11-Mar-2019	First & Final	0.13
STANDARD GROUP	21-Mar-2019	First & Final	0.60
NIC GROUP	21-Mar-2019	First & Final	1.25
DTB	21-Mar-2019	First & Final	2.60
CO-OP	21-Mar-2019	First & Final	1.00
STANCHART	22-Mar-2019	Final	14.00
NSE	22-Mar-2019	First & Final	0.49
LIMTEA	25-Mar-2019	First & Final	1.00
UMEME	25-Mar-2019	Final	28.20
I&M	27-Mar-2019	Bonus	1:1
EQUITY	27-Mar-2019	First & Final	2.00
TOTAL	28-Mar-2019	First & Final	1.30
BOC	29-Mar-2019	Final	2.85
KAKUZI	29-Mar-2019	First & Final	9.00
STANLIB	29-Mar-2019	First & Final	0.75
KENYA-RE	29-Mar-2019	First & Final	0.45

Source: NSE*Subject to approval

Budget Theme FY 2020/2021: **Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery**

REFERENCE	ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Page 12,29,30&31 Budget Statement	Vision 2030	Post Covid-19 Economic Recovery Strategy currently being developed under the leadership of H.E the President to provide a roadmap for transition to a new development framework beyond the current vision 2030	The Authority to employ strategic influence for the capital markets to be a key financing pillar for the projects targeted under the proposed national strategy blueprint. The CS has welcomed input and ideas to the same end. The Authority to appropriately align its strategic initiatives as per the CMMP and Strategic Plan 2018-2023 in view of the new roadmap
Page 23 Budget Statement	National Credit Guarantee Scheme	The CS National Treasury and Planning has set aside Ksh3 billion seed capital to operationalize the Credit Guarantee Scheme	This initiative will provide support to potential GEMS entities (SMEs) and FinTech startups (in the regulatory sandbox)
Page 34 Budget Statement	State Owned Enterprises Reforms	The CS National Treasury and Planning has constituted a technical team at the National Treasury and Planning to review the challenges facing State Owned Enterprises and recommend remedial actions	The Authority to engage the team in view of enabling market based financing of public sector entities as a solution to their financial challenges
Page 36 Budget Statement	M-Akiba	The CS National Treasury and Planning noted the impact of the use of M-Akiba during this pandemic	This is a testament of Governments commitment to strengthen both the Primary and Secondary markets for Government Securities which constitute a major component of Kenya's capital markets
Page 37 Budget Statement	Nairobi International Financial Centre (NIFC)	The National Treasury and Planning is in the process of fully operationalizing the Nairobi International Financial Centre Authority	This will position Nairobi as an international financial hub
Page 37 Budget Statement	Money Laundering and Terrorism Financing	The National Treasury and Planning & other stakeholders will conduct Kenya's first National Risk Assessment on Money Laundering and Terrorism Financing	The Authority is a member of the National Taskforce and welcomes this policy pronouncement in view of its key AML/CFT obligations
Page 38 Budget Statement	Mortgage Refinancing Company	The company has raised Ksh2 billion while the National Treasury has mobilized an additional Ksh35 billion from development partners to support the company operations.	It is expected that the KMRC will leverage on capital markets to raise funds through bonds for on lending to banks and other mortgage financing companies hence bringing down the cost of housing in line with the Government's "Big Four" Agenda
Page 39 Budget Statement	Oversight over Private Equity Firms	The Capital Markets Act to be amended to provide for regulation of private equity and venture capital companies	The Authority welcomes this proposal in providing for oversight over PE funds accessing pension fund monies
Page 40 Budget Statement	Unclaimed Dividends	The Capital Markets Act to be amended to remove the function of payment of beneficiaries from collected unclaimed dividends since this is a function currently domiciled under the Unclaimed Financial Assets Authority (UFAA)	The Authority welcomes this proposal in view of UFAA's mandate

Budget Theme FY 2020/2021: **Stimulating the economy to safeguard livelihoods, jobs, businesses and industrial recovery Cont'd**

REFERENCE	ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Page 43 Budget Statement	Green Bond Issuance	The National Treasury and Planning to issue the first "Sovereign Green Bond" to finance major infrastructure projects in the FY 2020/2021. The proceeds will be directed towards green projects at both the National and County Level	This will spur other sovereign and corporate green bond issues through the Capital Markets
Page 45 Budget Statement	Removal of exemptions	The CS National Treasury and Planning has proposed further removal of some existing tax exemptions through the Finance Bill 2020	The Authority to proactively lobby for the re-introduction of previous exemptions and a status quo for the remaining ones
Page 50 Budget Statement	Public Private Partnerships	The Government shall revitalize the Public Private Partnerships Framework. The reforms in these areas will include amending the PPP Act to remove unnecessary approvals and redundant processes as well as restructure and strengthen institutions responsible for implementing such projects	This will be an opportunity for the Authority to strategically engage with the PPP Unit and those enlisted to provide advisory services to facilitate PPPs through capital market financing
Page 77 Budget Statement	Minimum Tax	A minimum tax that is payable by all companies at the rate of one percent of their gross turnover	This may pose cashflow challenges to newly established firms and those with low profit margins as this may pile operating costs rather than tax on earnings
Page 77 Budget Statement	Public Roads Toll	The Public Roads Toll to be amended to enable the persons, who enter into an agreement with the government to collect tolls on roads constructed and managed under such arrangements	This is a welcome move to provide for securitization of toll fees through ABS projects

Corporate Approvals

The Corporate Approvals Department continues to facilitate new entrants into the capital markets by ensuring compliance with the regulatory requirements and supporting innovative advancements by all applicants. A key highlight in the year was the approval of the issuance of Kenya's first green bond, issued by Acorn Project (Two) Limited Liability Partnership which sought to raise Kshs 5 billion through a restricted offer following the launch of the Policy Guidance Note on Green Bonds in January 2019.

The third licensed Non-Dealing Online Forex Broker, Pepperstone Markets Kenya Limited, made its entrance within the year and a new credit rating agency A.M. Best Europe Rating Services (AMBERS) was also recognized to operate in Kenya. Other licenses granted during the year were an Investment Adviser license to Virtual Capital International Limited, a Fund Manager License to Absa Asset Management Limited and an Authorized Depository License to former Commercial Bank of Africa Limited (which merged with the NIC Bank Group to create NCBA Group). We further witnessed some amalgamations where the investment banking and brokerage businesses of CBA Group and NIC Group were merged under the new NCBA Investment Bank whereas AIB Capital and Apex Africa Capital Limited merged to form a new entity called AIB-AXYS Africa Limited. Four new funds were also registered under the Genghis Unit Trust Funds as Collective Investment Schemes continue to expand and innovate in a bid to remain competitive.

Other key approvals issued within the year included:

1. Approval to Express Kenya Limited for the issuance and listing of 12,307,691 newly issued shares on the Nairobi Securities Exchange (NSE);
2. Approval to East African Portland Plc of a shareholders' circular in relation to the proposed disposal of the company's land parcels;
3. Approval for the issuance of 142,280,099 additional ordinary shares of KCB Bank and listing of the same on the Main Investment Segment of the Nairobi Securities Exchange
4. Approval the issue of 1,000,000,000 additional ordinary shares of National Bank of Kenya Limited to KCB Group Plc;
5. The issue and listing of various drawdowns of the notes by Acorn Project (Two) Limited Liability Partnership under its approved medium-term note; and
6. Approval of a shareholders' circular by WPP Scangroup Plc in relation to the proposed disposal of Kantar Africa Business.

The Financial Analysis section of the department responsible for the review of all financial information submitted to the Authority either in support of various application or to fulfil the continuous reporting obligations

continued with its intense monitoring and engagements with various companies. In the year key highlights for the department included the assessments of the application of International Financial Reporting Standards (*IFRS*) 9 *Financial Instruments* which was issued by the International Accounting Standards Board IASB in July 2014 with a date of transition of January 1, 2018, which affected financial statements submitted by issuers in 2019. The IASB also published IFRS 16 Leases in January 2016 effective for annual reporting periods beginning on or after January 1, 2019, and the department supported all licensed intermediaries in implementing the same without affecting their liquidity minimums.

The department has also been engaged in inspections and other cross cutting projects within the Authority in line with the strategic objective to ensure sound market infrastructure, institutions and operations. These engagements include discussions between the Authority and the Nairobi Securities Exchange (NSE) on how financially distressed firms that are listed on the bourse can be supported, with a separate board being considered for companies that are not meeting listing requirements due to technical insolvency. Further, a draft guidance for Collective Investment Schemes on valuation, investment performance measurement, reporting and other related matters was finalized and exposed for public comment. This was informed by the noted inconsistencies in performance measurement, presentation and reporting in the Collective Investment Schemes (CIS) industry.

The department continues to facilitate the ease of doing business in the capital markets space by fast-tracking approvals, detailed engagements with applicants and by supporting innovations within various license categories and approvals. Members also remain intent on continuously improving their skill and expertise in order to deliver on the Authority's mandate.

Online Foreign Exchange Trading

During the review period, pursuant to the powers conferred by section 29 (7) (e) of the Capital Markets Act, the Authority prescribed a new class of licensees under Gazette notice No. 30 dated February 14, 2020 which comprises of: the dealing online foreign exchange broker, non-dealing online foreign exchange broker, REIT Trustee and REIT Manager. The gazettment was necessitated by the coming into force of the Capital Markets (Online Foreign Exchange Trading) Regulations, 2017 and the Capital Markets (Real Estate Investment Trust Collective Investment Schemes) Regulations, 2013. The Authority on 18 December 2018 granted Kenya's first Money Manager License to Standard Investment Bank (SIB) Limited to operate in the online foreign exchange trading space in line with the Capital Markets Act, and the Capital Markets (Online Foreign Exchange Trading) Regulations, 2017.

Regulatory Framework

Legislative & Regulatory Developments

a) Capital Markets (Commodities Markets) Regulations 2020 and Capital Markets (Coffee Exchange), Regulations 2020

The Capital Markets (Commodities Markets) Regulations 2020 and Capital Markets (Coffee Exchange), Regulations 2020 were gazetted by the Cabinet Secretary for the National Treasury and Planning on 3 April, 2020. The gazetting of the two Regulations marked another step towards making Kenya the 'Heart of African capital markets' as envisioned in the Capital Market Master Plan and also contributed to the Big 4 Agenda on initiatives enhancing food security and nutrition in the country and the setting up of structured commodities trading in Kenya.

The gazetted Commodity Markets Regulations are aimed at supporting the operationalization of Commodities Exchange(s) in Kenya and regulate spot commodity trading. The Regulations provide for the licensing of commodity exchanges, commodity brokers and approval of clearing houses and further provide for the trading and conduct of business of Commodity Exchanges, including the disclosure and reporting requirements. The Coffee Exchange Regulations on the other hand were developed to kick start the process by bringing coffee trading as is currently done under a structured framework.

b) Draft Warehouse Receipt Systems Regulations

The Warehouse Receipt System Act enacted in June 2019 provides the legal framework for the development and regulation of warehouse receipt system for agricultural commodities in Kenya. The framework is linked to the Authority's mandate of licensing and regulating commodities by providing for a warehouse receipting system to link participants to the commodities exchange trading ecosystem. The Act primarily provides for the establishment of the warehouse receipt council which shall facilitate the establishment, maintenance and development of the Warehouse Receipt System for agricultural commodities and oversee the functioning of the receipting system.

To aid the effective operationalization of the Act, the State Department of Crops and Agricultural Research is in the process of developing the Warehouse Receipt Systems Regulations. The Regulations anchored on the Act shall provide for detailed regulatory requirements for the licensing of Warehouse

Operators, requirements and features of the central registry and receipting activities, form of warehouse receipts and their negotiation and transfer, duties and obligations of Warehouse Operators, Depositors and Pledgeses, inspection and powers of Inspectors and other miscellaneous provisions.

c) Draft Guidelines on Share Buybacks, 2020

The enactment of the Companies Act, 2015 (the Companies Act) introduced this concept to Kenya which now provides a unique opportunity for companies to buy back their shares from the market. Share buybacks refer to the repurchasing of shares by the company that issued them.

In addition to the provision under the Act, the Authority pursuant to its powers under **Section 11(3) (d) of the Capital Markets Act, Cap 485A Laws of Kenya** developed draft Guidelines on Share Buybacks for Listed Companies. The Guidelines will expect listed companies to disclose material information, including the risks and pricing for any intended share repurchase. The additional requirements will serve to create a balance between the Authority's mandate to protect investors vis-à-vis the companies' interest, promote liquidity and ensure transparency in share buyback transactions. The Guidelines will be read together with Part XVI of the Companies Act.

d) Review of the Capital Markets (Public Offers, Listings and Disclosure) Regulations, 2002 and the Capital Markets (Collective Investment Schemes) Regulations, 2001

The Public Offers, Listings and Disclosure Regulations, 2002 and the Collective Investment Scheme Regulations, 2001 are amongst the various Regulations put in place to provide a regulatory framework for the proper functioning of the capital markets space.

The Public Offers, Listings and Disclosure Regulations govern public offers, disclosure requirements and listing of securities. They prescribe the approval process for public offers of securities and eligibility requirement for public offers and listing of securities in each of the market segments of the Securities Exchange. They also detail the disclosure requirement for each market segment as well as the continuing reporting obligations for listed companies and fees payable by the Securities Exchange for listing of securities.

The Collective Investment Scheme Regulations on the other hand aim to facilitate mutual funds, unit trusts and special form of collective investment schemes for

Regulatory Framework (Cont'd)

the purpose of mobilizing savings in financial assets and enhancing access to capital by small investors. The regulations cover requirements for registration, management, pricing, valuation and redemption, etc. and provide for requirements for employee share ownership schemes and special interest collective investment schemes.

Due to evolving market dynamics and business practices, there arose a need to relook these two Regulations in line with market needs and international best practises. The Authority has commenced the review of these Regulations in line with its strategic objective which mirrors Kenya's Big Four Agenda to foster economic development and provide a solution to economic hurdles and facilitate ease of doing business.

Guidance for Collective Investment Schemes on Valuation, Investment Performance Measurement, Reporting and other Related Matters

The Guidance for Collective Investment Schemes on Valuation, Performance Measurement and Reporting (Guidance) were issued by the Authority on 14 September 2020 and took effect on 01 January 2021. It was conceptualised in a bid to address the inconsistencies in performance measurement and presentation in the collective investment schemes industry and is hinged on international best practice in the capital markets so as to enhance the comparability and consistency of information presented in performance reports generated by CISs. Accordingly, the framework is aligned to the Principles for the Valuation of Collective Investment Schemes by the International Organization for Securities Commissions (IOSCO) and to the Global Investment Performance Standards (GIPS).

Under the Guidance, fund managers are expected to establish comprehensive, documented investment policies and procedures to govern the valuation of assets held by a CIS and to have policies and procedures in place to detect, prevent and correct pricing errors that result in material harm to CIS investors. The

Guidance further requires fund managers to provide performance measurement reports to the Authority and all existing and prospective investors, within 21 days after the end of each quarter. The Guidance is applicable to all CISs approved by the Authority and will be read together with the Capital Markets (Collective Investment Schemes) Regulations, 2001.

Draft Income Tax (Real Estate Investment Trusts) Rules, 2020

Tax is one of the key factors that has a major impact on the competitiveness of products and over the years, the Authority has proposed, and the National Treasury has implemented various tax neutrality measures aimed at promoting effective roll out of new capital markets products and services. One of the tax neutrality measures implemented in the recent past relates to the introduction of Real Estate Investment Trusts (REITs).

Section 20 of the Income Tax provides that a Real Estate Investment Trusts (REIT'S) alongside unit trusts and collective investment schemes, is exempt from income tax. The Finance Act, 2019 further exempted investment companies wholly owned by a REIT from income tax. In this regard, the Authority developed draft Rules to operationalize Section 20 (c) and (d) of the Income Tax Act on exemption of REITs.

Gazettement of new class of licensees

Pursuant to the powers conferred by section 29 (7) (e) of the Capital Markets Act, the Authority prescribed a new class of licensees in February 2020 which comprises of: dealing online foreign exchange broker, non-dealing online foreign exchange broker, REIT Trustee and REIT Manager.

The gazettement was necessitated by the coming into force of the Capital Markets (Online Foreign Exchange Trading) Regulations, 2017 and the Capital Markets (Real Estate Investment Trust Collective Investment Schemes) Regulations, 2013.

Issuer Governance

Given the strategic importance of governance of issuers in the capital markets, the Issuer Governance Team (IGT) was set up by the Authority in July 2019. The IGT is responsible for the implementation of the Code of Corporate Governance for Issuers of Securities to the Public, the Stewardship Code for Institutional Investors and the Capital Markets Legal and Regulatory Framework, the Companies Act and other regulatory requirements and standards such as G20 OECD and IOSCO Corporate Governance Principles. This is aimed at fast tracking the implementation of the Strategic Plan 2018 – 2023.

In the year 2019/2020, IGT achieved the following:

1. The State Of Corporate Governance of Issuers of Securities to the Public in Kenya

Developed and published the second edition of the 2018/19 State of Corporate Governance Report in October 2019, highlighting the governance performance of issuers on each principle of the Corporate Governance Code, while setting out the recommendations and next steps culminating in a workshop with all issuers in December 2019.

The report shows that the weighted overall score for issuers in the application of the CG Code has improved year-on-year with 2018/2019 recording a score of 61 percent up from 55 percent in 2017/2018. The report is aimed at raising visibility of the state of corporate governance of issuers of securities to the public in Kenya in order to empower investors and respective boards to encourage continuous improvement in practices.

Each issuer was engaged to discuss their governance performance and an issuer-specific governance report was developed highlighting the strengths and areas for improvement.

2. The Stewardship Code for Institutional Investors

Brought together the institutional investors and other stakeholders involved in the implementation of the Stewardship Code on 5 December 2019, where an implementation framework for the Stewardship Code was developed and stakeholders sensitized on their responsibilities.

In November 2019, the Authority in collaboration with ICS, launched the Stewardship Award for Institutional Investors as part of the ICS Champions of Governance (CoG) Awards. The new Stewardship Award for Institutional Investors recognizes the important role played by institutional investors in championing and strengthening good governance. This is in line with the Stewardship Code for Institutional Investors that was

developed by the institutional investor community under the guidance of the Authority. The new award category will go a long way in promoting a culture of stewardship and responsible management of resources by institutional investors.

3. SME Corporate Governance Framework

In order to facilitate small and medium enterprises (SMEs) to access the capital market, the Authority is developing a framework for corporate governance for (SMEs) in Kenya. It is envisaged that once the Code is developed and adopted, more SMEs will find the Capital markets attractive, as well as cost effective for capital raising. The SMEs are potential issuers in the market hence the need for a tailor-made governance toolkit and listing requirements.

4. Partnerships to Strengthen Corporate Governance

The Authority has continued to engage issuers while partnering with relevant institutions including the Institute of Certified Secretaries (ICS), International Finance Corporation, Sustainable Stock Exchanges and Nairobi Securities Exchange, among other partners.. In August 2019, the Authority signed an MoU with the Financial Services Regulatory Authority of Abu Dhabi Global Market to enhance cooperation in sustainable finance through exchange of information and strengthening legislative, regulatory and institutional frameworks. These partnerships present opportunities for the market to share experiences while tapping on international best practices.

5. Corporate Governance Training

In September 2019, the Authority participated in the training of 25 governance auditors focused on the Corporate Governance Code, the governance audit parameters and the capital markets regulatory framework. The Authority will continue to build capacity of relevant entities and partners to strengthen good governance.

6. Governance Audits

The Corporate Governance Code requires issuers to undertake governance audits annually working with accredited governance auditors who are ICS members. As highlighted in the second report on the State of Corporate Governance of Issuers of Securities to the Public in Kenya 2018/19 published on 23 October 2019, the Authority has received feedback from key stakeholders including issuers of securities to the public around the frequency, cycle, cost and scope of governance audits. After further engagements with issuers during the forums held 3-4 December 2019 to discuss the findings of the second report on the State of Corporate Governance the Authority issued a

Issuer Governance (Con't)

circular on 2 January 2020 communicating the need to review the Code to allow flexibility and the frequency of the governance audits cycle based on a risk based approach criteria.

7. Environmental, Social and Governance (ESG)

Corporate governance continues to advance, with the focus currently being on environmental, social and governance (ESG) factors and the role of corporates in their attainment. The Code emphasizes the need for boards to adopt an ESG lens in guiding performance thereby promoting sustainable practices. Globally, there is increasing recognition of the need for ESG attention. We are developing and implementing a roadmap for adopting and supporting environmental, social and governance (ESG) practices and integrated reporting amongst issuers through: Training and capacity building of issuers and the market on ESG practices and integrated reporting in partnership with IFC and NSE. Support NSE's strategy on the development of ESG index in the market. We are also collaborating with the IFC and NSE to create awareness and build capacity on ESG aspects and integrated reporting in the capital markets.

8. Protection of Minority Shareholders in Kenya

The Authority will continue to implement the provisions

of the Corporate Governance Code. Kenya was ranked number 1 in the world in protection of minority shareholders. The Protection of Minority Investors Index measures the following:

- ✓ Conflict of interest regulation and the necessary disclosures
- ✓ Extent of the liability of company directors
- ✓ Ease of shareholders to file suits/cases to protect their interests
- ✓ Shareholder rights
- ✓ Ownership and control of companies and the disclosures
- ✓ Corporate transparency

Kenya's number one ranking was as a result of the following:

- ✓ The Companies Act and the amendments done in 2018 and 2019
- ✓ The Capital Markets Public Offers Regulations
- ✓ The Capital Markets Takeover and Mergers Regulations
- ✓ The mandatory provisions of the Corporate Governance Code
- ✓ Insolvency Act
- ✓ The online processes of the registration of companies

Enforcement Actions taken by the Authority in 2019/2020 Financial Year

No	Date of Enforcement Action	Licensee/person	Contraventions	Enforcement Action Taken
1.	5.07.2019	Aly Khan Satchu	Insider trading of the Kenol Kobil plc counter contrary to section 32 B (i) (a) and (b) of the Capital Markets Act	Disqualification from holding office for 3 years as a key officer and director of a public listed company and or issuer, licensee or in any other capacity in approved institution of Capital Markets Authority pursuant to the provision of Section 11(3) (w), section 24 A (2), Section 25 A (1) (b) (ii) and Section 25 A (1) (c) (i) of the Capital Market Act Disgorgement of Kshs 4,692,497.50 commissions pursuant to trades conducted on the basis of the disclosure of material non-public information (MNPI) to trading clients pursuant to the provision of Section 11 (3) (cc) (ii) and section 25A (1) (a) (v) of the Capital Markets Act ¹
2.	5.07.2019	Kunal Kamlesh Bid	Insider trading of the Kenol Kobil plc counter contrary to section 32 B (i) (a) and (b) of the Capital Markets Act	Disgorgement of Kshs 23,413,700 being irregular gains made pursuant to trades conducted on the basis of the disclosure of MNPI to trading clients pursuant to the provisions of sections 11 (3) (cc) (ii) and section 25A (1) (a) (v) of the Capital Markets Act. Disgorgement of Kshs 333,747 being commissions pursuant to trades conducted on the basis of the disclosure of material non-public information (MNPI) to trading clients pursuant to the provisions of sections 11 (3) (cc) (ii) and section 25A (1) (a) (v) of the Capital Markets Act. ²
3.	5.07.2019	Andre Desimone	Insider trading of the Kenol Kobil Plc counter contrary to section 32 B (i) (a) and (b) of the Capital Markets Act	Disqualification from holding office for one year as a key officer and director of a public listed company and or issuer, licensee or in any other capacity in approved institution of Capital Markets Authority pursuant to the provision of Section 11(3) (w), section 24 A (2), Section 25 A (1) (b) (ii) and Section 25 A (1) (c) (i) of the Capital Market Act Financial penalty of Kshs 2,500,000 pursuant to the provision of section 25A (1) (b) (iv) of the Capital Markets Act.
4.	11.11.2019	Bora Capital	Noncompliance with liquid capital contrary to Regulation 30(4) of the Capital Markets (Licensing Requirements) (General) Regulation 2002, Non-compliance with Corporate Governance Requirements contrary to Regulation 22, 24(6) and 30 of the Capital Markets (Corporate Governance) (Market Intermediaries) Regulation 2011	Suspension of license pursuant to section 26(1) (f) and (g) of the Capital Market

Notes

1. Mr. Aly Khan Satchu appealed the decision of the Authority in Judicial Review Case Number 220 of 2019, whereby a decision was delivered on 3rd December, 2019, setting aside the Authority's enforcement action.

The High Court determined that:

- a) The suit by Mr. Khan offended the doctrine of exhaustion of remedies
- b) Mr. Khan was a regulated person as per the Capital Markets Act
- c) Mr. Khan was not charged and tried for the "criminal offence" of insider trading, on the contrary the Authority was exercising its mandate under the Capital Markets Act.
- d) The assault on the ruling dismissing Mr. Khan's preliminary Objection is an invitation for the high Court to delve into the merits of the ruling, which is outside of the province of judicial review.
- e) Since the Authority was found to have acted as the investigator, prosecutor and judge and the executioner by allowing four of its members to the ad hoc Committee, the decision of the Committee was arrived at in violation of the principles of natural justice i.e. could not pass the constitutional lens of the fair administrative action contemplated in Article 47 of the Constitution and Section 4 of the Fair Administrative Actions Act.

¹Mr. Aly Khan Satchu appealed the decision of the Authority in Misc Civil Application No 220 of 2019, whereby a decision was delivered on 3 December 2019, setting aside the Authority's enforcement action. The Capital Markets Authority being dissatisfied with the decision of the High Court has lodged an appeal to the Court of Appeal against the said decision. Mr. Satchu has also lodged a counter appeal to the court of Appeal.

²Mr. Kunal Bid lodged an appeal against the Authority's decision to the Capital Markets Tribunal. The case is yet to be heard.

Enforcement Actions taken by the Authority in 2019/2020 Financial Year - Cont'd

The Capital Markets Authority being dissatisfied with the decision of the High Court has lodged an appeal to the Court of Appeal against the said decision. Mr. Satchu has also lodged a counter appeal to the court of Appeal.

2. Mr. Kunal Bid lodged an appeal against the Authority's decision to the Capital Markets Tribunal. The Case is yet to be heard.

3. Minor contraventions

During the year, the Authority undertook enforcement actions against market intermediaries related to minor contraventions, which were resolved by the entities involved.

4. Online forex trading by unlicensed firms

During the year, the Authority received intelligence regarding the possibility that various firms conducting online forex trading were targeting Kenyans through various forums. The said firms, some based locally and others internationally, had neither applied nor obtained the Authority's license to operate. The Authority conducted thorough investigation and identified forty (40) online Forex Brokers and Forex Money Managers operating in Kenya without a license, contrary to the Online Foreign Exchange Trading Regulations 2017. Some of the entities were found to be Ponzi Schemes and Website Spoofing individuals posing as Forex Money Managers defrauding the members of public who 'invest' through them. Proper measures were taken by the Authority to mitigate the irregular operations of such firms.

In addition to the measures undertaken by the Authority, the entities were issued with Information Notices bringing to their attention the licensing requirement. The Authority continues to pursue various measures towards addressing the risk occasioned by the operations of unlicensed firms which occasion exposure to the Kenyan Investor.

5. Suspension in trading of shares

Counter	Date of Suspension letter	Date of lifting suspension	Details
National Bank of Kenya Limited	2nd September 2019	Not applicable as the shares were merged to Kenya Commercial Bank shares.	The suspension in trading of the company's shares was undertaken pursuant to the Takeover of National Bank by the Kenya Commercial Bank
Deacons PLC	6th April 2020	Till Further notice	The suspension of trading of the company's shares due to the appointment of Administrators by the Board of Directors of Deacons Plc
Mumias PLC	6th April 2020	Till Further notice	The suspension of trading of the company's shares due to the appointment of a Receiver by the Creditors
Athi River Mining	7th May 2020	Till Further notice (Request to delist submitted 3rd April 2020)	The suspension of trading of the company's shares due to the appointment of a Administrators by the Creditors

6. Revocation of licenses

Licensee	License revoked	Details
Kenol ESOP	Employee share ownership scheme	Voluntary revocation following delisting of KenolKobil Plc
NIC Securities	Stockbroker	Voluntarily revoked pursuant to a merger between NIC and CBA
Kestrel Capital East Africa Limited	Investment Bank	Voluntary revocation for purposes of downgrading its license to a stockbroker

Snapshot of Current Licensees and Approved Institutions

LICENSEES/APPROVED INSTITUTIONS	NUMBER
Central Depositories	1
Securities Exchanges	1
Credit Rating Agencies	5
Authorized Securities Dealers	2
Authorized Depositories	18
Investment Banks	15
Fund Managers	24
Stock Brokers	9
Investment Advisers	14
REIT Managers	10
REIT Trustees	3
Authorized REITS	3
Registered Collective Investment Schemes	24
Registered Employee Share Ownership Plans (ESOP)	14
Non-Dealing Online Foreign Exchange Brokers	4
Money Manager	1
Coffee Exchange	1

During the 2019/2020 financial year the Authority issued new licences and granted approvals as follows:

LICENSES, CONSENTS AND REGISTRATIONS

1. Virtual Capital International Limited - an Investment Adviser licence granted on July 10, 2019;
2. Commercial Bank of Africa - an Authorized Depository licence granted on July 18, 2019;
3. Pepperstone Markets Kenya Limited- a Non-Dealing Online Foreign Exchange Broker Licence granted on February 5, 2020;
4. Absa Asset Management Limited- a Fund Manager Licence granted on February 5, 2020;
5. Recognition of A. M. Best Europe Rating Services (AMBERS) as a credit rating agency in Kenya;
6. Amalgamation of the investment banking and brokerage business of CBA Capital Ltd, NIC Capital Limited and NIC Securities Limited under the NCBA Investment Bank; and
7. Registration of four new funds: the Gencap Eneza Imara Fund, Gencap Hisa Imara Fund, Gencap Mali Fund, Gencap Iman Imara Fund to the Genghis Unit Trust Funds;

CORPORATE ACTIONS

1. Approval of the issuance and listing of two drawdowns of Kenya's first green bond, issued by Acorn Project (Two) Limited Liability Partnership which sought to raise Kshs 5,000,000,000 by way of a restricted offer;
2. Approval to Express Kenya Limited for the issuance and listing of 12,307,691 newly issued shares on the Nairobi Securities Exchange (NSE);
3. Approval to East African Portland Plc of a shareholders' circular in relation to the proposed disposal of the company's land parcels;
4. Approval for the issuance of 142,280,099 additional ordinary shares of KCB Bank and listing of the same on the Main Investment Segment of the Nairobi Securities Exchange;
5. Approval to National Bank of Kenya Limited to the issuance of 1,000,000,000 additional ordinary shares of National Bank of Kenya Limited at par value of Kshs. 5.00 each to KCB Group Plc;
6. Approval the issue of 1,000,000,000 additional ordinary shares of National Bank of Kenya Limited to KCB Group Plc.;
7. Approval of a shareholders' circular by WPP Scangroup Plc in relation to the proposed disposal of Kantar Africa Business; and
8. Approval of merger between AIB Capital Limited and Apex Africa Capital Limited.

The Authority revoked licences and de-registered the following companies in the year 2019/2020.

REVOCATIONS AND DE-REGISTRATIONS

1. The voluntary revocation of licence by Watu Capital Limited and the deregistration of the Watu Money Market Fund on November 11, 2019;
2. The voluntary revocation of Seriani Asset Managers limited on November 11, 2019;
3. The voluntary revocation of the fund manager licence for Old Mutual Investment Services (Kenya) Limited on February 24, 2020;

LIST OF LICENSEES & APPROVED INSTITUTIONS – JUNE 30, 2020

APPROVED INSTITUTIONS			
	<i>Name of the Company</i>	<i>Address</i>	<i>Nature of Operation</i>
1.	The Nairobi Securities Exchange	P.O. Box 43633- 00100,Nairobi	Securities Exchange
2.	Central Depositories and Settlement Corporation Limited	P.O. Box 3464 - 00100, Nairobi	Central Depository
3.	Agusto & Company Limited	P.O. Box 56136, Ikoyi Lagos, Nigeria	Credit Rating Agency
4.	Metropol Corporation Limited	P.O. Box 35331 – 00200, Nairobi	Credit Rating Agency
5.	Global Credit Rating Company	1st Floor, GFin Tower, 42 Hotel Street, Cyber City, Ebene, 72201, Mauritius	Credit Rating Agency
6.	Care Ratings (Africa) Private Limited	1st Floor, MTML Square 63 Cybercity, Ebene	Credit Rating Agency
7.	A.MBest Europe – Rating Services Limited (AMBERS)	6th Floor, 12 Arthur Street, London EC 4R 9AB, UK	Credit Rating Agency

INVESTMENT BANKS			
	<i>Name</i>	<i>Address</i>	<i>License Number</i>
1	African Alliance Kenya Investment Bank Limited	P.O. Box 27639, Nairobi	001
2	ABSA Securities Limited	P.O. Box 30120-00100, Nairobi	002
3	CBA Capital Limited	P.O. Box 30437-00100, Nairobi	003
4	Dyer and Blair Investment Bank Limited	P.O. Box 45396-00100, Nairobi	004
5	Equity Investment Bank Limited	P.O. Box 74454-00200, Nairobi	005
6	Faida Investment Bank Limited	P.O. Box 45236-00100, Nairobi	006
7	Genghis Capital Limited	P.O. Box 9959-00100, Nairobi	007
8	KCB Capital Limited	P.O. Box 48400-00101, Nairobi	008
9	NCBA Investment Bank Limited	P.O. Box 44599-00100, Nairobi	009
10	Renaissance Capital (Kenya) Limited	P.O. Box 40560-00100, Nairobi	010
11	SBG Securities Limited	P.O. Box 47198-00100, Nairobi	011
12	Standard Investment Bank Limited	P.O. Box 13714-00800, Nairobi	012
13	Kestrel Capital (East Africa) Limited	P.O. Box 40005-00100, Nairobi	091
14	Sterling Capital Limited	P.O. Box 45080-00100, Nairobi	021
15	Dry Associates Investment Group	P.O. Box 684-00606, Nairobi	114
16	Salaam Investment Bank Kenya Limited	P.O. Box 14939-00100, Nairobi	115

LIST OF LICENSEES & APPROVED INSTITUTIONS – JUNE 30, 2020 (Cont'd)

STOCKBROKERS			
1	ABC Capital Limited	P.O. Box 34137-00100, Nairobi	013
2	AIB-AXYS Africa Limited	P.O. Box 43676-00100, Nairobi	015
3	Francis Drummond & Company Limited	P.O. Box 45465-00100, Nairobi	016
4	Kingdom Securities Limited	P.O. Box 48231-00100, Nairobi	018
5	NIC Securities Limited	P.O. Box 63046-00200, Nairobi	019
6	Old Mutual Securities Limited	P.O. Box 50338-00200, Nairobi	020
7	Suntra Investments Limited	P.O. Box 74016-00200, Nairobi	022
8	Securities Africa Kenya Limited	P.O. Box 43633 – 00100, Nairobi	100
9	EFG Hermes Kenya Limited	P.O. Box 349 – 00623, Nairobi	105

NON-DEALING ONLINE FOREIGN EXCHANGE BROKER			
1	EGM Securities Limited (trading as "FXPesa")	P.O. Box 57876-00200, Nairobi	107
2	SCFM Limited (trading as "Scope Markets")	P.O. Box 40719-00200, Nairobi	123
3	Pepperstone Markets Kenya Limited	P.O. Box 3085 - 00100	128

ONLINE FOREIGN EXCHANGE MONEY MANAGER			
1	Standard Investment Bank Limited (trading as "MANSA X")	P.O. Box 13714-00800, Nairobi	116

AUTHORISED SECURITIES DEALER			
1	Chase Bank Limited	P.O. Box 66049-00800, Nairobi	096
2	Standard Chartered (Kenya) Plc	P.O. Box 30003 – 00100, Nairobi	109
3	SBM Bank (Kenya) Limited	P.O. Box 34886-00100, Nairobi	122

LIST OF LICENSEES & APPROVED INSTITUTIONS – JUNE 30, 2020 (Cont'd)

FUND MANAGERS			
1	Alpha Africa Asset Managers	P.O. Box 34530-00100, Nairobi	023
2	Amana Capital Limited	P.O. Box 9480-00100, Nairobi	024
3	Apollo Asset Management Company Limited	P.O. Box 30389, Nairobi	025
4	Britam Asset Managers (Kenya) Limited	P.O. Box 30375-00100, Nairobi	027
5	Metropolitan Cannon Asset Managers Limited	P.O. Box 30216-00100, Nairobi	028
6	Nabo Capital Limited	P.O. Box 10518-00100, Nairobi	029
7	CIC Asset Management Limited	P.O. Box 59485-00200, Nairobi	030
8	Co-op Trust Investment Services Limited	P.O. Box 48231-00100, Nairobi	031
9	FCB Capital Limited	P.O. Box 26219-00100, Nairobi	033
10	Fusion Investment Management Limited	P.O. Box 47538-00100, Nairobi	034
11	GenAfrica Asset Managers Limited	P.O. Box 79217-00200, Nairobi	035
12	ICEA Lion Asset Management Limited	P.O. Box 46143-00100, Nairobi	036
13	Madison Investment Managers Limited	P.O. Box 20092-00100, Nairobi	037
14	Old Mutual Investment Group Limited	P.O. Box 11589-00400, Nairobi	038
15	Sanlam Investments East Africa Limited	P.O. Box 67262-00100, Nairobi	040
16	Standard Chartered Investment Services Limited	P.O. Box 30003-00100, Nairobi	042
17	Stanlib Kenya Limited	P.O. Box 30550-00100, Nairobi	043
18	Zimele Asset Management Company Limited	P.O. Box 76528-00508, Nairobi	045
19	Natbank Trustee and Investment Services Limited	P.O. Box 72866 – 00200 Nairobi	087
20	Allan Gray (Kenya) Limited	P.O. Box 63946 – 00619 Nairobi	101
21	Cytonn Asset Managers Limited	P.O. Box 20295-00200, Nairobi	108
22	Altree Capital Kenya Limited	P.O. Box 2607 -00200, Nairobi	110
23	Jubilee Financial Services Limited	P.O. Box 30376 -00100, Nairobi	119
24	ABSA Asset Management Limited	P.O. Box 30120 -00200, Nairobi	129

LIST OF LICENSEES & APPROVED INSTITUTIONS – JUNE 30, 2020 (Cont'd)

INVESTMENT ADVISERS			
1	Bora Capital Limited	P.O. Box 26718-00200, Nairobi	046
2	I & M Burbidge Capital Limited	P.O. Box 51525-00100, Nairobi	047
3	Co-op Consultancy & Insurance Agency Limited	P.O. Box 48231-00100, Nairobi	050
4	Deloitte Financial Advisory Limited	P.O. Box 40092-00100, Nairobi	051
5	Lifestyle Management Limited	P.O. Box 1342-00606, Nairobi	054
6	PriceWaterhouseCoopers Associates	P.O. Box 43963-00100, Nairobi	056
7	The Profin Group (K) Limited	P.O. Box 9980-00100, Nairobi	059
8	Liaison Financial Services Limited	P.O. Box 58013 – 00200, Nairobi	095
9	Wagh McDonald Wealth Management Limited	P.O. Box 1896 – 00606, Nairobi	103
10	Aylesfield (Kenya) Limited	P.O. Box 1380 – 00621, Nairobi	104
11	Ace Financial Advisory Limited	P.O. Box 15916-80100, Mombasa	111
12	Synesis Capital Limited	P.O. Box 75282-00200, Nairobi	112
13	AFG Wealth Kenya Limited	P.O. Box 764-00606, Nairobi	124
14	Virtual Capital International Limited	6th Floor, Prosperity House, Westlands Road, Nairobi	125

AUTHORIZED DEPOSITORIES			
1	African Banking Corporation Limited	P.O. Box 46452-00100, Nairobi	062
2	Bank of Africa Kenya Limited	P.O. Box 69562-00400, Nairobi	063
3	Barclays Bank of Kenya Limited	P.O. Box 30120-00100, Nairobi	064
4	Stanbic Bank Kenya Limited	P.O. Box 30550-00100, Nairobi	065
5	Co-operative Bank of Kenya Limited	P.O. Box 48231 -00100, Nairobi	067
6	Equity Bank Limited	P.O. Box 75104-00200, Nairobi	068
7	I & M Bank Limited	P.O. Box 30238-00100, Nairobi	069
8	Kenya Commercial Bank Limited	P.O. Box 30664-00100, Nairobi	070
9	National Bank of Kenya Limited	P.O. Box 72866-00200, Nairobi	071
10	NIC Bank Kenya PLC	P.O. Box 44599-00100, Nairobi	072
11	Prime Bank Limited	P.O. Box 43825-00100, Nairobi	073

LIST OF LICENSEES & APPROVED INSTITUTIONS – JUNE 30, 2020 (Cont'd)

12	Standard Chartered Bank (Kenya) Plc	P.O. Box 30003-00100, Nairobi	074
13	Transnational Bank Limited	P.O. Box 34353-00100, Nairobi	075
14	HFC Limited	P.O. Box 30088-00100, Nairobi	113
15	Gulf African Bank Limited	P.O. Box 43683-00100, Nairobi	117
16	Credit Bank Limited	P.O. Box 61064-00200, Nairobi	120
17	SBM Bank (Kenya) Limited	P.O. Box 34886-00100, Nairobi	121
18	NCBA Bank Kenya Plc	P.O. Box 44599-00100, Nairobi	126

REIT MANAGERS

1	Nabo Capital Limited	P.O. Box 10518-00100, Nairobi	076
2	CIC Asset Management Limited	P.O. Box 59485 - 00200, Nairobi	080
3	Fusion Investment Management Limited	P.O. Box 47538 - 00100, Nairobi	081
4	Stanlib Kenya Limited	P.O. Box 30550 - 00100, Nairobi	082
5	ICEA Lion Asset Management Limited	P.O. Box 46143 - 00100, Nairobi	092
6	Sterling REIT Asset Management Limited	P.O. Box 45080 - 00100, Nairobi	097
7	H.F. Development and Investment Limited	P.O. Box 30088 - 00100	098
8	Britam Asset Managers Limited	P.O. Box 30375 - 00100, Nairobi	106
9	Cytonn Asset Managers Limited	P.O. Box 20295-00200, Nairobi	118

REIT TRUSTEES

1	Housing Finance Company (K) Limited	P.O. Box 30088-00100, Nairobi	088
2	Co-operative Bank of Kenya Limited	P.O. Box 48231-00100, Nairobi	089
3	Kenya Commercial Bank Limited	P.O. Box 30664 -00100, Nairobi	090

AUTHORISED REAL ESTATE INVESTMENT TRUSTS (REITS)

1	STANLIB Fahari I-REIT	P.O. Box 46143 - 00100	4/2015
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APPROVED COLLECTIVE INVESTMENT SCHEMES

1. African Alliance Kenya Unit Trust Scheme – No. 01/2003, comprising of; <ul style="list-style-type: none"> i. African Alliance Kenya Shilling Fund ii. African Alliance Kenya Fixed Income Fund iii. African Alliance Kenya Managed Fund iv. African Alliance Kenya Equity Fund 	9. Madison Unit Trust Fund – No. 11/2011, comprising of; <ul style="list-style-type: none"> i. Madison Asset Equity Fund ii. Madison Asset Balanced Fund iii. Madison Asset Money Market Fund iv. Madison Asset Treasury Bill Fund v. Madison Asset Bond Fund.
2. British-American Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. British-American Money Market Fund ii. British-American Income Fund iii. British-American Balanced Fund iv. British-American Managed Retirement Fund v. British-American Equity Fund 	10. Dyer and Blair Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. Dyer and Blair Diversified Fund ii. Dyer and Blair Bond Fund iii. Dyer and Blair Money Market Fund iv. Dyer and Blair Equity Fund
3. Stanbic Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. Stanbic Money Market Fund ii. Stanbic Fixed Income Fund iii. Stanbic Managed Prudential Fund iv. Stanbic Equity Fund v. Stanbic Balanced Fund 	11. Amana Unit Trust Funds Scheme, comprising of; <ul style="list-style-type: none"> i. Amana Money Market Fund ii. Amana Balanced Fund iii. Amana Growth Fund
4. NCBA Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. NCBA Money Market Fund ii. NCBA Equity Fund iii. NCBA Dollar Investment Fund (CBA DIF) 	12. Diaspora Unit Trust Scheme, comprising; <ul style="list-style-type: none"> i. Diaspora Money Market Fund ii. Diaspora Bond Fund iii. Diaspora Equity Fund
5. Zimele Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. Zimele Balanced Fund ii. Zimele Money Market Fund 	13. First Ethical Opportunities Fund
6. ICEA Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. ICEA Money Market Fund ii. ICEA Equity Fund iii. ICEA Growth Fund iv. ICEA Bond Fund 	14. Genghis Unit Trust Funds, comprising of; <ul style="list-style-type: none"> i. GenCap Hazina Fund (Bond Fund) ii. GenCap Eneza Fund (Diversified Fund) iii. GenCap Hela Fund (Money Market Fund) iv. GenCap Iman Fund (Shariah Compliant Fund) v. GenCap Hisa Fund (Equity Fund) vi. GenCap Hela Imara Fund (Money Market Fund) vii. Gencap Eneza Imara Fund viii. Gencap Hisa Imara Fund ix. Gencap Iman Imara Fund.
7. Standard Investment Trust Funds, comprising of; <ul style="list-style-type: none"> i. Standard Investment Equity Growth Fund ii. Standard Investment Fixed Income Fund iii. Standard Investment Balanced Fund 	15. Sanlam Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. Sanlam Money Market Fund (Sanlam Pesa Plus Fund) ii. Sanlam Dividend Plus Fund (Sanlam Faida Plus Fund) iii. Sanlam Balanced Fund (Sanlam Chama Plus Fund)
8. CIC Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. CIC Money Market Fund ii. CIC Balanced Fund iii. CIC Fixed Income Fund iv. CIC Equity Fund v. CIC Wealth Fund 	16. Nabo Africa Funds, comprising of; <ul style="list-style-type: none"> i. Nabo Africa Money Market Fund (USD) ii. Nabo Africa Balanced Fund (USD)

<ul style="list-style-type: none"> iii. Nabo Africa Fixed Income Fund (USD) iv. Nabo Africa Equity fund (USD) v. Nabo Capital Money Market Fund (KES) vi. Nabo KES Fixed Income Fund (KES) 	21. Apollo Unit Trust Scheme comprising of; <ul style="list-style-type: none"> i. Apollo Money Market Fund ii. Apollo Balanced Fund iii. Apollo Aggressive Growth Fund iv. Apollo Equity Fund v. Apollo East Africa Fund vi. Apollo Bond Fund
17. Old Mutual Unit Trust Scheme, comprising of; <ul style="list-style-type: none"> i. Old Mutual Equity Fund ii. Old Mutual Money Market Fund iii. Old Mutual Balanced Fund iv. Old Mutual East Africa Fund v. Old Mutual Bond Fund 	22. Cytonn Unit Trust Scheme comprising of; <ul style="list-style-type: none"> i. Cytonn Money Market Fund ii. Cytonn Balanced Fund iii. Cytonn Equity Fund iv. Cytonn Africa Financial Services Fund v. Cytonn Money Market Fund (USD) vi. Cytonn High Yield Fund
18. Equity Investment Bank Collective Investment Scheme, comprising; <ul style="list-style-type: none"> i. Equity Investment Bank Money Market Fund ii. Equity Investment Bank Balanced Fund 	23. Alphafrica Umbrella Fund comprising of; <ul style="list-style-type: none"> i. Alphafrica Hifadhi Fixed Income Fund ii. Alphafrica Kasha Money Market Fund
19. Dry Associates Unit Trust Scheme comprising of; <ul style="list-style-type: none"> i. Dry Associates Money Market Fund (Kenya Shillings) ii. Dry Associates Money Market Fund (US Dollars) iii. Dry Associates Balanced Fund (Kenya Shillings) 	24. Wanafunzi Investment Unit Trust Fund
20. Co-op Trust Fund comprising of; <ul style="list-style-type: none"> i. Co-op Balanced Fund ii. Co-op Equity Fund iii. Co-op Bond Fund iv. Co-op Money Market Fund 	

APPROVED EMPLOYEE SHARE OWNERSHIP PLANS (ESOPS)

1. ARM Employee Share Ownership Plan
2. EABL Employee Share Ownership Plan
3. Equity Employee Share Ownership Scheme
4. Housing Finance Employee Share Ownership Plan
5. I&M Bank Employee Share Ownership Plan
6. KCB Employee Share Option Plan
7. KENOL Employee Share Ownership Plan
8. Kenya Airways Employee Share Ownership Plan
9. Kenya Airways 2017 Group Employee Share Ownership Scheme
10. Safaricom Employee Share Ownership Plan
11. Scangroup Employee Share Ownership Plan
12. Car & General Employee Share Ownership Plan
13. Standard Group Limited Employee Share Ownership Plan
14. Longhorn Publishers Limited, Employee Share Ownership Plan
15. Britam Holdings Plc Employee Share Ownership Plan
16. Nairobi Securities Exchange Plc Employee Share Ownership Plan – Unit Trust

NOTES

