



# CAPITAL MARKETS AUTHORITY

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### | 2020 - 2021 |



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**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR  
THE FINANCIAL YEAR ENDING 30 JUNE 2021**





# CONTENTS

Authority Information	11
Corporate Governance Statement	15
Composition of the Board	15
Chairman's Statement	19
Board Committee Meetings Attendance	21
CMA Board Evaluation Results for FY 2020/21	23
Statement of the Board Members Responsibilities	31
Report of the Chief Executive Officer	33
Strategic Intent	36
Management Discussion and Analysis	40
Environmental and Sustainability Statement	43
Report of the Directors	44
Report of the Auditor General	45
<b>Financial statements:</b>	
Statement of financial performance	54
Statement of financial position	55
Statement of changes in net assets	58
Statement of cash flows	59
Statement of comparison of budget and actual amounts	62
<b>Notes</b>	64
Legal and Regulatory Framework	86
Capital Markets Fraud Investigation Unit	86
Market Supervision	87
People and Culture	88
Policy	89
Research and Analytics	91
Market Performance	94
Spot Commodities	102
Strategy, Risk and Projects	103
Corporate Affairs and International Relations	105
Information and Communications Technology	105
Enforcement Action	106
Approvals Analysis & Issuer Governance	107
Education Awareness and Certification	108
Market Deepening	112
Snapshots of Current Licensees and approved Institutions	115

# List of tables

<b>Table 1:</b> Board meeting attendance .....	21
<b>Table 2:</b> Board Evaluation Results for FY2020/2021 .....	23
<b>Table 3:</b> Performance against predetermined objectives .....	36
<b>Table 4:</b> Project being implemented at CMA .....	40
<b>Table 5:</b> New and amended standards and interpretations in issue and effective in the year ended 30 June 2021 .....	64
<b>Table 6:</b> Summary of Current Cases.....	87
<b>Table 7:</b> Summary of Policy Incentives and pronouncements, 2021 .....	89
<b>Table 8:</b> Primary Equity issues.....	94
<b>Table 9:</b> Issued and reopened Treasury Bonds FY 2020/2021.....	94
<b>Table 10:</b> Issued Corporate Bonds and Commercial Papers in Kenya as at 30 June 2021 .....	96
<b>Table 11:</b> Rights Issues .....	97
<b>Table 12:</b> Bonus Issues 2012-2021.....	98
<b>Table 13:</b> Stock Splits (2007 - 2021).....	98
<b>Table 14:</b> Market Statistics 2020/21 .....	99
<b>Table 15:</b> Foreign Investor Net Cash Flow Activity (Shs Millions) 2012-2021.....	100
<b>Table 16:</b> Corporate actions July 2020 to June 2021 .....	100
<b>Table 17:</b> Projects undertaken by the Authority .....	103
<b>Table 18:</b> Enforcement action taken by the Authority .....	106
<b>Table 19:</b> Snapshot of current licensees and approved institutions.....	115

## List of figures

<b>Figure 1:</b> Annual GDP Growth Trend (2016-2020).....	91
<b>Figure 2:</b> GDP Contribution by Activity/ Sector .....	92
<b>Figure 3:</b> Kenya's Inflation Rate- (July 2020-June 2021) .....	92
<b>Figure 4:</b> Delivery Channels of Initiatives Undertaken in 2020/2021 FY .....	109
<b>Figure 5:</b> Sample Awareness Initiatives target group distribution .....	109

## List of Appendices

<b>Appendix 1:</b> Progress on Follow up of Auditor Recommendations .....	83
<b>Appendix 2:</b> Inter Entity Transfers .....	84
<b>Appendix 3:</b> Recording of Transfers from Donors .....	85

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Kenya

**On behalf of**

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Kenya

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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 2021. 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,



Dr. Thomas Kibua  
Chairman



## Authority Information

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 (2nd Term as Chairman ended on 17 April 2021)
Mr. Wyckliffe Shamiah	Chief Executive Officer (effective 16 November 2020)
Hon (Amb.) Ukur Yatani	Member: Cabinet Secretary, The National Treasury & Planning
Mr. Musa Kathanje	Alternate to the Cabinet Secretary, The National Treasury
Mr. Paul Kihara Kariuki	Member: Attorney General
Mr. Nevis Ombasa	Alternate to the Attorney General
Dr. Patrick Njoroge	Member: Governor, Central Bank of Kenya
Mr. David Luusa	Alternate to Governor, Central Bank of Kenya
Mr. Moibi Mose	Member
Ms. Christine Okoth	Member
Dr. Thomas Kibua	Member
Mr. John Birech	Member
Dr. Freshia M. Waweru	Member
Mr. Peter Mungai	Member

## Management team



### Wyckliffe Shamiah

Position

Date joined the Authority

Profession

Key qualifications

Chief Executive Officer

20 May 1997

Accountant

MBA, BA, CPA (K)



### Edwin Njamura

Position

Date joined the Authority

Profession

Key qualifications

Director, Corporate Services

17 July 2012

Management

EMBA, BCOM, CPA(K), BSP, ICIFA



### Luke Ombara

Position

Date joined the Authority

Profession

Key qualifications

Director, Policy & Market Development

15 February 1995

Economist

BA, BSP



### Abubakar Hassan

Position

Date joined the Authority

Profession

Key qualifications

Director Market Operations

1 April 2016

Advocate of the High Court of Kenya

MBA, LLB, CPA(K), CPS(K), CISA, CFE



### Esther Maiyo

Position

Date joined the Authority

Profession

Key qualifications

Director Internal Audit

15 February 1995

Accountant

MBA, BCOM, CPA(K), CPS (K), CISA



### Hellen Ombati

Position

Date joined the Authority

Profession

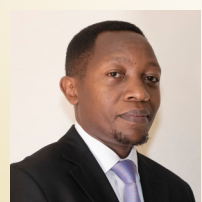
Key qualifications

Director Legal Affairs & Corporation Secretary

6 May 2016

Lawyer & Certified Secretary

MBA, LLB, Dip-French, Dip in Law, CPS(K)



### Daniel Warutere

Position

Date joined the Authority

Profession

Key qualifications

Senior Manager, Approvals, Analysis and Issuer Governance

10 November 2008

Advocate of the High Court of Kenya

LLB, CPS, CPA, Post Grad Cert, Capital Markets





### Kamunyu Njoroge

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Education, Awareness & Certification  
3 January 2005  
Economist  
MA (Econ), BA (Econ), MCSI(CISI,UK), CIFA, Fellow,  
FLPFI (USA)



### Andrew Muthabuku

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, People and Culture  
1 July 2011  
Human Resources  
MBA, BA, H-Dip (HRM), (CHRP)



### Richard Chirchir

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Information Communications & Technology  
22 June 2009  
Computer Science Engineering  
BSC, Pg Dip - Computer Science



### John Njoroge

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Accounting and Finance  
4 February 2008  
Accountant/Economist  
BA, CPA(K), CPS(K), BSP



### Matthew Mukisu

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Commodities  
7 March 2016  
Economist  
MA (Economics), BSC, CPA(K)



### James Kivuva

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Strategic Risks and Projects  
15 February 2016  
Information Technologist  
BSC, PRINCE 2, CBAP, Advanced Sysbase Database  
Administration and Performance Tuning Certification  
MA (Project Planning and Management)



### Nyale Yanga

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Market Supervision  
15 December 2005  
Accountant  
MBA, BCOM, CPA(K), CPS(K)



### Jairus Muaka

Position  
Date joined the Authority  
Profession  
Key qualifications

Senior Manager, Policy & Regulatory Framework  
5 January 2009  
Economist  
M.A Economic Policy, B.A Economics

## Key Terms

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
ICIFA	Institute of Certified Investment and Financial Analysts
LLB	Bachelor of Law
LLM	Master of Law
MA	Master of Arts
Pg Dip	Post Graduate Diploma
MCSI	Master in Science
NCE	Nairobi Coffee Exchange
CISI	Chartered Institute for Securities & Investment
UK	United Kingdom
CIFA	Certified Investment and Financial Analysts
CHRP	Certified Human Resource Professional

# 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 Officer, are non-executive directors.
- ii. The Members possess a broad range of skills and competencies, including legal, finance, banking, economics, Human Resources and management.
- iii. During the period under review, the Board met eleven times.

## Composition of the Board

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

### 1. Mr. James Ndegwa (2nd Term as Chairman ended on 17 April 2021)

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-years 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. Between 1992—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 has 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 Cabinet Secretary, The National Treasury & Planning: Musa Kathanje

Mr. Musa Kathanje was appointed to the Capital Markets Authority Board as the Alternate to the Cabinet Secretary, National Treasury and Planning (13th August 2018, and 17th July 2020 to date). He is currently the Director of Macro and Fiscal Affairs Department at the National Treasury. He joined the National Treasury in June 2013 as the Head of Macro Division in the Economic Affairs Department, on secondment from the Central Bank of Kenya where he was the Head of Monetary Policy Analysis Division. Mr. Kathanje served at the Central Bank of Kenya from June 1996 to June 2013 before he was seconded to the National Treasury. He has over 25 years of experience in macroeconomic policy formulation and analysis, fiscal policy, monetary policy formulation as well as regional economic integration policy gained from both the Central Bank of Kenya (June 1996 to June 2013) and at the National Treasury (June 2013 to date). He was appointed the Director of Macro and Fiscal Affairs Department in November 2016 by the Public Service Commission of Kenya.

Mr. Kathanje has attended various trainings among others, the International Monetary Fund and its various regional training Centers; the United Nations Department of Economic and Social Affairs, the United States Federal Reserve Bank of New York, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the IMF East Afritac. He holds among others, a two-year certificate in macroeconomic modeling under the United Nations/ African Research Network for Development Policy Analysis from the University of Pretoria, South Africa. He holds both Masters and Bachelor degrees (first class honours in Economics) from the University of Nairobi and is currently finalizing a PhD in Business Administration - Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. Mr. Kathanje also currently represents the Principal Secretary, National Treasury at the Central Bank of Kenya, Monetary Policy Committee meetings (May 2017 to date) and is an Alternate to the Cabinet Secretary, National Treasury and Planning at the Vision 2030 Delivery Secretariat Board (4th September 2019 to date). He also represents the Principal Secretary at the National Development Implementation Technical Committee (NDITC) Programmes and Policies Sub-Committee (July 17th, 2019 to date). He has previously served as the Alternate to the Cabinet Secretary, National Treasury and Planning at the Konza Technopolis Board (14th October 2015 to September 30, 2019) and at the Kenya Institute of Public Policy Research and Analysis (KIPPR) (14th October 2015 to August 19, 2019).

#### 4. **Hon. Paul Kihara Kariuki**

Hon. 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 blue-print 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, Messer Ndungu Njoroge and Kwach Advocates, Nairobi (1986- 2000) and legal assistant and partner, Messer Hamilton Harrison and Mathews Advocates, Nairobi (1977- 1985).

#### 5. **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 senior state counsel in the Government transactions division.

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

Dr. Njoroge is an economist by profession, and holds a PhD in Economics from Yale University, USA. He holds a Masters 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.

#### 7. **Alternate to Governor, Central Bank of Kenya: Mr. David Luusa**

Mr David Luusa joined the Central Bank of Kenya in April 2020 and was appointed Director, Financial Markets Department (FMD). He serves on the Board of The Capital Markets Authority as an alternate to the Governor of the Central Bank of Kenya. 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 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.

#### 8. **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, Chairperson of the ICT Ad Hoc Committee and past Chairperson of the Human Resource and Communication Committee. Mr. Moibi holds a Masters 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.

#### 9. **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, She is also a Past Chairperson of the ICT Ad hoc Committee.

#### 10. **Dr. Thomas Kibua**

Dr Kibua is Senior Faculty at Strathmore University Institute of Public Policy and Governance, Economic Advisor to the Governor of Makueni County, Chairperson of the Technical and Policy Committee & past Chairperson of the Audit, Corporate Governance and Risk Management Committee. 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 specialising 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 Programme 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.



**11. Mr. John Birech**

Mr. John Birech holds an MA (Economics); B Phil. (Economics) and BA (Economics) from the University of Nairobi. He is the Chairperson of the Human Resource and Communication Committee, past Chairperson of the Financial Markets Law Review Panel and Technical and Policy Committee. He is also an independent director of the Board and has previously served in various capacities at the Central Bank of Kenya.

**12. Dr. Freshia Mugo – Waweru**

Dr. Waweru earned her Ph.D. in International Finance (Derivatives Trading) from Sogang University in Seoul (South Korea), a Masters in Business Administration (MBA) and Bachelors of Commerce (Accounting) from Kenyatta University. She is also a Certified Public Accountant of Kenya (CPA-K).

Dr. Waweru is the Chairperson of the Finance and Planning Committee and past Chairperson of Audit, Corporate Governance and Risk Management Committee. In 2012, she was appointed as part of a 16 member steering committee to come up with 10- year Master Plan of the Capital Markets Authority (CMA) of Kenya which was launched in November 2014. In January 2015, she was appointed as a member of the Capital Markets 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.

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.

**13. 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 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, Member of the Standards Tribunal and Chairperson of the Audit, Corporate Governance and Risk Management Committee. He has also worked with Diamond Trust Bank (DTB).

**14. Mr. Wyckliffe Shamiah**

Mr. Wyckliffe Shamiah is the Chief Executive Officer of the Capital Markets Authority, Kenya with effect from 16 November 2020. Prior to his appointment, Mr. Shamiah served as the Acting Chief Executive from 01 January 2020. Before that, Mr. Shamiah served as the Director Market Operations at the Authority since November 2011 and has held multiple senior positions in market supervision, research, financial analysis and compliance at the Authority over a career of in excess of 23 years. 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 is the current Chair of Association of Securities Markets Regulators in East Africa (EASRA). He sits on various boards including Insurance Regulatory Authority of Kenya, Retirement Benefits Authority of Kenya and Vision 2030 Delivery Board of Kenya. He also sits on the International Organizations of Securities Commissions (IOSCO) Board, representing Growth and Emerging Markets Committee.

Mr. Shamiah is a Fellow of the Institute of Certified Public Accountants and holds a Masters in Business Administration (Finance Option) from the University of Nairobi and a Bachelor of Arts Degree in Mathematics and Economics from Egerton University.





Immediate former Chairman of the Board of CMA, Mr. James Ndegwa receives a token of appreciation on behalf of the Board of Capital Markets Authority for his invaluable contribution to the development and regulation of the capital markets. Looking on is Chief Executive Officer Mr. Wyckliffe Shamiah. Mr. Ndegwa's term as Chairman of the Board expired on 17 April 2021.



# Chairman's Statement



## Overview of the Global Economy

During the financial year, the global economy registered significant recovery as most countries strived to emerge out of the effects of the COVID-19 pandemic. World trade registered remarkable growth, with some countries achieving a performance well above the pre-pandemic levels. Prices of key global raw materials recovered, reaching impressive levels in the second quarter of 2021, with Crude oil prices rising to a 2-year high of above \$70 per barrel in June 2021. Against this backdrop, we anticipate the world GDP to expand by over 5 per cent in the 2021 Calendar year. However, risks still abound, with threats of a re-emergence of the COVID-19 pandemic through new variants, slow vaccination levels in some countries and vaccine supply constraints, likely to adversely impact on the economic recovery of several countries across the globe.

## Regional Economy

At the onset of the COVID-19 pandemic, the African continent was confronted by an unprecedented challenge, with containment measures taking centre stage. This led to significant contractions in economic activity, with 2021 becoming a year of easing of these measures, as vaccinations started to take effect.

By the end of the financial year, a number of countries in the continent had registered gains in conducting vaccinations. On the economic front, projections indicate that the continent will likely grow by over 3 per cent in the 2021 Calendar year, underpinned by a rebound in commodity prices and a rollback of pandemic-induced restrictions. The positive outlook will however be subject to significant uncertainty emanating from both external and domestic risks, as the emergence of new variants of the Covid 19 pandemic pose a new headache.

As regards East Africa, the sub-region has the advantage of reliance on primary commodities while enjoying better diversification. Nevertheless, the sub-region witnessed a significant drop in performance as the effects of the coronavirus (COVID-19) pandemic took a toll on the sub-region's economies. Recent estimates indicate that the sub-region will grow by about 3.0 per cent in the 2021 calendar year, with marked growth anticipated in the 2021/22 financial year. Figures from the African Development bank indicate that the top performers in 2021 would be Djibouti (9.9 per cent), Kenya (5.0 per cent), Tanzania (4.1 per cent), and Rwanda (3.9 per cent).

## Domestic Front

The COVID-19 shock adversely impacted Kenya's economy, disrupting supply and demand chains. This led to a sharp decline in GDP in 2020, with a number of sectors including Tourism and Manufacturing getting significantly negatively affected. Nevertheless, with a raft of positive initiatives including vaccinations and active containment measures, the severity of the pandemic has remained under relatively better management. The growth outlook remains positive, with estimates from the African Development Bank projecting the country's economy to grow by 5.0% in 2021 and 5.9% in 2022, assuming that economic activity will among others, normalize.

During the year, the Authority identified targets to be met in realization of its mandate which translated into a Performance Contract between the Authority and Government through the National Treasury and Planning Ministry. I am happy to Note that the Authority managed to meet nearly all its targets during the year, enabling it to be ranged among the top ten (10) among all the Ministries, Departments and Agencies in the Country. I take this opportunity to thank the CMA Board for the policy guidance, staff for their dedication and effectiveness, and all our stakeholders for the support during the year.

The year also saw us progress a number of activities including among others;

- i. In collaboration with key stakeholders, the Authority conducted a mid-term review of the Capital Market Master Plan. Once finalized, the reviewed CMMP will form the basis of engagement with stakeholders going forward.
- ii. The Authority's Board and management hosted a Capital Markets Consultative webinar on 13 April 2021 for all capital markets industry stakeholders themed "Building Back a Better resilient Capital Markets" to receive updates and explore ways of leveraging capital markets to support the recovery strategy to mitigate against the effects of the COVID-19 pandemic.
- iii. The Authority commenced enforcement proceedings against former Board members of Imperial Bank Limited and Real People Kenya Limited (RPKL) among others, in an effort aligned with its mandate of protecting investors.

These activities will ultimately ensure that we deliver on our dual mandate of regulation and market development. It is important to Note that as the Authority will remain focused on steering the market forward despite the COVID 19 challenges. To achieve this objective, it will deepen and broaden implementation of its short-term recovery strategy. The 2021-2023 Short-Term Recovery Strategy outlines the Authority's blueprint for the next two-and-a-half-year period commencing January 2021 and seeks to address the foregoing impact of the pandemic on capital markets and is aligned to the Draft National Post COVID-19 Economic Recovery Strategy. The plan enlists the requisite

measures to enable the capital markets effectively contribute to the re-positioning of the economy on a sustainable growth trajectory including:

- i. Enhancing liquidity.
- ii. Market based financing.
- iii. Retail & institutional investor participation alternative approaches.
- iv. Leveraging technology.
- v. Business sustainability and enabling capital markets.

#### **Appreciation and Outlook**

Given the improved performance of the country's capital markets during the financial year that included significant improvement in bond turnover, oversubscribed issuances in the corporate bond market, added to better equity market capitalization figures and facilitative policy changes that were approved by the Cabinet Secretary, National Treasury & Planning, we have reason to believe that the country's capital market is on a rebound. We are confident that our stakeholders will continue playing their very important part in lifting the position and use of Kenya's Capital Market. I take this opportunity to thank the Kenya Government through the National Treasury & Planning, development partners, Government agencies and Departments and Financial Sector Regulators for supporting the Authority in this endeavor.

I wish to single out the National Treasury and Planning, State Corporations Advisory Committee and the Head of Public Service for facilitating the timely approval of the new Human Resource (HR) instruments and supporting their implementation. The new HR instruments were aligned to the new organizational structure. With the implementation of the new HR instruments and a facilitative organizational structure, the Authority is able to deliver on the revised Capital Market Master Plan(2014-2023) and the Strategic Plan (2018-2023). Finally let me thank the Authority's Board of Directors and staff for their invaluable contribution, even as we strive to place the country's capital markets on a higher pedestal.

We are excited about the future of the country's Capital Markets and wishing our stakeholders a rewarding year ahead.



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**Chairman**



# Board and Committee Meetings Attendance

Table 1: Board meeting attendance

No	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:6 (6 scheduled)	Audit, Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:5 (5 scheduled)	Technical and Policy Committee (TPC) Total number of Meetings:8 (8 Scheduled)	Joint Audit and Finance Committee:1	Joint ICT & Audit Committee Total number of Meetings:1	ICT Ad hoc Committee Total number of Meetings:3 (3 Scheduled)	AD Hoc Committee on Real People Bank Limited Hearings Total number of Meetings:18	Board Total number of Meetings: 11 (7 scheduled and 4 special)	Other Board Engagements Meetings:8
1	Mr. James Ndegwa	Independent	Board Chairman- 2 <sup>nd</sup> Term as Chairman of CMA expired on 17 <sup>th</sup> April 2021.							12/18	10/11	7/8
2	Mr. Nevis Ombasa	Alt. Attorney General		2/6 (co-opted)		6/8					10/11	4/8
3	Ms. Christine Okoth	Independent Member		6/6		8/8	1/1	1/1	3/3		11/11	4/8
4	Mr. John Birech	Independent Member	Chairperson HRCC up to June 2021-1 <sup>st</sup> Term expired effective 5 <sup>th</sup> June 2021. Interim Chairperson of the Financial Law Review Panel (FLRP)		5/5		1/1	1/1		18/18	10/11	4/8
5	Mr. Musa Kathanje	Representing Principal Secretary National Treasury		4/6	1/5	6/8					8/11	3/8
6	Dr. Freshia Mugo-Waweru	Independent Member	Chairperson FPC up to June 2021-1 <sup>st</sup> Term expired effective 5 <sup>th</sup> June 2021.	5/6	2/5		1/1				9/11	3/8
7	Mr. Peter Mungai	Independent Member	Chairperson Audit Committee		5/5		1/1	1/1			10/11	5/8
8	Dr. Thomas Kibua	Independent Member	Chairperson TPC		4/5	8/8	1/1	1/1		18/18	10/11	4/8
9	Mr. David Luusa	Alt. to the Governor Central Bank of Kenya			3/5	7/8					10/11	4/8

10	Mr. Moibi Mose		Chairperson of the ICT Ad hoc Committee	6/6			7/8	1/1	1/1	3/3		11/11	3/8
11	Prof. Dulacha Galgalo			1/6	2/5		1/8					1/11	
12	Mr. Andrew Meme	ICT Ad hoc Member (expert)						1/1		3/3			
13	Mr. Muchemi Wambugu	ICT Ad hoc Member (expert)								3/3			
14	Mr. Geoffrey Ng'etich	ICT Ad hoc Member (expert)						1/1		1/3			
15	Dr. Willy Mutunga	Ad hoc Independent Member and Vice Chairman									17/18		
16	Ms. Patricia Kiwanuka	Ad hoc Independent Member									18/18		
17	Dr. James Boyd Mcfie	Ad hoc Independent Member									18/18		
18	Ms. Anne Eriksson	Ad hoc Independent Member									18/18		

### Notes

\*Mr. James Ndegwa-2<sup>nd</sup> Term as Chairman of CMA ended on 17<sup>th</sup> April 2021.

\*Mr. John Birech-1<sup>st</sup> Term expired effective 5<sup>th</sup> June 2021.

\*Dr. Freshia Mugo-Waweru-1<sup>st</sup> Term expired effective 5<sup>th</sup> June 2021.

\*Mr. Isaac Omondi Odek and Christopher Ombega Mosoti are SCAC officials and attended the board evaluations within the year.

\*There were Five (5) Financial Law Review Panel (FLRP) meetings/engagements within FY 2020-2021. The panel constituted the following members; Ms. Lilian Matigaro, Mr. Habib Motani, Dr. Robert Barnes, Mr. Steven Galbraith, Mr. Paras Shah, Mr. Naval Sood, Ms. Elizabeth Howard, Mr. Kairo Thuo, Ms. Louise Kabucho, Mr. Peter Musyimi, Ms. Rahma Hersi, Mr. Fred Muriimi and Alison Harwood

\*Ms. Joyce Wesonga is an alternate to the Inspector General, State Corporations.

\*Other Engagements Meetings included consultations with CMA Management, Workshops and Retreats

\* Mr. Musa Kathanje was appointed as the alternate to the National Treasury and Planning effective 17 July 2020. He replaced Prof. Duracha Galgalo.

## CMA Board Evaluation Results for FY2020/2021 – conducted by State Corporations Advisory Committee (SCAC)

The Code of Governance for State Corporations (Mwongozo) requires boards of state corporations to undertake an annual evaluation of its performance. The table below shows the results of the CMA board evaluation as conducted by the State Corporations Advisory Committee (SCAC).

**Table 2: Board Evaluation Results for FY2020/2021**

<b>Part 1: Mandate, Strategy and Performance Contract</b>											
	<b>Mandate</b>	D1	D2	D3	D4	D5	D6	D7	D8	<b>TOTAL TALLY</b>	<b>% SCORE</b>
1	The Board interpreted the mandate of the Corporation appropriately.	5	5	5	5	5	5	5	5	5.0000	100.00
2	The mandate of the Corporation is relevant to the national socio-economic development.	5	5	5	5	4	5	5	5	4.8750	97.50
3	The Board has articulated or reviewed the desired future state (vision) of the Corporation.	4	5	5	5	4	5	4	5	4.6250	92.50
4	The Board has reviewed the mandate of the Corporation to match changes in the environment.	4	5	5	5	4	4	5	5	4.6250	92.50
	<b>Range Score</b>									<b>4.7813</b>	<b>95.63</b>
<b>Strategy</b>											
5	The Board has articulated the strategic use of financial resources to obtain maximum value.	5	5	5	5	4	5	5	5	4.8750	97.50
6	The strategic plan is integrated with the Kenya Vision 2030.	5	5	5	5	5	5	5	5	5.0000	100.00
7	The Board has identified the Corporation's Key Performance Indicators for the plan period.	5	5	5	5	5	5	5	5	5.0000	100.00
8	The Board has a mechanism for monitoring and evaluating performance against the Key Performance Indicators.	5	5	5	5	5	5	5	5	5.0000	100.00
9	The level of strategic planning is of sufficient quality and content.	4	5	5	5	5	5	5	5	4.8750	97.50
10	The strategic plan is reflected at an operational level in the business plan.	5	5	5	5	4	5	5	5	4.8750	97.50

11	The Board has developed a strategy for providing resources required for implementation of the strategy.	5	5	5	5	5	4	5	5	4.8750	97.50
	<b>Range Score</b>									<b>4.9286</b>	<b>98.57</b>
	<b>Performance contract</b>										
12	The Board participated in identification and articulation of performance targets for the Corporation's performance contract for the period.	5	5	5	5	5	5	5	5	5.0000	100.00
13	The performance contract aided implementation of the strategic plan.	5	5	5	5	5	5	4	5	4.8750	97.50
	Range Score	4.9375	98.75								
	<b>Part Two: Functions of the Board</b>										
14	The Board understands, agrees, defines and disseminates its functions on an annual basis.	5	5	5	5	5	5	5	5	5.0000	100.00
15	The Board knows and understands the Corporation's beliefs, values, philosophy, mission and vision and reflects this understanding on key issues throughout the year.	5	5	5	5	5	5	5	5	5.0000	100.00
16	Such beliefs, values, philosophy, mission and vision are set and are consistent with Corporation's status.	5	5	5	5	4	5	5	5	4.8750	97.50
17	The Board devotes significant time and serious thought to the Corporation's long-term objectives and to the strategic options available to achieve them.	5	5	5	5	5	5	5	5	5.0000	100.00
18	The Board has defined and communicated to management the scope and powers, roles and responsibilities to be adhered to by management to meet routine and exceptional circumstances.	5	5	5	5	5	5	5	5	5.0000	100.00

19	The majority of the Board's time is not spent on issues of day-to-day management.	5	5	5	5	5	4	5	5	4.8750	97.50
20	The Board is involved in formulating long-range strategy from the beginning of the planning cycle.	5	5	5	5	5	5	5	5	5.0000	100.00
21	The Board ensures that the organization has sufficient and appropriate resources to achieve its strategic goals.	5	5	4	5	5	5	5	5	4.8750	97.50
22	Proposals from management are analyzed and debated vigorously before being approved by the Board. A proposal that is considered inappropriate is declined.	5	5	5	5	5	5	5	5	5.0000	100.00
23	The Board has an operating plan that specifies its functions, activities and objectives.	5	5	5	5	5	5	4	5	4.8750	97.50
24	The Board has reviewed its needs in terms of skills and has these skills.	4	5	4	5	4	5	4	5	4.5000	90.00
25	When appropriate the Board seeks counsel from professionals advisors.	5	5	5	5	5	5	5	5	5.0000	100.00
26	The Chief Executive Officer's remuneration and performance is reviewed and determined by the Board based on performance evaluation.	5	5	3	5	4	4	4	5	4.3750	87.50
27	The Board determines, annually, the objectives and measurement criteria for the Chief Executive Officer.	5	5	5	5	5	5	5	5	5.0000	100.00
28	A broad range of appropriate performance indicators are used to monitor the performance of management. Reliability is not placed solely on the financial statements provided by management.	5	5	5	5	5	5	5	5	5.0000	100.00
29	The performance of the Chief Executive Officer is reviewed formally on an annual basis.	5	5	5	5	5	5	5	5	5.0000	100.00

30	The Board has identified the groups to which it is:(a) Accountable; b) Responsible.	3	5	5	5	5	5	5	5	4.7500	95.00
31	The Board understands and agrees that its first duty is to the Corporation.	5	5	5	5	5	5	5	5	5.0000	100.00
32	Board activities are conducted in an atmosphere of creative tension.	5	5	5	5	5	5	5	5	5.0000	100.00
33	The Board allows diversity of opinion in its meetings.	5	5	5	5	5	5	5	5	5.0000	100.00
34	The Board has procedures in place to ensure that the organization is meeting its legal responsibilities.	5	5	5	5	5	5	5	5	5.0000	100.00
35	Formal review of the Board's performance has become an integral part of the culture of the Board.	5	5	5	5	5	5	5	5	5.0000	100.00
36	The Board ensures that key members of management are brought into the Board meetings so that they can participate and add value to their deliberations and work on behalf of the Board.	5	5	5	5	5	5	5	5	5.0000	100.00
37	Board members evaluate their individual and overall Board performance formally on an annual basis.	5	5	5	5	5	5	5	5	5.0000	100.00
38	The Board ensures all conflicts of interest are: (a) Declared; b) Resolved.	5	5	5	5	5	5	5	5	5.0000	100.00
39	Every Board member has been supplied with a letter of appointment.	1	5	4	3	5	3	4		3.5714	71.43
40	The letter of appointment defines the roles and functions of the Board and the specific role of each director.	1	5	4	3	4	3	4		3.4286	68.57
	<b>Range Score</b>									<b>4.8194</b>	<b>96.39</b>
	<b>Part Three: Board Meeting Management and Procedures</b>										

41	Every Board member has been supplied with a Board manual and a copy of standing orders and regulations governing conduct of Board meetings.	5	5	5	5	4	5	5	5	4.8750	97.50
42	Every Board member was supplied with a calendar of meetings showing dates of Board meetings, committee meetings and key or critical events of the Corporation.	5	5	5	5	5	5	5	5	5.0000	100.00
43	Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.	5	5	5	5	5	5	5	5	5.0000	100.00
44	Sufficient time is provided during Board meetings for thoughtful discussion in addition to management dialogue.	5	5	5	5	5	5	5	5	5.0000	100.00
45	Board time is used effectively so that the Board adds value to management.	5	4	5	5	5	4	5	5	4.7500	95.00
46	Formal meeting and reporting procedures have been adopted by the Board.	5	5	5	5	5	5	5	5	5.0000	100.00
47	Board members receive timely and accurate minutes; advance written agendas and meeting notices; and clear and concise background material to prepare in advance of meetings.	4	5	5	4	5	3	5	5	4.5000	90.00
48	All Board members are fully informed of relevant matters and there are never any surprises.	4	4	5	4	5	5	5	5	4.6250	92.50
49	Absenteeism from Board meetings is the exception rather than the rule.	5	5	5	5	5	5	5	5	5.0000	100.00
50	Board meetings are facilitated, but not overtly influenced by the Chairperson.	5	5	5	5	5	5	5	5	5.0000	100.00
51	All Board members are permitted to add items to the meeting agenda.	5	5	5	5	5	5	5	5	5.0000	100.00



52	All proceedings and Resolutions of the Board are recorded accurately, adequately and on a timely basis.	5	5	5	5	5	5	5	5	5.0000	100.00
	<b>Range Score</b>									<b>4.8958</b>	<b>97.92</b>
	<b>Part Four: Board's Composition, Induction, Training, Development, and Succession</b>										
53	The selection process considers any deficiencies in the skills of current Board members.	5	4	3	4	4	5	3	5	4.1250	82.50
54	The composition of the Board fairly represents the diversity of stakeholders.	5	5	5	5	5	5	4	5	4.8750	97.50
55	New Board members are introduced to their duties with an appropriate induction process.	5	5	5	5	5	5	5	5	5.0000	100.00
56	Board members understand the extent of their relationship with management and the separation of stewardship and management.	5	5	5	5	5	5	5	5	5.0000	100.00
57	Encouragement is given for Board members to continue their study of corporate governance and improve the skills they need.	5	5	5	5	5	5	5	5	5.0000	100.00
58	Directors understand the extent of their personal liability for the affairs of the Corporation.	5	4	5	5	5	5	5	5	4.8750	97.50
59	A succession plan is in place for the Chief Executive Officer, Board members and senior management and is reviewed regularly.	5	4	3	4	3	3	2	5	3.6250	72.50
60	Directors who have not been contributing to the governance of the organization and are uninterested in improving their performance are asked to resign.	2	4	1	5	5	5	3	5	3.7500	75.00



61	Where the ethical or professional conduct of any director is called into question such director is asked to resign pending investigations.	5	5		5	3	5	3	5	4.4286	88.57
62	Board members bind themselves to uphold honour and respect to the code of Ethics of the Corporation on first appointment and to resign where their actions are called into question.	5	5	5	5	5	5	4	5	4.8750	97.50
<b>Range Score</b>										<b>4.5554</b>	<b>91.11</b>
<b>Part Five: Board Structure</b>											
63	The Board has a balanced mix of Independent Non-Executive Directors.	5	5	5	5	5	4	5	5	4.8750	97.50
64	The roles of Chairperson of the Board and Chief Executive Officer are separated and held by different persons.	5	5	5	5	5	5	5	5	5.0000	100.00
65	The Board has established and appointed committees with defined terms of reference, composition and reporting requirements. These aspects are formally recorded.	5	5	5	5	5	5	5	5	5.0000	100.00
66	The Committees have been established and appointed in light of: The need to increase the effectiveness of the Board by utilizing the specialized skills of Board members.	5	5	5	5	5	5	5	5	5.0000	100.00
<b>Range Score</b>										<b>4.9688</b>	<b>99.38</b>
<b>Part Six: Information and Communication</b>											
67	Every Board member was supplied with all establishment instrument, all legal documents, mission statement, vision and strategy documents of the organization on first appointment.	5	5	5	5	4	5	5	5	4.8750	97.50

68	Every Board member receives a copy of the Board manual together with a letter of appointment on first appointment.	5	5	5	4	4	5	4	5	4.6250	92.50
69	Every Board member received copies of all policy documents including organization policy documents, personnel and financial manuals on first appointment and every time these are reviewed.	5	5	5	5	4	5	5	5	4.8750	97.50
70	Board members are encouraged to discuss matters with members of management after gaining the approval of the Chairperson or the Chief Executive Officer.	5	5	5	5	4	5	5	5	4.8750	97.50
71	The Board receives sufficient information from management in an appropriate format as determined by the Board.	4	5	5	5	5	5	5	5	4.8750	97.50
72	The Board's information requirements are communicated to management on a regular basis.	4	5	5	5	5	5	5	5	4.8750	97.50
73	Requested information is received in a timely fashion.	3	5	5	5	5	4	5	5	4.6250	92.50
74	The Board is proactive in developing an effective communication strategy for the Corporation.	4	5	4	5	4	5	5	5	4.6250	92.50
75	The Company/Corporation Secretary advises Board members regularly on matters of governance and the applicable law.	4	5	5	5	5	5	5	5	4.8750	97.50
	<b>Range Score</b>									<b>4.7917</b>	<b>95.83</b>
	<b>Total score (per Range)</b>										<b>38.6784</b>
	<b>Overall rating (Total Range Score ÷ The number of items (8))</b>										<b>4.8348</b> <b>96.70</b>

## Statement of the 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

This committee consists of four members all of whom are non-executive members of the Board. The committee was chaired by Dr. Freshia Mugo-Waweru upto June 5 2021, and subsequently it was chaired by Mr. Moibi Mose. 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

This committee consists of five members all of whom are non-executive members of the Board. The committee was chaired 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 five times (see the table) in the year.

#### The Human Resource and Communication Committee

This 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 June 5, 2021. It is responsible for human resource matters including recruitment, management succession as well as the corporate communication 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 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 eight 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 2015.
- 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 three times in the year.
- iii. Ad hoc Committee on Real People K Limited & Imperial Bank Limited. This committee consisted of seven 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 to conduct enforcement proceedings against former Board members of Imperial Bank Limited and Board Members of Real People Kenya Limited (RPKL) among others, in an effort aligned with its mandate of protecting investors. The committee had eighteen sessions during the year.
- iv. Financial Law Review Panel.
- v. 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.

### Responsibilities of the Board of Directors

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 2021. These responsibilities include: maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; 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; safeguarding the assets of the authority; selecting and applying appropriate accounting policies; and 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 2021, 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 26 August 2021 and signed on its behalf by:



Chairman



Chief Executive Officer



# Report of the Chief Executive Officer

## Market Performance

### Primary Market

In the equities market, during the 2020/21 financial year, Homeboyz Entertainment Plc – a public relations and advertising agency, listed by introduction, 63.2 million shares on the Growth Enterprise Market Segment (GEMS) of the Nairobi Securities Exchange (NSE), at a price of Shs 4.60 per share. Additionally, during the period, Crown Paints Plc, a paint manufacturer successfully issued 71.2 million new ordinary shares at a price of Shs.10.00 per ordinary share. The rights were issued on the basis of one ordinary share for every existing share. The rights issue had an over subscription of 13.7 percent, with shareholders applying for 81.0 million shares against the 71.2 million shares available.

In the primary bond market, twenty nine Treasury bonds were issued, as the Government sought to raise Shs.725 billion. In response, Shs. 1,078.06 billion worth of bond applications was received, with the Government accepting Shs 785.35 billion. On the corporate bond issuance front, Centum Investment's subsidiary - Centum Real Estate Limited, raised Shs. 3 billion to finance construction of its ongoing housing projects. The company is seeking to raise Shs. 4 billion in total over the next three years to cap the year, Family Bank listed its Shs. 3 billion Bond on the NSE. The bank raised Shs. 4.42 billion, against the target Shs. 3 billion with a green shoe option of Shs. 1 billion, implying a subscription of 147.3%, against a Shs 3 billion target with a green shoe option of Shs 1 billion. The funds raised will be used to increase the bank's lending to MSMEs and strengthen its capital base as it seeks to increase its investment in technology in this digital age.

### Secondary Market

In the face of the outbreak of the COVID-19 pandemic in early 2020, the 2020/21 financial year was dominated by efforts to mitigate against the adverse effects of the pandemic and redirect the economy on a path to recovery. During the yearend June 2021, equity turnover totaled Shs. 135.17 billion, a 14.9 percent reduction on the Shs.158.90 billion turnover level recorded in FY 2019/20. The end-period NSE 20-Share index was down by 0.75 percent to 1927.53 points, compared to a decrease by 26.25 percent, or to 1942.12 points in the preceding year. In terms of market capitalization, end-period market value increased by 28.41 percent in the financial year, to Shs. 2,702.22 billion, compared to the 7.66 percent decrease to Shs. 2,104.33 billion recorded in the previous financial year.

On the flip side the Exchange Traded Funds (ETFs) market sustained its phenomenal growth witnessed in the 2019/20 financial year with a Shs 164.1 million turnover recorded in 2020/21 financial year, a 0.1 percent growth. In the Derivatives market significant performance improvement was registered, with turnover increasing to Shs. 213.08 million, a 168.9 percent increase, compared to the Shs. 44.2 million turnover recorded in FY2019/20, on the strength of market making.

As regards foreign portfolio flows, FY2020/21 witnessed a reduction in outflow by 46.25 percent to Shs. 10.18 billion, as against the Shs. 22.01 billion outflow recorded in 2019/20. In terms of the performance of the Unit Trust market, as at June 2021, Assets Under Management (AUM) stood at Shs. 101.09 billion, a 26.1 percent increase over the Shs. 88.1 billion registered as at the end of the 2019/20 financial year. In the bonds market, turnover rose by a significant 47.93 percent to Shs. 867.7 billion in the 2020/21 financial year, compared to Shs. 586.6 billion worth of bonds traded in the previous financial year.

## Major Market Developments

### i. Signing of MOUs to facilitate implementation of the Stewardship Code for Institutional Investors:

CMA signed Memorandum of Understanding (MOUs) with the Fund Managers Association, the Association of Retirement Benefits Schemes and the Institute of Certified Secretaries of Kenya. The MOUs seek to deepen the partnership between the parties and the implementation of the Stewardship Code, a key document that seeks to ensure that institutional investors understand their roles in the capital market and become agents for promoting accountability, responsibility, and sustainability in the capital market.

### ii Stakeholder Engagement

The Authority continued to implement several initiatives leveraging technology targeting the various constituents in our awareness programme. With the continued COVID-19 pandemic prevalence, the Authority continued to leverage online mediums of communication and social media to disseminate capital markets information aimed at enhancing awareness and investor protection. A highlight of key initiatives for the reporting period includes the following:

- a. Stakeholder Engagement on the Capital Markets Soundness Report: The Authority held quarterly Stakeholder Engagement sessions on the Capital Markets Soundness Report targeting financial sector stakeholders and intermediaries with a view to receive as well as provide current information on market trends and interventions for the reporting period. In addition, the Authority further participated in an online forum on the state of the financial markets in Kenya and the region.



- b. Resource Persons Train the Trainer Forum: The outsourcing strategy continued to be implemented leveraging on partnerships and other professionals despite the current COVID-19 pandemic.
- c. Curbing Market Abuse Webinar: With respect to investor protection, the Authority partnered with the Chartered Institute for Securities and Investment (CISI) on a joint webinar addressing market abuse issues and mitigation measures. The session was also offered as part of the Continuous Professional Development (CPD) for market practitioners.
- d. Forums Targeting Professionals: The Authority participated in the Singapore Fintech Festival addressing Green Bonds with respect to the growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, microfinance, and affordable and accessible basic services including housing, healthcare, and education. In addition, the Authority showcased the developments on the Regulatory Sandbox program.
- e. Social Media Campaigns: The Authority continued to implement a robust campaign with key capital markets messages through various Social Media platforms targeting various groups on investor protection as well as products and services.
- f. County Engagements: The Authority held engagements with the counties of Uasin Gishu, Trans Nzoia and Kiambu, targeting the Business Community to present to them various avenues for sourcing finance through Capital Markets.

### iii Certification Programme:

The Authority has continued to support initiatives and forums as part of the industry-wide certification programme. This is to improve the quality of service provision within the capital markets industry especially by client facing professions. As of June 30, 2021, a total of 1,552 had undertaken the International Introduction to Securities & Investment (Kenya) and 1,432 the Regulations & Market Practice (Kenya) giving an overall total of 3,012 market practitioners who have been certified for Level I, Level II or both. With regard to Continuous Professional Development (CPD) programme, a total of 247 market practitioners had logged in CPD Points with CISI and ICIFA by end of June 2021. This is an increase of 15.42% compared to the 214 practitioners reported as at end of June 2020.

### iv Licenses and approvals:

During the period July 2020 to June 2021, the following approvals were granted:

- a. Liberty Kenya Holdings Plc for the Proposed Acquisition of 84,235,930 Ordinary Shares in the Capital of Liberty Kenya Holdings by Liberty Holding Limited. Approved on March 17, 2021.
- b. Carbacid Investments Plc for a Shareholder and Independent Adviser Circulars on the takeover of BOC Kenya Plc by Carbacid Investments Plc. Approved on February 15, 2021.
- c. ABSA Asset Management for the Registration of Absa Unit Trust Funds. Approved on February 11, 2021.
- d. Zimele Asset Management Company Limited for the Registration of the Zimele Fixed Income Fund to be added to the Zimele Unit Trust. Approved on March 1, 2021.
- e. Approval to Genghis Capital Limited for the Registration of the Gencap Specialized unit Trust Scheme approved on February 11, 2021.

### v. Guidance to Collective Investment Schemes on Performance Measurement and Presentation

During the year the Authority published new Guidance to Fund Managers of Collective Investment Schemes (CIS) on Valuation, Performance Measurement and Reporting. The Guidance took effect on 1 January 2021 and is expected to standardize investment performance measurement and presentation by collective investment schemes.

### vi. Capital Markets Related Policy Pronouncements – Budget Statement 2020/21

The Budget Statement for the financial year 2021/22 which was themed; "Building back better Strategy for Resilient and Sustainable Economic Recovery and Inclusive Growth" made provisions to further facilitate the country's capital markets to become the preferred avenue for raising capital.

These included;

- a. Allowing the opening of omnibus accounts for foreign investors by Global Custodians;
- b. Working with the Kenya Bankers Association and other industry players the National Treasury and Planning shall establish an electronic Over-the-Counter secondary market platform for Government securities;
- c. In line with the ongoing reforms in the coffee and tea sectors, the CS National Treasury & Planning proposed further measures to enhance competitiveness of these sub-sector; and
- d. An amendment to the VAT Act to exempt "The Transfer of assets and other transactions into Real Estate Investment Trusts and Asset Backed Securities".

## Financial Highlights

### Results

The results for the year are summarised below:-

RESULTS	NoteS	AS AT 30TH JUNE 2021 SHS '000	AS AT 30TH JUNE 2020 SHS '000
Total income for the year	6-9	1,161,030	1,064,116
Total operating expenditure for the year	29	(872,302)	(808,566)
Surplus under accrual accounting		288,728	255,550
Cashflow / balance sheet items	11(a)	28,916	(58,230)
Surplus before 90% due to the Exchequer		317,644	197,320
90% Surplus due to Exchequer	11(a)	(285,880)	(177,588)
Adjusted Retained Surplus		31,764	19,732
Add back: balance sheet/cashflow items		(28,916)	58,230
Retained Surplus under accrual basis		2,848	77,962

\*Details of each line are found under respective Notes in the Financial statements.

### Future Prospects

The Authority remains optimistic that the measures already implemented, in addition to the ongoing reforms shall present substantial opportunities to market stakeholders, thus facilitating them to actively participate in the country's capital markets and ultimately help contribute significantly to growth of the country's economy. This is further informed by progress in COVID-19 vaccine outreach globally that is reopening economies, improving global oil prices and the positive outcomes of macro-economic interventions being taken by various economies, this rekindling investor interest in the capital markets



.....  
**Mr. Wyckliffe Shamiah, FCPA**  
 Chief Executive Officer

## Strategic Intent

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. Capital Markets Authority (CMA) has six (6) strategic objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. The strategic objectives are as follows:

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

CMA came up with annual obligations to ensure the strategic objectives are fully met. CMA therefore develops its annual work plans based on the above six objectives and identifies key thematic areas to be tackled in a specific year. (The thematic areas show the area of concentration). The key thematic areas for 2020/2021 are:

- i. Optimal product and Services Uptake and Market Deepening
- ii. Supervision, Stability and Governance
- iii. Institutional Service Delivery, Operational Efficiency and Sustainability
- iv. 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 2020/2021 period for six (6) of its strategic objectives, as indicated in the table below:

**Table 3: Performance against predetermined objectives.**

STRATEGIC OBJECTIVE	OUTCOME	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Ensure Sound Market Infrastructure, Institutions and Operations	Supervision, Stability and Governance	i) A circular on performance measurement and presentation issued to fund managers for CIS management by 30th June 2021 ii) Submission of an annual compliance report to the Board on the compliance status of both listed companies and market intermediaries by 30th June 2021. iii) Implementation matrix from the recommendations of the Consultant's Report on enhancing supervisory capacity of NSE and other identified/potential SROs by 30th June 2021. iv) Support provided to capital markets stakeholders during the COVID-19 period through reduction of regulatory and compliance costs and backing their sustainability efforts.	i) Develop and issue framework on performance, measurement, and reporting adapting from Global Investment Performance Standards (GIPS) and IOSCO principles to the fund management industry. ii) Support the procurement process of a consultant by FSDA, facilitate the onboarding process, and support the development of a new RBS Model. iii) Develop and execute gate-keeping role, supervision and enforcement programs. iv) Coordinate the consultancy on Strengthening of NSE's capacity as an SRO and Building capacity to potential/SROs Candidates v) Regulatory flexibility on publication of accounts, AGMS, remote access	i) Development and issue of framework on performance, measurement, and reporting adapting from Global Investment Performance Standards (GIPS) and IOSCO principles to fund management industry was completed and circular issued to Fund Managers in September 2020. Monitoring for compliance is done quarterly on a continuous basis and the first reporting was done by March 31, 2021. ii) Annual Compliance Report was submitted to the board in March 2021. iii) Procurement and on-boarding of a consultant to develop a new RBS Model was completed and development of the RBS tool is ongoing. The Market Supervision team has been holding two weekly meetings with the consultant to discuss the tool. iv) The SRO consultancy is largely complete with the following achievements; a) Delivery of a final report that outlines a proposed road map to the adoption of the recommended supervision framework for SROs and the onboarding of potential SRO candidates. b) A training plan for the CMA, NSE and CDSC v) Issuers and licensed entities were allowed to publish financial statements via own website, NSE or CMA. The Authority granted 'No Objections' to issuers to conduct virtual AGMs. In addition, the Authority inspected, tested and approved four virtual AGM system providers.
	Optimal Product and Services Uptake and Market Deepening	An approved Commodity Exchange and Commodity Brokers	Coordinating the transition /development (institutions, operations and their infrastructure) of Commodities Exchanges to CMA regulatory oversight	The Nairobi Coffee Exchange and 5 Coffee Brokers were approved and licensed in June 2021.



STRATEGIC PILLAR/ ISSUES	OBJECTIVE/ OUTCOME	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency	Supervision, Stability and Governance	i) Draft whistle blower regulations Increased cases of whistle- blower Reporting ii) A capital markets crisis and resolution management framework developed by June 2021.	i) Support the development of the draft whistle blower regulations which are financial incentives based. ii) Coordinate the development of a capital markets crisis management framework.	i) The Draft Whistleblower Regulation underwent a 30 days public participation ending on 30 April, 2021 and were subsequently approved by the Technical and Policy Committee of the Board on 14th June 2021 and by the Full Board on June 24, 2021 for onward submission to the National Treasury. ii) A Crisis Management Framework that guides and describes how the Authority will respond to a major emergency occurring in the Kenyan capital markets industry and advises on the responsibilities, infrastructure and implementation procedures needed to support recovery from a crisis was submitted to the Board in March 2021.
	Optimal Product and Services Uptake and Market Deepening	i) An OTC bond and/or equity trading platform approved by 30th June 2021. Capital markets liquidity enhancing products and services operationalized by May 2021  ii) One (1) Sandbox product/service transitioned to the mainstream capital markets in FY 2020/21. Publication of a one-year report on opportunities and lessons learnt since inception of the Policy	i) Develop and implement a stakeholder engagement strategy for market deepening to support the development of debt and equity platforms to enhance secondary capital markets liquidity.  ii) Facilitate applications received for an OTC Bond and Equity trading platform Handhold and engage with companies/entities admitted into the regulatory sandbox with potential to rollout their products/services from the Sandbox to the mainstream capital markets.  iii) Develop and design a milestone report iv) Develop and/or support internal and external review (s) of the policy and regulatory frameworks to support uptake of capital markets and products and services by March 2021	i) The Authority granted an in-principal approval to East Africa Bond Exchange to fundraise in readiness for application of a license. The applicant however did not apply during the period. However, the National Treasury has pronounced through the budget speech that they will work with the Kenya Bankers Association and other industry players to establish an electronic Over-the-Counter secondary market platform for Government securities.  The Authority granted the Nairobi Securities Exchange on 17th December 2020 approval to operate an Unquoted Securities Platform (USP). This is in view of providing for exchange services for both unlisted and listed securities  ii) Two products Mali and Pezesha were approved to be transitioned to the mainstream capital markets in FY 2020/21. iii) The sandbox milestones report show casing the progress made since launch of the Sandbox platform was released in the month of May 2021. iii) The development of the Public Offers and Listings and Disclosures (POLD) Regulations was delayed at Phase I when a diagnostic report and road map by external consultants was completed. The Authority in partnership with the Kenya Investment Mechanism (KIM) engaged other consultants to assist in developing the policy framework as well as the actual drafting of regulations. This KPI has therefore spilled over into the 2021/2022 Financial Year. iv) Collective Investment Schemes(CIS) Regulations- The proposed new Collective Investment Scheme framework was developed through partnership with Financial Sector Deepening Africa. Internal stakeholder engagements are being concluded in preparation for public exposure of the proposed draft Collective Investment Scheme framework. v) The Policy Framework for Private Equity Funds was approved by the CMA Board and the draft Regulations are undergoing internal review.

STRATEGIC PILLAR/ ISSUES	OBJECTIVE/ OUTCOME	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
To facilitate the development, diversification and uptake of capital market products and services	Optimal Product and Services Uptake and Market Deepening	<p>i) 3 additional digital platforms for trading in securities in FY 2020/21.</p> <p>ii) Two capital markets product issues approved by the CMA Board to support the "Big 4" Agenda and National Economic Recovery Strategy by June 2021.</p> <p>iii) Capital markets uptake and market deepening gap analysis submitted to the CMA Board report developed and recommendations actioned by December 2020.</p>	<p>i) Intensify digital &amp; social media engagements to promote uptake by:</p> <p>a) Collaborating with NSE to improve uptake through the NSE App.</p> <p>b) Using digital platforms (e.g. Vlogs) to relay the uptake message.</p> <p>c) Progress partnerships on awareness on Capital markets products using digital platforms.</p> <p>d) Utilize social media platforms to attract youth to participate in capital markets.</p> <p>e) Contract social media resource persons to push for traffic and encourage responses/feedback.</p> <p>ii) Support finalization of four (4) fund raising transactions through the capital markets to support the "Big 4" Agenda and Kenya's Economic Recovery Strategy.</p> <p>iii) Organize high-level stakeholder consultative forums to assess uptake and market deepening of conventional and non-conventional products and services</p>	<p>i) The NSE App was promoted in all the Diaspora and retail forums.</p> <p>Traffic mainly driven internally through boosting. Social Media Influencers identified to support efforts. Online forums and social media represented over 95% of all engagement. Leveraged YouTube, LinkedIn and Twitter to push out CMA related content.</p> <p>ii) The following issuances were approved during the period;</p> <ul style="list-style-type: none"> <li>• Acorn I-REIT &amp; D-REIT listed on the USP (Housing).</li> <li>• Centum RE Medium-Term Note (Senior Secured)</li> <li>• Batian Income Properties LLP</li> </ul> <p>iii) The Capital Markets Consultative Forum held on 13th April 2021 bringing together industry players and the CMA Board. Action plan drawn to implement areas of concern.</p>
Enhancing Strategic Influence	Optimal Product and Services Uptake and Market Deepening	<p>i) A database of potential issuers in the manufacturing sector jointly prepared with Kenya Association of Manufacturers (KAM) by March 2021.</p> <p>ii) A report on initial engagements with the identified potential issuers presented to the Board together with an issuance preparation plan, by June 2021.</p> <p>iii) A 5% increase in Assets Under Management (AUM) allocated by pensions schemes to PE investments.</p>	<p>i) Undertake research in collaboration with relevant industry associations (e.g. Kenya Association of Manufacturers (KAM) and Kenya Private Sector Alliance (KEPSA) to identify companies that could be candidates for listing.</p> <p>ii) Develop an awareness, capital raising and listing journey/ program for selected companies</p> <p>iii) Engage with private equity firms, Retirement Benefits Authority (RBA) and other stakeholders to enhance broader diversification of investments by pension schemes and collective investment schemes into Private Equity (PE) as an asset class</p>	<p>i) A comprehensive database of potential issuers developed by the department. Reports of engagements prepared and they will inform the report to be tabled to the Board.</p> <p>ii) The Authority has continued to partner with KAM in enhancing the uptake of capital Markets amongst SME's</p> <p>iii) The Authority has continued to partner with IRA, RBA and Kenya Diaspora Alliance in creating awareness. Engagements with KEPFIC; signing of an MOU between KEPFIC, NSE &amp; CMA to promote the diversification of pension funds as alternative asset classes.</p> <p>iv) Draft PE regulations developed.</p> <p>v) Increase in Assets Under Management by 38.15%</p>

STRATEGIC PILLAR/ ISSUES	OBJECTIVE/ OUTCOME	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS
Leveraging technology to drive efficiency in the capital markets value chain	Institutional Service Delivery, Operational Efficiency and Sustainability	i) Increased ICT automation levels by 2 points to 77.5%. ii) Enterprise Architecture approved by the CMA Board, by June 2021 iii) Business Continuity Plan (BCP) Review Framework in place and operational by June 2021	i) Continued drive to deploy ICT capabilities to enhance service delivery. ii) Improve governance and oversight of corporate ICT resources and risk management. iii) Review and consolidate existing Business Continuity Plan initiatives into a comprehensive corporate Business Continuity Plan.	i) The breakout of Covid-19 Pandemic in 2020 forced the Authority to redirect its efforts and focused on systems upgrades, with a view to enhance business continuity and Systems resilience which contributed towards and increase in the automation. ii) Development of Cyber-Security Framework was completed iii) Development of business continuity and Enterprise Architecture was kicked off. iv) And at the end of the financial year an assessment of the automation level was conducted and found to have increased by 2.0% to a cumulative level of 77.5% according to ICTA assessment tool.
Ensure optimal institutional efficiency and effectiveness of CMA	Institutional Service Delivery, Operational Efficiency and Sustainability	i) Enhanced evidence-based business intelligence and analytics. ii) Enhanced policy formulation and decision-making process across the Authority informed by research and data analytics. iii) Priority positions filled by June 2021. An approved Learning and Development (L&D) Plan implemented through June 2021. iv) Annual Employee Performance Evaluation Report submitted. v) Meet Revenue target of 1047 million, by June 2021 and vi) An approved Corporate Procurement Plan, effected through June 2021. vii) Expenditure within approved budget by June 2021. viii) Returns aligned to non-competitive bids for the 182-day Treasury Bills, by June 2021.	i) Undertake internal/ collaborative research, surveys and data analytics to inform policy direction and or management decisions in achieving 2020/2021 outcomes relating to market deepening, supervision stability and governance, Operational Efficiency and Sustainability. Working paper on the application of big data analytics in the Authority's day to day business by March 2021. ii) Roll out a plan of implementing revised HR instruments Identify corporate recruitment needs and fill priority positions. Develop and Implement 2020 / 2021 staff L&D Plans. iii) Oversee the planning, review, and evaluation of employee performance at the Authority iv) Maintain financial discipline and controls to ensure organizational sustainability through adherence to Best Practices, PFMA, PPADA, other laws, regulations and directives from the GoK and other relevant supervisory bodies. v) Manage ICF funds including maintenance of accurate Fund records in order to ensure safety of principal and generation of reasonable returns.	i) The following studies were completed: <ul style="list-style-type: none"> <li>A Central Counterparty (CCP) survey to establish demand and preparedness in the Kenyan market. Research paper on assessment of Authority's performance targets.</li> <li>A working paper on application of big data in the Authority was prepared.</li> </ul> ii) The Human Resource Instruments were approved in September 2020 and implementation commenced immediately. Board approvals on HR Instruments were implemented from December 2020 through May 2021. Implementation of Leadership courses as per the Career Guidelines requirements is now ongoing with CMA Partnership with Kenya School of Government iii) L & D Plans were developed and are in implementation through in-person courses as well as virtual programs. iv) Mid-year reviews were done. v) CMA Career guidelines have been operationalized and it is a continuous process. In December 2020, the first group of staff were promoted in line with provisions of Career guidelines. vi) Health and Safety Requirements to support Covid 19 measures were implemented and continue to be monitored. Among them include:- Enhanced medical cover to support Covid 19 admissions, provision of sanitizers in strategic places, month provision of face masks to staff, periodic staff sensitizations, provision of psychosocial support by professionals in the medical pool, periodic fumigation of offices, doors, surfaces and motor vehicles. vii) The revenue target was exceeded with an AIA of Shs 1137 million achieved viii) Procurement plan approved in June 2020 and Expenditure was within the approved budget with an absorption rate of 96%.

Over and above being in the Annual workplan, 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.

# 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 National Treasury were 6% and 113% above last year's performance, respectively. The increase in the realized revenue and surplus is mainly attributable to the approval fees collected from issuance of CBK bonds in the year.

The Authority is in a strong cashflow position and is capable of meeting financial obligations as they fall due. The performance at hand has a bearing on the future market activities. It is of importance 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 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, and Withholding Tax within the stipulated deadlines.

The Authority 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.

## SECTION C

Key projects and investment decisions being implemented

The following are the major projects being implemented at CMA.

**Table 4: Projects 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 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 has been completed
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 support the implementation of new 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 "To 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; <ol style="list-style-type: none"> <li>Support a data repository solution;</li> <li>Accommodate a business intelligence and analytics engine; and</li> <li>Provide capacity for sustainable growth of the</li> </ol>	World Bank through Financial Sector Support Program (FSSP)	The implementation of the Project is currently underway

## 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 in the course of its mandate identified key corporate risks, the associated risk levels, and their mitigation strategies as defined below:

1. **Emergence of COVID-19 new wave & overall COVID-19 effects on products uptake.**  
Management is mitigating the threat by continuously observing the Ministry of Health (MOH) guidelines and measures that have been adopted by the Authority.
2. **Reduced Investor Confidence in the Fund Management industry due to Asset and Liability mismatch in the CIS**  
The Authority conducted close supervision of Collective Investment Schemes (CIS) and verification of assets and liabilities. Additionally, the CIS Regulations are also reviewed, while also ensuring strict enforcement of the published Guidelines.
3. **Emergence of unregulated entities/unregulated products/unapproved public issuance of securities**  
The Authority published caution and investor alerts as well as issuance of cease-and-desist orders where the need arose.
4. **Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions (Opportunity)**  
The Authority is maximizing on this opportunity by conducting engagements with global regulators and developing cooperation agreements towards cross-border testing.
5. **Negative corporate image and reputation of the Authority**  
To address the threat on negative corporate image, Management has consistently implemented the CMA's Citizen's Service Delivery Charter
6. **Delayed business decision making by potential issuers and market organizers to come to market**  
The Authority has activated a Market deepening department in the revised organizational structure with a view to encouraging interested parties to come into the Capital Market at an accelerated pace.

## SECTION E

### Material arrears in statutory/financial obligations

The Authority has no statutory arrears and promptly meets all its statutory obligations. The Authority's defined contribution pension scheme is oversighted by a Board of Trustees and is administered by an independent administrator. Remittance of Staff contributions is up to date.

## 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.





Chief Executive Officer, Mr. Wyckliffe Shamiah leads staff in planting 535 trees with Kenya Forest Service in Ngong Forest on 26 April 2021. To date, CMA has planted over 2,200 trees in the forest, with 10 percent of its annual budget allocated to environmental conservation efforts.



# Environmental and Sustainability Reporting

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer. Citizen first, delivering relevant goods and services, and improving operational excellence.

Below is an outline of the organisation's policies and activities that promote sustainability.

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital. On 16 April 2021, the Authority planted 550 trees on a 1.25-acre space allocated by the Kenya Forest Service in Ngong Forest.

The Authority's partnership with Kenya Forest Service began in 2013-2014 financial year through a tree planting exercise undertaken in collaboration with Financial Sector Regulators namely: - Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefits Authority and Sacco Society Regulatory Authority. Through the partnership, the Regulators planted 1,100 trees on 2.5 acres in Kuwinda Grounds, Ngong Forest. Since then, the Authority in an exclusive partnership with KFS has planted 2,200 trees in Ngong Forest with 10 percent of its annual Corporate Social Investment budget earmarked for tree planting.

The Authority signed a Memorandum of Understanding (MoU) with the Service Security of Government Buildings and VIP Protection Unit under the Administration Police. Through the partnership, CMA donated Shs500,000 towards the construction of a changing room for 400 officers attached to the Unit's Uhuru Camp situated near Madaraka Estate to improve their working environment.

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 took into consideration the Face of Kenya when conducting recruitment and promotions respectively for various positions in line with the Presidential initiatives on national values.

The Authority also participated in Corporate Social Investment activities including planting 535 trees in Ngong Forest and donated Shs500,000 for construction of changing rooms for the Service Security of Government Buildings and VIP Protection Unit at Uhuru Camp under the Administration Police.

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 stakeholder 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 also closely working with the office of the Director of public Prosecution and also benefits from global regulatory cooperation on exchange of information.



CMA Chief Executive Officer Mr. Wyckliffe Shamiah and the Commandant of Administration Police Service Uhuru Camp Mr. Ezekiel Mwita Gitiba sign a project funding agreement. CMA donated Shs500,000 to Administration Police Service for the construction of changing rooms for 400 officers who secure Government buildings & VIPs.

## Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Capital Markets Authority's affairs.

### i) Principal activities

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

### ii) Results

The results of the Authority for the year ended June 30, 2021, are set out on page 44 to 78.

### iii) Directors

The members of the Board of Directors who served during the year are shown on page 3. During the year 2021, Mr. James Ndegwa's second term as Chairman ended (on 17 April 2021). Mr. John Birech and Dr. Freshia Mugo Waweru first terms as Directors ended on 5 June 2021.

### iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The Authority will remit 90% Surplus amounting to Shs285.88million (2020: Shs177.588million), of which an installment of Shs 120.0 Million was paid before year end, leaving a balance of Shs165.80 million. This will be remitted per applicable guidelines.

### v) Auditors

Mbaya & Associates Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Authority for the year ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

*Uluwambaka*

Hellen Ombati  
Corporation Secretary/Secretary to the Board  
Date: 26 . 08. 2021



## REPUBLIC OF KENYA

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NAIROBI

### **REPORT OF THE AUDITOR-GENERAL ON CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2021**

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#### **PREAMBLE**

I draw your attention to the contents of my report which is in three parts:

- A. Report on the financial statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in use of public resources which considers compliance with applicable laws, regulations, policies, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.



## 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, 2021, 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 the Capital Markets Authority as at 30 June, 2021, 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 Act, Cap.485A of the Laws of Kenya and the Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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 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.



	<b>Key Audit Matters</b>	<b>How the Audit Addressed the Key Audit Matter</b>
	<b>Intangible Assets</b>	<b>Procedures Included;</b>
1.	This was considered a Key Audit Matter due to significant increase of 92% from the prior period and need for compliance with Public Procurement and Asset Disposal Act, 2015.	<ul style="list-style-type: none"> <li>▪ Obtained and verified the procurement plan and checked compliance with Public Procurement and Asset Disposal Act, 2015.</li> <li>▪ Verified additions to supporting documentation for completeness.</li> <li>▪ Obtained an updated copy of the Asset register and agreed the additions amounts to the general ledger (PPE).</li> </ul>
	<b>Revenue Recognition</b>	<b>Procedures Included;</b>
2.	Revenue to the Authority amounting to Kshs.1.3 billion was considered a Key Audit Matter because it was the major source of funds inflow. Therefore, its misstatement would lead to misstated financial performance of the Authority.	<ul style="list-style-type: none"> <li>▪ Obtained transaction schedules from NSE and CDSC and verified the accuracy of the amounts transacted.</li> <li>▪ Reviewed the revenue recognition policy and ensured it was in accordance with IPSAS 9 and 23 (Revenue from exchange and non-exchange transactions respectively)</li> </ul>
	<b>Employee Costs</b>	<b>Procedures Performed;</b>
3.	Compared to the prior year, employee cost increased by 9% to the current amount of Kshs.510.6 Million. We considered this as a key audit matter because it comprised 43.9% of the total revenue which was above the prescribed 35% but also considered the authorized business and cost structure of the Authority as a financial regulator with staff and skills as the principal and essential assets.	<ul style="list-style-type: none"> <li>▪ Obtained reasons for changes in employee costs since the account was material also contributed to it being performing the analytical review. Considered as a key audit matter.</li> <li>▪ Performed walkthrough procedures to confirm that internal controls were adequate.</li> </ul>

### 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.

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 comply, 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 the Board of Directors**

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.

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 the 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 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 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.

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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

28 September, 2021

**Note:**

*This is a copy of the Audit Report by the Auditor General on the financial statements for the year ended 30 June 2021. 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 52 to 82.*



## Board of Directors



### Standing from left to right:

Hon (Amb) Ukur Kanacho Yatani, EGH - Cabinet Secretary, National Treasury and Planning

Mr. Musa Kathanje - Alt. PS National Treasury & Planning

Mr. Peter Mungai\*

Mr David Luusa - 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





**Seated from left to right:**

Mr. Moibi Mose

Dr. Freshia Mugo – Waweru

Mr. James Ndegwa - **Chairman**

Mr. Wyckliffe Shamiah - **Chief Executive Officer**

## Statement of Financial Performance for the Year Ended 30 June 2021

	Note	2021 Shs'000	2020 Shs'000
<b>Revenue from non-exchange transactions</b>			
Capitalization, rights and new issue fees	6	1,039,197	950,838
Donor fund income	7	41,760	18,556
		<b>1,080,957</b>	<b>969,394</b>
<b>Revenue from exchange transactions</b>			
Other income	8	80,011	93,136
<b>Total Revenue</b>		<b>1,160,968</b>	<b>1,062,530</b>
<b>Expenses</b>			
Operating expenditure	30	(872,302)	(808,566)
<b>Total expenses</b>		<b>(872,302)</b>	<b>(808,566)</b>
<b>Other gains/ (losses)</b>			
(Loss)/Gain on disposal of property and equipment	9	62	1,586
<b>Surplus under accrual accounting</b>	10	288,728	255,550
<b>Cashflow/Balance Sheet items</b>	11(a)		
<b>Add back:</b>			
Depreciation and Amortization.		41,335	18,411
<b>Less:</b>			
Increase in Approved Building fund reserve		-	(44,037)
Transfer from Deferred Income		(25,686)	-
Capital expenditure during the year		(6,929)	(17,110)
Utilisation of approved staff housing/other facilities		20,195	(15,494)
<b>Surplus before 90% due to the Exchequer</b>		<b>317,644</b>	<b>197,320</b>
90% Surplus due to Exchequer	11(a)	(285,880)	(177,588)
<b>Adjusted Retained Surplus</b>		<b>31,764</b>	<b>19,732</b>
<b>Add back:</b>			
Balance Sheet/ cashflow Items	11(a)	(28,916)	58,230
<b>Retained Surplus under accrual basis</b>		<b>2,848</b>	<b>77,962</b>

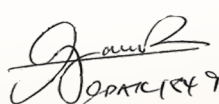
## Consolidated Statement of Financial Position as at 30 June 2021 (Including Investor Compensation Fund)

ASSETS	Note	2021 Shs'000	2020 Shs'000
<b>Current assets</b>			
Inventories	12	1,786	2,067
Trade and other receivables from non exchange transactions	13(a)	71,674	36,912
Trade and other receivables from exchange transactions	13(b)	10,306	9,919
Staff loans and advances/guarantee fund	14	55,424	47,957
Held-to-maturity investments	15	857,952	713,377
Cash at bank and in hand	16	60,166	62,298
Investors' Compensation Fund	17	1,483,238	2,051,182
		<b>2,540,546</b>	<b>2,923,712</b>
<b>Non-current assets</b>			
Property and equipment	18	55,661	59,082
Intangible assets	19	126,964	66,167
Staff loans and advances/guarantee fund	14	320,611	343,137
Held-to-maturity investments	15	108,301	168,495
Investors' Compensation Fund's investments	17	2,522,695	1,481,997
		<b>3,134,232</b>	<b>2,118,878</b>
<b>Total Assets</b>		<b>5,674,778</b>	<b>5,042,590</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	225,750	174,654
Provision for liabilities and charges	21	92,965	92,018
Investors' Compensation Fund	17	1,483,238	2,051,182
Deferred income	22	52,997	83,947
Surplus payable to National Treasury	11(a)	165,880	177,588
Prior years' tax settlement provision	29	49,994	-
		<b>2,070,823</b>	<b>2,579,389</b>
<b>Non-current liabilities</b>			
Investors' Compensation Fund liabilities	17	2,522,695	1,481,997
Non current provisions-Work in Progress	21b	97,208	-
<b>Total liabilities</b>		<b>4,690,726</b>	<b>4,061,386</b>
<b>Net assets</b>		<b>984,052</b>	<b>981,204</b>
<b>Funds</b>			
Capital fund	24	27,886	27,886
General fund	23	356,166	353,318
Building fund	25	600,000	600,000
<b>Total Funds</b>		<b>984,052</b>	<b>981,204</b>
<b>Total Funds and Liabilities</b>		<b>5,674,778</b>	<b>5,042,590</b>

The financial statements set out on pages 54 to 84 were approved for issue by the Board Members of the Authority on 26th August 2021 and were signed on its behalf by:



Chief Executive  
Date 26.8.2021



Director, Corporate Services  
Date 26.8.2021



Chairman of the Board  
Date 26.8.2021

## Capital Markets Authority (CMA) Statement of Financial Position as at 30 June 2021

ASSETS	Note	2021 Shs'ooo	2020 Shs'ooo
<b>Current assets</b>			
Inventories	12	1,786	2,067
Trade and other receivables from non exchange transactions	13(a)	71,674	36,912
Trade and other receivables from exchange transactions	13(b)	10,306	9,919
Staff loans and advances/guarantee fund	14	55,424	47,957
Held-to-maturity investments	15	857,952	713,377
Cash at bank and in hand	16	60,166	62,298
		<b>1,057,308</b>	<b>872,530</b>
<b>Non-current assets</b>			
Property and equipment	18	55,661	59,082
Intangible assets	19	126,964	66,167
Staff loans and advances/guarantee fund	14	320,611	343,137
Held-to-maturity investments	15	108,301	168,495
		<b>611,537</b>	<b>636,881</b>
<b>Total Assets</b>		<b>1,668,845</b>	<b>1,509,411</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	225,750	174,654
Provision for liabilities and charges	21	92,965	92,018
Deferred Income	22	52,997	83,947
Surplus to National Treasury	11(a)	165,880	177,588
Prior years' tax settlement provision	29	49,994	-
		<b>587,585</b>	<b>528,207</b>
<b>Non-current liabilities</b>			
Non current provisions-Work in Progress	21b	97,208	-
<b>Total liabilities</b>		<b>684,793</b>	<b>528,207</b>
<b>Net assets</b>		<b>984,052</b>	<b>981,204</b>
<b>Funds</b>			
Capital fund	24	27,886	27,886
General fund	23	356,166	353,318
Building fund	25	600,000	600,000
<b>Total Funds</b>		<b>984,052</b>	<b>981,204</b>
<b>Total Funds and Liabilities</b>		<b>1,668,845</b>	<b>1,509,411</b>

The financial statements set out on pages 54 to 84 were approved for issue by the Board Members of the Authority on 26th August 2021 and were signed on its behalf by:



Chief Executive  
Date 26.8.2021



Director, Corporate Services  
Date 26.8.2021



Chairman of the Board  
Date 26.8.2021

## Investor Compensation Fund (ICF) Statement of Financial Position as at 30 June 2021

ASSETS	Note	2021 Shs'000	2020 Shs'000
<b>Current assets</b>			
Fees receivable	17	88,132	55,534
Cash and cash equivalents	17	2,485	7,598
Investor Compensation Fund investments Held-to-maturity	17	1,392,621	1,988,050
		<b>1,483,238</b>	<b>2,051,182</b>
<b>Non-current assets</b>			
Investments in Listed Companies	17	85,400	80,500
Investors' Compensation Fund's investments Held to maturity	17	2,437,295	1,401,497
		<b>2,522,695</b>	<b>1,481,997</b>
<b>Total Assets</b>		<b>4,005,933</b>	<b>3,533,179</b>
<b>The Fund</b>	<b>17</b>	<b>4,005,933</b>	<b>3,533,179</b>

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 Shs4.005billion (2020: Sh3.533billion). The financial statements set out on pages 54 to 84 were approved for issue by the Board Members of the Authority on 26 August 2021 and were signed on its behalf by:



Chief Executive Officer

Date 26.8.2021



Director, Corporate Services

Date. 26.8.2021



Chairman of the Board

Date. 26.8.2021



## Statement of Changes in Net Assets for the Year Ended 30 June 2021

	Capital fund Shs'000	General fund Shs'000	Building fund Shs'000	Total Shs'000
<b>At 1st July 2019</b>	<b>27,886</b>	<b>726,688</b>	<b>555,963</b>	<b>1,310,537</b>
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	-
<b>At 30th June 2020</b>	<b>27,886</b>	<b>353,318</b>	<b>600,000</b>	<b>981,204</b>
<b>At 1st July 2020</b>	<b>27,886</b>	<b>353,318</b>	<b>600,000</b>	<b>981,204</b>
Surplus for the year	-	2,848	-	2,848
<b>At 30th June 2021</b>	<b>27,886</b>	<b>356,166</b>	<b>600,000</b>	<b>984,052</b>

## Consolidated Statement of Cash Flows for the Year Ended 30 June 2021

	Note	2021 Shs'ooo	2020 Shs'ooo
<b>Cash flows from operating activities</b>			
Surplus for the year		288,728	255,550
<b>Adjustments for:</b>			
Tax expense		49,994	-
Depreciation of property and equipment	18	27,105	16,737
Amortisation of intangible assets	19	14,231	1,674
Deferred donor funded income	22	(30,950)	83,947
Gain on disposal of property and equipment	9	(62)	(1,585)
Interest income	8	(79,310)	(92,567)
<b>Operating Surplus before working capital changes</b>		269,736	263,756
Decrease/(increase) in:			
Inventories	12	281	(445)
Trade and other receivables	13	(35,149)	13,052
Staff loans and advances	14	15,059	1,682
Increase/(decrease) in:			
Trade and other payables	20	51,096	(41,458)
Provision for liabilities and charges	21	947	9,573
Non current Provisions		97,208	-
Investors' Compensation Fund	17	472,754	411,430
<b>Cash generated from operations</b>		871,932	657,590
Interest received	8	79,310	92,567
Surplus paid	11(a)	(297,588)	(500,000)
<b>Net cash generated from operating activities</b>		653,654	250,157
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	18	(23,846)	(31,574)
Purchase of intangible assets	19	(75,027)	(65,533)
Proceeds from disposal of property and equipment		223	1,653
Purchase of treasury bonds from the Investors' Compensation Fund		(1,100,693)	(355,135)
(Purchase)/sale of treasury bills from the Investors' Compensation Fund		622,827	(49,873)
(Purchase)/sale of treasury bonds		39,820	18,469
(Purchase)/sale of treasury bills		(124,201)	270,941
<b>Net cash used in from investing activities</b>		(660,897)	(211,052)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(7,243)	39,105
<b>Cash and cash equivalents at start of the year</b>		69,896	30,791
<b>Cash and cash equivalents at end of the year</b>	16	62,652	69,896

## Capital Markets Authority (CMA) Statement of Cash Flows for the year ended 30 June 2021

	Note	2021 Shs'000	2020 Shs'000
<b>Cash flows from operating activities</b>			
Surplus for the year		288,728	255,550
Adjustments for:			
Tax expense		49,994	
Depreciation of property and equipment	18	27,105	16,737
Amortisation of intangible assets	19	14,231	1,674
Deferred donor funded income	22	(30,950)	83,947
Gain on disposal of property and equipment	9	(62)	(1,585)
Interest income	8	(79,310)	(92,567)
<b>Operating Surplus before working capital changes</b>		269,735	263,756
Decrease/(increase) in:			
Inventories	12	281	(445)
Trade and other receivables	13	(35,149)	13,052
Staff loans and advances	14	15,059	1,682
Increase/(decrease) in:			
Trade and other payables	20	51,096	(41,458)
Provision for liabilities and charges	21	947	9,573
Non current provisions		97,208	-
<b>Cash generated from operations</b>		399,177	246,160
Interest received	8	79,310	92,567
Surplus paid		(297,588)	(500,000)
<b>Net cash generated from operating activities</b>		180,899	(161,273)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	18	(23,846)	(31,573)
Purchase of intangible assets	19	(75,027)	(65,533)
Proceeds from disposal of property and equipment		223	1,653
(Purchase)/sale of treasury bonds		39,820	18,469
(Purchase)/sale of treasury bills		(124,201)	270,940
<b>Net cash used in from investing activities</b>		(183,031)	193,956
<b>Net increase/(decrease) in cash and cash equivalents</b>		(2,132)	32,683
<b>Cash and cash equivalents at start of the year</b>		62,298	29,615
<b>Cash and cash equivalents at end of the year</b>	16	60,166	62,298

## Investor Compensation Fund (ICF) Statement of Cash Flows for the Year Ended 30 June 2021

	Note	2021 Shs'000	2020 Shs'000
<b>Cash flows from operating activities</b>			
Interest income	17	(368,751)	(334,277)
<b>Operating Surplus before working capital changes</b>		(368,751)	(334,277)
Decrease/(increase) in:			
Trade and other receivables		(32,598)	(11,018)
Increase/(decrease) in:			
ICF Fund			
Provision for liabilities and charges		505,352	422,448
<b>Cash generated from operations</b>		104,003	77,153
Interest received	17	368,751	334,277
Surplus paid			
<b>Net cash generated from operating activities</b>		472,754	411,430
<b>Cash flows from investing activities</b>			
Purchase of treasury bonds from the Investors' Compensation Fund	17	(1,100,693)	(355,135)
(Purchase)/sale of treasury bills from the Investors' Compensation Fund	17	622,826	(49,873)
<b>Net cash used in from investing activities</b>		(477,867)	(405,008)
<b>Net increase/(decrease) in cash and cash equivalents</b>		(5,113)	6,422
<b>Cash and cash equivalents at start of the year</b>		7,598	1,176
<b>Cash and cash equivalents at end of the year</b>	17	2,485	7,598

## Statement of Comparison of Budget and Actual Amounts

	Approved budget	Reallocations	Final budget	Actual Results	Performance difference	
	2020-2021 Shs'000	2020-2021 Shs'000	2020-2021 Shs'000	2020-2021 Shs'000	2020-2021 Shs'000	
<b>Revenue</b>						
Fee income from Transaction fee -Equities	395,000	-	395,000	324,437	(70,563)	a)
Fee income from Transaction fee -bonds	19,265	-	19,265	26,032	6,767	
Licenses and permits	20,700	-	20,700	24,923	4,223	b)
Market development Fees	8,515	-	8,515	8,514	(1)	
Capitalization, rights & IPO's	25,000	-	25,000	15,347	(9,653)	c)
REITS approval Income	24,126	-	24,126	24,026	(100)	
Capitalisation and bond approvals	431,000	-	431,000	615,897	184,897	d)
Derivatives Fees	100	-	100	21	(79)	e)
<b>Fee based income</b>	<b>923,706</b>	<b>-</b>	<b>923,706</b>	<b>1,039,197</b>	<b>115,491</b>	
Donor Funding- gifts and services-in-kind	27,000	-	27,000	41,760	14,760	f)
Finance income - external investments	70,342	-	70,342	79,310	8,968	g)
Gains on disposal, rental income and agency fees	-	-	-	62	62	
Other income	26,000	-	26,000	701	(25,299)	h)
<b>Total income</b>	<b>1,047,048</b>	<b>-</b>	<b>1,047,048</b>	<b>1,161,030</b>	<b>113,982</b>	
<b>Expenses</b>						
Personnel cost	545,319	-	545,319	510,559	34,760	
Rent and maintenance	39,610	-	39,610	38,077	1,533	
Equipment maintenance and stationery	39,903	(5,994)	33,909	32,066	1,843	
Telephone, postage and utilities	17,786	-	17,786	17,400	386	
Publicity and Advertising	9,822	-	9,822	9,591	231	
Medical scheme and insurance expenses	48,238	-	48,238	37,011	11,227	a)
Training and conferences	44,500	-	44,500	44,067	433	
Motor vehicle running expenses	4,973	-	4,973	5,195	(222)	
Subscriptions and IOSCO membership	6,989	-	6,989	5,275	1,714	b)
Authority board members' emoluments & allowance	30,000	-	30,000	22,283	7,717	c)
Professional & consultancy services	11,410	3,254	14,664	13,772	892	
Litigation/legal expenses	25,000	-	25,000	11,499	13,501	d)
Market Development & Islamic Finance	18,710	-	18,710	11,442	7,268	e)
Capital Markets Masterplan	3,700	(2,500)	1,200	137	1,063	f)
Donor Funded Projects	-	-	-	16,074	(16,074)	g)
Depreciation of property, plant and equipment	24,945	5,200	30,145	27,105	3,040	
Amortisation of intangible assets	5,405	-	5,405	14,231	(8,826)	h)
Auditor's remuneration	2,090	(754)	1,336	1,335	1	
Investors' education and awareness programme	4,684	-	4,684	3,743	941	i)
Tribunal expenses	706	194	900	887	13	
Provision for doubtful debts	-	600	600	550	50	
Prior years' tax settlement	-	-	-	50,004	(50,004)	j)
<b>Total expenses</b>	<b>883,790</b>	<b>-</b>	<b>883,790</b>	<b>872,302</b>	<b>11,488</b>	
<b>Surplus for the period</b>	<b>163,258</b>	<b>-</b>	<b>163,258</b>	<b>288,728</b>	<b>125,470</b>	



## Statement of Comparison of Budget and Actual Amounts (Continued)

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

### Revenue

- a. **Transaction Fee income from NSE-** The annual performance was 18% below budget and 12% below last year mainly due to low activity and suppressed stock prices of listed companies. Fees from bond transactions were 35% above budget as investors moved assets to fixed income securities.
- b. **Licenses and permits-** There was a slight increase as new applicants especially investment advisers sought approval to be licensed.
- c. **Capitalization, rights & IPO's-** The annual performance was 39% below budget as new product issuance remained minimal.
- d. **Capitalization and bond approvals** income was 43% above budget with no IPO in the year, in tandem with the increased borrowing by the government in the local market.
- e. **Derivative Fees -**The fees were 79% below budget due to the fact that this is a new market segment and uptake has not been as favourable as had been anticipated. The performance however shows a slight improvement against last year.
- f. **Donor Funding-** gifts and services-in-kind was above budget by 55%, as donor funded capital projects(ERP) that were in deferred income were capitalized in the financial year.
- g. **Finance income -** The income from investments was 13% above budget as funds slated for a joint financial sector regulator building project were not applied by year end.
- h. **Other income** was below budget as the income chargeable for ICF management was not realised.

### Expenses

- a. **Medical Scheme & Other insurance expenses lines were 23% below budget.** This is attributed to continuous sensitisation of staff on desirable and modest service providers to manage allocated limits.
- b. **Subscriptions and IOSCO membership-** The expenditure was below budget by 25% attributable to restrictions of travel and physical meetings that were budgeted for in the IOSCO conferences and meetings.
- c. **Authority board members' emoluments and allowance** were below budget by 25% due to fewer training activities which were impacted by COVID-19 travel restrictions.
- d. **Litigation/legal expenses-** were 54% below budget and is attributed to fewer new cases in the year and competitive procurement of legal advisors in the year.
- e. **Market Development & Islamic Finance-** were 35% below budget attributable to restrictions on market outreach programmes due to COVID-19 protocols. However, numerous market deepening initiatives have been undertaken in implementation of the Strategic Plan (2018-2023).
- f. **Capital Market Master Plan -** The budget line was 89% below annual budget reflecting the minimal activities within the year. Substantial milestones were earmarked for the following year.
- g. **Donor - Funded Expenses** for the year reflect the completed consultancies to develop an oversight framework, capacity building on supervision of Self-Regulatory Organizations (SROs), Developing Specifications for an Information Repository, Advanced Financial Analysis System and E-Learning System / Communications/IT infrastructure for the Authority.
- h. **Amortization of intangible assets** was above budget mainly due to capitalization of previously deferred donor funded ERP software, that had been envisaged to be done in the previous year, but was postponed due to long drawn donor procurement processes.
- i. **Investors' education and awareness programme** expenses were 20% below budget mainly due to activities affected by Covid containment measures.
- j. **Prior years taxes -** The Authority has made full accrual for tax penalties and interests levied by KRA in the Itax for historical taxes to clean up the ledger.

## Notes

### 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 (Shs '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 are prepared using the indirect method, while the financial statements are prepared on accrual basis.

### 2. Adoption of New and Revised Standards

**Table 5: New and amended standards and interpretations in issue and effective in the year ended 30 June 2021**

STANDARD	IMPACT
IPSAS 43: Leases	<b>Applicable: 1st January 2025:</b>
	a) Amendments to IPSAS 13 were made and on 31 January 2022, the IPSASB issued a new standard IPSAS 43 on Leases. The new standard proposes a right of use model for leases to replace the risks and rewards incidental to ownership model in IPSAS 13 whereas for the lessors, this standard carries forward the risks and and rewards incidental to ownership model in IPSAS 13.  This new standard requires that lease arrangements will no longer be 'off balance sheet' items and entities will have an asset by the name right of use model and a lease liability. The CMA management will assess the impact of the new standard on the financial statements by the applicable date.
IPSAS21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets	<b>Applicable: 1st January 2021:</b>
	Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.
IPSAS41: Financial instruments	<b>Applicable: 1st January 2023:</b>
	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 cashflows.
IPSAS 42: Social Benefits	<b>Applicable: 1st January 2023:</b>
	The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports.

### 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 programmes 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 (Continued)

### 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

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

On 20th March 2015, The National Treasury issued PFMA Regulation No. 34 which under Section 219 exempts Regulatory Authorities from income taxes but are now required to submit 90% of surpluses 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:

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 taken into account 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.

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 Sh579,596,300 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 Sh5,801,800 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 taking into account 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 taking into account 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 as a result 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.
- 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.

#### **i) 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.

#### **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 Shs200 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.

**i) 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 has the ability to 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:

**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 a 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 taking into account the financial position, past 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.

At 30 June 2021	Fully performing Shs'ooo	Past due but not impaired Shs'ooo	Impaired Shs'ooo	Total Shs'ooo
Held-to-maturity investments	966,253	-	-	966,253
Staff loans and advances/ fund	376,035	-	-	376,035
Trade receivables	37,467	-	-	37,467
Other receivables	7,722	-	-	7,722
Cash at bank, in hand and deposits	60,026	-	-	60,026
Maximum exposure to credit risk	<b>1,447,503</b>	-	-	<b>1,447,503</b>
At 30th 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	<b>1,372,221</b>	-	-	<b>1,372,221</b>

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

	2021 Shs'ooo	2020 Shs'ooo
Over 6 months	-	-

The past due debtors are nil. An impairment provision of Shs 5,345,703 (2020: Shs4,795,000) 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
<b>Year ended 30th June 2021</b>					
Trade payables	1,212	-	-	-	1,212
Other payables	60,681	2,688	2,403	-	65,772
Provision for liabilities and charges	56,408	-	-	92,876	149,284
Gratuity obligations	9,482	-	-	-	9,482
	<b>127,783</b>	<b>2,688</b>	<b>2,403</b>	<b>92,876</b>	<b>225,750</b>
<b>Year ended 30th June 2020</b>					
Trade payables	3,800	-	-	-	3,800
Other payables	28,746	2,231	1,206	-	32,184
Provision for liabilities and charges	25,259	-	-	89,329	114,588
Gratuity obligations	24,082	-	-	-	24,082
	<b>81,888</b>	<b>2,231</b>	<b>1,206</b>	<b>89,329</b>	<b>174,654</b>

### 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. 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 2021 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 Shs 2.681 million.

#### 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

	2021 Shs'000	2020 Shs'000
Fees income		
Capitalization, rights and new issue fees	15,347	92,060
Approval for listing of Government securities	615,897	429,329
NSE - transaction fees	350,469	398,961
Application and licensing fees	48,949	21,099
Market development fees	8,514	9,381
Derivative fees	21	8
	<b>1,039,197</b>	<b>950,838</b>

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 Shs 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.
- Derivative fees-CMA charges Levy fees with respect to derivatives contracts traded at 0.01% of value of contracts traded

#### 7c. Donor Fund Income

	2021 Shs'000	2020 Shs'000
Donor fund income	41,760	18,556

The Authority recognised support worth Shs17.33 million (2020:Shs18.6 million) in the year from deferred donor funded assets blade servers and video conferencing equipment.

#### 8. Revenue from exchange transactions - other income

	2021 Shs'000	2020 Shs'000
Interest income	79,310	92,567
Miscellaneous income	701	570
	<b>80,011</b>	<b>93,136</b>

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

	2021 Shs'000	2020 Shs'000
Gain or (loss) on disposal of obsolete and retired Property and Equipment	62	1,586

#### 10. Suplus

	Note	2021 Shs'000	2020 Shs'000
<b>a) Items charged:</b>			
The following items have been charged in arriving at net surplus for the year			
Depreciation of property and equipment	18	27,105	16,737
Amortisation of intangible assets	19	14,231	1,674
Authority board members' emoluments, allowances and other Board related expenses	26	22,283	32,331
Post employment benefits expense	10(b)	34,946	34,416
Provision on Trade and other receivables	13(b)	550	250

#### 10b. Employee benefits expense

	2021 Shs'000	2020 Shs'000
The following items are included in employee benefits expense:		
<b>Retirement benefit costs</b>		
Defined contribution scheme	34,622	31,822
National Social Security Fund	325	358
	<b>34,946</b>	<b>32,180</b>

The Authority operates an in-house defined contribution (DC) scheme for its employees. The investment of the scheme's assets is managed by an independent fund manager, GenAfrica Investment Management Limited, and administered by Zamara administrators & Consultants on behalf of the Trustees.

**11a. Transfer of Surplus to National Treasury**

	Shs'000	2021 Shs'000	Shs'000	2020 Shs'000
<b>Total Revenue (Note No.6, 7,8 and 9)</b>		<b>1,161,030</b>		<b>1,064,116</b>
Operating Expenses		(872,302)		(808,566)
Surplus before tax		288,728		255,550
Depreciation	27,105		16,737	
Amortization	14,231	41,335	1,674	18,411
Adjusted Surplus		330,064		273,961
Adjusted Surplus		330,064		273,961
Building fund			(44,037)	
Transfer from Deferred Income	(25,686)		-	
Capital expenditure	(6,929)		(15,533)	
Intangible Assets	-		(1,577)	
Staff Mortgages net	25,103		(28,635)	
Staff Car loans net	(4,908)		13,141	
		<b>(12,419)</b>		<b>(76,641)</b>
<b>Net Surplus/ (Deficit)</b>		<b>317,644</b>		<b>197,320</b>
90%		285,880		177,588
Less				
90% Surplus due to National Treasury		285,880		177,588
Installment paid in the year		120,000		-
90% Surplus balance payable		<b>165,880</b>		<b>177,588</b>

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	Shs'000	2020 Shs'000
90% of Surplus for FY 2019/2020			177,588
<b>Total 90% Surplus For FY 2018/2019 and 2019/2020</b>			<b>177,588</b>
<b>Payment of Surpluses</b>			
90% Surplus for FY 2019/2020	29/10/2020	150,000	
	29/10/2020	13,000	
	06/11/2020	3,000	
	26/11/2020	11,588	
		177,588	
<b>Payment of Instalment Surplus</b>			
Instalment for 90% Surplus	28/06/2021	120,000	
<b>Sub total</b>			120,000
			<b>120,000</b>

**11c.** The Authority is an appointed agent of KRA for Withholding agency Tax and Withholding VAT respectively. In the Financial Year 2020/21 remittances of Shs 5.49 million (FY 2019/20: Shs 6.76 million) for Withholding Tax and Shs2.174 million (FY 2019/20: Shs 4.77 million) for Withholding VAT were made.

## 12. Inventories

	2021 Shs'000	2020 Shs'000
Consumables	1,786	2,067

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

	2021 Shs'000	2020 Shs'000
Trade receivables	40,228	31,974
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(5,346)	(4,796)
Net trade receivables	34,883	27,178
Other receivables	36,791	9,734
Trade and other receivables from non exchange transactions	71,673	36,912

## 13b Trade and other receivables from exchange transactions

	2021 Shs'000	2020 Shs'000
Trade receivables	2,584	4,022
Less: Provision for impairment losses	-	-
Net trade receivables	2,584	4,022
Prepayments	7,722	5,897
Trade and other receivables from exchange transactions	10,306	9,919
<b>Total trade and other receivables from non exchange and exchange transactions</b>	<b>81,979</b>	<b>46,831</b>

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

<b>At 1st July</b>	<b>4,796</b>	<b>4,796</b>
Add: Provision made in the year	600	-
Less: Provision reversed on debt collection	(50)	-
<b>At 30th June</b>	<b>5,346</b>	<b>4,796</b>

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

<b>At 1st July</b>		-
Add: Additional provision	550	250
<b>At 30th June</b>	<b>550</b>	<b>250</b>



## 14. Staff loans and advances

	Current 2021 Shs'000	Current 2020 Shs'000	Non- current 2021 Shs'000	Non- current 2020 Shs'000	Total 2021 Shs'000	Total 2020 Shs'000
Car loans	8,624	8,645	15,179	10,251	23,803	18,895
Other loans and advances	6,812	1,676	-	-	6,812	1,676
Staff mortgage back up funds*	39,989	37,637	305,431	332,886	345,420	370,523
	<b>55,424</b>	<b>47,957</b>	<b>320,611</b>	<b>343,137</b>	<b>376,035</b>	<b>391,095</b>

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

Mortgage back up accounts are:	Shs'000
HFC: Mortgage 3000013543 and Mortgage 2000094161	185,936
KCB Mortgage MM1509100194	159,485
Total	<b>345,420</b>

## 15. Held-to-maturity investments - Government Securities

	2021 Shs'000	2020 Shs'000
<b>Non-current</b>		
Treasury bonds		
Maturing after four years	58,050	155,050
Unamortised premium	(398)	(6,929)
	<b>57,652</b>	<b>148,121</b>
Treasury bonds		
Maturing after one year	55,650	20,375
Unamortised (discount)/premium	(5,001)	-
	<b>50,649</b>	<b>20,375</b>
	<b>108,301</b>	<b>168,495</b>
<b>Current</b>		
Treasury bonds		
Maturing within one year	20,375	-
Unamortised (discount)/premium	-	-
	<b>20,375</b>	<b>-</b>
Treasury bills	848,100	721,550
Unamortised discount	(10,523)	(8,173)
	<b>837,577</b>	<b>713,377</b>
	<b>857,952</b>	<b>713,377</b>
	<b>966,253</b>	<b>881,872</b>

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	<b>108,301</b>	<b>168,495</b>
------------------------------	----------------	----------------

**Current**

Held-to-maturity investments	<b>857,952</b>	<b>713,377</b>
------------------------------	----------------	----------------

## 16a. Bank balances

Name of the Bank	Bank account no.	Account currency	2021 Shs'000	2020 Shs'000
Commercial Bank of Africa Limited	6580810018	Shs	8,417	7,790
HF Bank	3000013543- 0	Shs	21,883	29,838
		Shs	<b>30,300</b>	<b>37,628</b>

## 16b. Cash in hand

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

Commercial Bank of Africa Limited	AA21182S99PT	Shs	28,382	-
Commercial Bank of Africa Limited	AA211668B52Q	Shs	1,345	-
Commercial Bank of Africa Limited	MM2017800056	Shs	-	5,000
Commercial Bank of Africa Limited	MM1933300091	Shs	-	780
Commercial Bank of Africa Limited	MM1933300096	Shs	-	3,978
Commercial Bank of Africa Limited	MM1933300097	Shs	-	584
Commercial Bank of Africa Limited	MM1933300098	Shs	-	3,050
Commercial Bank of Africa Limited	MM2001500022	Shs	-	588
Commercial Bank of Africa Limited	MM2008500026	Shs	-	1,450
Commercial Bank of Africa Limited	MM2016000078	Shs	-	4,200
Commercial Bank of Africa Limited	MM2016000079	Shs	-	2,850
Commercial Bank of Africa Limited	MM2016000080	Shs	-	1,350
Commercial Bank of Africa Limited	MM2016000081	Shs	-	700
			<b>29,727</b>	<b>24,530</b>
<b>Total cash in hand and bank</b>			<b>60,166</b>	<b>62,298</b>

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

Short-term bank deposits	29,727	24,530
Cash at bank and in hand	30,440	37,768
Investors Compensation Fund bank balance (Note 16) - (KCB)	2,485	7,598
	<b>62,652</b>	<b>69,896</b>

## 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:

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

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

	2021 Shs'000	2020 Shs'000
At beginning of the year	3,533,179	3,121,749
Nairobi Securities Exchange transactions fees	96,456	78,703
Interest on investments	368,751	334,277
Financial penalties	1,710	32,497
Withdrawals (Investor Claims)	-	(3)
Gain /(loss) in Investment in NSE	6,363	(33,518)
Management Fees	(500)	(500)
Bank Charges	(25)	(27)
<b>At end of the year</b>	<b>4,005,933</b>	<b>3,533,179</b>

## 17. Investors' Compensation Fund (continued)

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

	2021 Shs'000	2020 Shs'000
<b>Non - Current</b>		
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	73,150	68,250
	<b>85,400</b>	<b>80,500</b>
Treasury bonds		
Maturing after five years	2,153,050	954,900
Unamortised discount(premium)	4,846	11,567
	<b>2,157,896</b>	<b>966,467</b>
Maturing after one year	285,750	442,365
Unamortised discount	(6,351)	(7,334)
	<b>279,399</b>	<b>435,031</b>
	<b>2,437,295</b>	<b>1,401,497</b>
	<b>2,522,695</b>	<b>1,481,997</b>
<b>Current</b>		
Treasury bonds	140,365	80,100
Unamortised discount	(111)	159
	<b>140,254</b>	<b>80,259</b>
Treasury bills	1,317,900	2,025,400
Unamortised discount	(65,533)	(117,609)
	<b>1,252,367</b>	<b>1,907,791</b>
Fees receivable	88,132	55,534
Bank balance	2,485	7,598
	<b>90,617</b>	<b>63,132</b>
	<b>1,483,238</b>	<b>2,051,182</b>
	<b>4,005,933</b>	<b>3,533,179</b>



## 18. Property and Equipment

	Motor vehicles	Computers, & Copiers	Office equipment	Furniture & fittings	Capital work-in-progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cost</b>						
At 1st July 2019	41,118	122,643	21,823	89,791	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)
<b>At 30th June 2020</b>	<b>37,123</b>	<b>133,077</b>	<b>22,303</b>	<b>93,796</b>	<b>19,992</b>	<b>306,291</b>
Additions	-	42,234	71	1,533	-	43,838
Disposals	-	(3,672)	(922)	(244)	-	(4,838)
<b>Reversal/Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,992)</b>	<b>(19,992)</b>
<b>At 30th June 2021</b>	<b>37,123</b>	<b>171,639</b>	<b>21,452</b>	<b>95,084</b>	<b>-</b>	<b>325,299</b>
<b>Depreciation</b>						
At 1st July 2019	(27,144)	(108,290)	(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
<b>At 30th June 2020</b>	<b>(27,906)</b>	<b>(114,722)</b>	<b>(20,224)</b>	<b>(84,357)</b>	<b>-</b>	<b>(247,210)</b>
Depreciation	(4,274)	(19,126)	(1,362)	(2,343)	-	(27,105)
Accumulated depreciation reversed on disposal	-	3,510	922	244	-	4,676
<b>At 30th June 2021</b>	<b>(32,179)</b>	<b>(130,339)</b>	<b>(20,664)</b>	<b>(86,456)</b>	<b>-</b>	<b>(269,638)</b>
<b>Net carrying amount</b>						
<b>At 30th June 2021</b>	<b>4,944</b>	<b>41,300</b>	<b>788</b>	<b>8,628</b>	<b>-</b>	<b>55,661</b>
<b>At 30th June 2020</b>	<b>9,217</b>	<b>18,354</b>	<b>2,079</b>	<b>9,438</b>	<b>19,992</b>	<b>59,082</b>

Included above in the items of property and equipment is the cost of fully depreciated assets of Shs 228,898,065 (2020: Shs 211,035,632) which are still in use and have not been impaired. Work in progress was carried at cost.

## Notes (Continued)

### 19. Intangible assets

Shs'000

#### Software costs

##### Cost

At 30th June 2019

168,464

Additions

-

Work in progress

65,533

At 30th June 2020

233,997

Additions / Transfers from WIP

43,352

Work in progress

31,675

At 30th June 2021

309,024

##### Amortisation

At 30th June 2019

166,156

Amortisation

1,674

At 30th June 2020

167,829

Amortisation

14,231

At 30th June 2021

182,060

Net book value

At 30th June 2021

126,964

At 30th June 2020

66,167

Work in progress relates to softwares for Data repository Business Intelligence System, Multi Asset market system funded as part of ongoing ICT Projects not yet to be commissioned. The detailed works are as follows:

#### Description

Cost (Shs'000)

Supply, Installation &amp; Commissioning of Data Repository &amp; Business Intelligence System

71,252

Design of the Securities Market Multi Asset Surveillance System

25,956

97,208

## 20. Trade and other payables

	2021 Shs'000	2020 Shs'000
Trade payables	1,212	3,800
Provisions	149,284	114,588
Gratuity obligations	9,482	24,082
Accruals	65,772	32,184
	<b>225,750</b>	<b>174,654</b>

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

Provisions	Leave benefits Shs'000	Performance bonus Shs'000	Total Shs'000
At 1st July 2020	100	114,488	114,588
Additional provisions raised	7,116	27,844	34,960
Provision utilized/reversed	(101)	(163)	(264)
<b>At 30th June 2021</b>	<b>7,115</b>	<b>142,169</b>	<b>149,284</b>

	Consultancies Shs'000	Other Provisions Shs'000	Total Shs'000
At 1st July 2020	-	29,308	29,308
Additional accruals	3,000	39,045	42,045
Accruals realized/reversed		(5,581)	(5,581)
<b>At 30th June 2021</b>	<b>3,000</b>	<b>62,772</b>	<b>65,772</b>

## 21 a. Provision for liabilities and charges

	2021 Shs'000	2020 Shs'000
<b>At 1st July 2020</b>	<b>92,018</b>	<b>82,445</b>
Add: Additional provision	8,322	41,215
Less: Provision written back	(7,375)	(31,642)
<b>At 30th June 2021</b>	<b>92,965</b>	<b>92,018</b>

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.

## 21 b. Non current Provisions-Work in Progress

Non current provisions relate to provisions made based on percentage level of completion of ongoing projects/assets that are funded by externally mobilized funds (donor funded). Donor funded assets are capitalized when payment is completed or when economic use commences, whichever is earlier.

	2021 Shs'000	2020 Shs'000
	97,208	-
	<b>97,208</b>	<b>-</b>

## 22. Deferred income

In line with the Authority's accounting policy, Shs 52,997,000 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

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
52,997	83,947
<b>52,997</b>	<b>83,947</b>

**23. General Fund****At 1 July**

Surplus for the year

Payment to The National Treasury

Transfer to building fund (Note 24)

At 30 June

General fund represents accumulated surpluses over the years.

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
353,318	726,688
2,848	77,962
-	(407,294)
-	(44,037)
<b>356,166</b>	<b>353,318</b>

**24. Capital Fund**

At 1st July 2019 and at 30th June 2020

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
27,886	27,886

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)

**At 30 June**

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
600,000	555,963
-	44,037
<b>600,000</b>	<b>600,000</b>

Building fund represents an appropriation from the general fund towards the purchase/construction of the Authority's future building for approved limit of Shs 600million. There was no appropriation in the year to the fund, (2020: Shs44million.)

**26. Related party Transactions**

## i) Board members of the Authority' remuneration

Honoraria

Retainer

Sitting allowances

Training expenses

Others (medical, mileage, bonus)

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
-	783
7,778	8,295
10,780	8,740
1,343	9,892
2,381	4,621
<b>22,283</b>	<b>32,331</b>

There were 10 board members during the year (2020:10)

## ii) Key management compensation

Gross salaries

Pension-NSSF

Gratuity

<b>2021 Shs'000</b>	<b>2020 Shs'000</b>
39,031	33,623
10	8
9,322	8,206
<b>48,363</b>	<b>41,838</b>

There were 6 members of senior management who served during the year (2020:4)



## 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:

	2021 Shs'000	2020 Shs'000
Capital expenditure contracted for	3,580	242
Recurrent expenditure contracted for	2,768	271
	<b>6,348</b>	<b>512</b>

### b. Item description

	Capital Shs'000	Recurrent Shs'000	Total Shs'000
Boardroom Camera	899	-	899
Website Security Vulnerability Assessment	-	170	170
Software License Renewal	-	2,598	2,598
IPAD	191	-	191
Cloud-Based Learning and E-Learning System	2,490	-	2,490
Total	<b>3,580</b>	<b>2,768</b>	<b>6,348</b>

### Operating lease commitments

Operating lease commitments represent rentals payable by the Authority for rented office space. Rental expenses during the year amounted to Shs 35,443,000 (2020: Shs38,503,000).

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

	2021 Shs'000	2020 Shs'000
Not later than 1 year	35,443	38,503
Later than 1 year and not later than 5 years	108,544	108,544
	<b>143,987</b>	<b>147,047</b>

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

On 31st January 2022, the International Public Sector Accounting Standards Board (IPSASB) issued a new standard IPSAS 43 on Leases. This new standard requires a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Lessees. For lessees, IPSAS 43 accounting requirements that are converged with IFRS 16, Leases issued by the International Accounting Standards Board. For lessors, a right-of-use model specifically designed for public sector financial reporting has been put in place. 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.

## 28. Contingent Liabilities

The Authority has no contingent liabilities in the financial year as all prior year tax penalties and interest (see Note 29) for which waiver had been applied for with the Kenya Revenue Authority (KRA) have been fully recognized. Full payment of the these is already underway.

## 29. Prior Years' Tax Settlement Provision

These relate to interest and penalties imposed against principal taxes that had already been settled Authority for the period 2007 to 2012, when the Authority was a taxable entity. Although waiver of these penalties had been applied for with KRA, the Authority has ensured 100% compliance with statutory obligations by cleaning up the CMA tax ledgers through full recognition in the financials and subsequent settlement of the tax demands in i-tax.

	2021 (Shs'000)	2020 (Shs'000)
Penalties and interest provision	49,994	-
	<b>49,994</b>	<b>-</b>

### 30 Operating Expenditure

Operating expenditure	2021 Shs'000	2020 Shs'000
<b>30.1 Employment expense</b>		
Consolidated pay, leave pay and passages	451,562	411,771
Staff uniform expenses	333	10
Staff welfare and other costs	10,181	10,319
Staff retirement benefits	34,622	34,087
Staff gratuity	13,537	10,282
National Social Security Fund (NSSF)	325	329
	<b>510,559</b>	<b>466,800</b>
<b>30.2 Other administrative expenses</b>		
Rent and maintenance	38,077	39,970
Equipment maintenance and stationery	32,066	31,632
Telephone, postage and utilities	17,400	14,667
Publicity and Advertising	9,591	31,152
Medical scheme and insurance expenses	37,011	33,932
Training and conferences	44,067	43,166
Motor vehicle running expenses	5,195	5,728
Subscriptions and IOSCO membership	5,275	8,891
Authority board members' emoluments and allowances	22,283	32,331
Professional and market development services	52,923	66,780
Depreciation of property and equipment	27,105	16,737
Amortisation of intangible assets	14,231	1,674
Auditor's remuneration	1,335	2,090
Investors' education and awareness programme	3,743	11,407
Tribunal expenses	887	1,359
Prior years' tax settlement	50,004	-
Provision for doubtful debts	550	250
	<b>361,743</b>	<b>341,766</b>
<b>Total expenditure</b>	<b>872,302</b>	<b>808,566</b>

### Appendix 1-Progress on Follow up of Auditor Recommendations

Reference no. on the external audit report	Issue/ observations from auditor	Management comments	"Focal point person to resolve the issue (name and designation)"	Status: (resolved/ not resolved)	Timeframe: (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					



Chief Executive Officer

Date. 26. 08. 2021



Chairman of the Board

Date . 26. 08. 2021

## Appendix 2- Inter Entity Transfers

WHERE RECORDED / RECOGNIZED									
Nature of the MDA/ Donor transferring the funds:	Date Received		Where recorded/recognised						Total Transfers during the Year
	as per bankstate- ment	Nature: Recurrent / Develop- ment / others	Total Amount - Shs	Statement of Financial Performance Shs	Capital Fund Shs	Deferred Income Shs	Receiva bles Shs	Others - must be specific Shs	
FSSP	See Appendix 3	Development	78,682,992	78,682,992	-	-	-	-	78,682,992
National Treasury	See Appendix 3	Others/Reimburse- ment	2,949,780	2,949,780	-	-	-	-	2,949,780
<b>Total</b>			<b>81,632,772</b>	<b>81,632,772</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>81,632,772</b>

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

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

**Senior Manager, Accounting & Finance**  
Capital markets Authority

Sign.....

**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

## Break down of Transfers from Donors FY 2020/2021

a. Reimbursements for Capacity building Technical Costs.				
		Bank Statement Date	Amount (Shs)	FY to which the amounts relate
b.	Other Payments- Reimbursement			
	Details of the Payment	Transaction Description	Amount (Shs)	
	Reimbursements for National Treasury Seconded staff	Reimbursements for seconded staff	2,205,327	2020/21
	Reimbursements for National Treasury Seconded staff	Reimbursements for seconded staff	744,453	2020/21
		Sub-total	2,949,780	
b(ii) Donor funded Consultancies .				
	Supply, Installation & Commissioning of Computer Hardware at the Capital Markets Authority.	Contra-Donor Funded Consultancies and Donor Funding income	40,471,513	2020/21
	Supply, Installation & Commissioning of a Video Conferencing System at the Capital Markets Authority	Contra-Donor Funded Consultancies and Donor Funding income	8,128,119	2020/21
	Supply, Installation & Commissioning of Data Repository & BIS for CMA at the Capital Markets Authority	Contra-Donor Funded Consultancies and Donor Funding income	30,083,360	2020/21
		Sub-total	78,682,992	
		GRAND TOTAL	81,632,772	

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

## Legal and Regulatory Framework

### a) The Capital Markets Act

The Capital Markets Act was amended vide Finance Act 2021 to provide for a limitation period of 90 days for hearing of appeals filed at the Capital Markets Appeals Tribunal. The amendment is aimed at ensuring matters before the Tribunal are determined expeditiously.

### b) The Central Depositories Act

The Central Depositories Act was amended to allow for the operation of the omnibus accounts. An omnibus account holds the securities of a number of different clients without separating ownership. The benefits include convenience for the global custodian as all clients' securities can be held in one account at the sub-custodian, and only one account needs be maintained at the CSD. It also facilitates the lending of securities from a single pooled account, rather than from multiple individual accounts. The amendment allows beneficial owners or legal owners of shares to appoint nominees for the purpose of opening a securities account or an omnibus account. This is intended to allow other authorized persons to invest on behalf of others in the securities market. The amendments are also aimed at increasing Kenya's competitiveness in the global market by increasing participation of international institutional investors.

### c) Share Buyback Guidelines

Share buybacks refers to the repurchasing of shares by the company that issued them. 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.

The Authority has developed these guidelines on share buybacks for listed companies pursuant to its powers under Section 11(3) (d) of the Capital Markets Act, Cap 485A Laws of Kenya. The guidelines require listed companies to disclose material information, including the risks and pricing for any intended share repurchase. These guidelines will serve to create a balance between the Authority's mandate to protect investors vis-à-vis the companies' interest, they will also promote liquidity and ensure transparency in share buyback transactions. The guidelines are facilitative and will be read together with part XVI of the Companies Act.

### d) Capital Markets (Whistleblower) Regulations

The principal object of the Regulations is to give effect to the provisions of Section 18(2A) and 18(2B) of the Capital Markets Act which provides for the reward of whistleblowers. These regulations will operationalise the implementation of the incentivised whistleblower rewards as provided in the Capital Markets Act.

### e) 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 industry.

The draft Capital Markets (Collective Investment Schemes) Regulations and the draft Capital Markets (Alternative Investment Funds) Regulations have been developed and are to undergo public participation. They seek to streamline the operations of collective investment schemes and to extend the perimeter of regulation to other schemes that are currently unregulated.

### f) The VAT Act was amended to exempt the transfer of assets and other transactions in Real Estates Investments Trusts and Asset-Backed Securities from Tax. The amendment was to ensure neutrality in raising capital to finance housing and other developmental projects.

## Capital Markets Fraud Investigation Unit

The Capital Markets Fraud Investigations Unit (CMFIU) is a specialized Unit derived from the Directorate of Criminal Investigations of the National Police Service. The Unit carries out criminal investigations of cases that fall under the Capital Markets Authority. The Unit works closely with the Directorate of Market Operations (DMO) on matters of investigation coordination and information sharing. The Unit has a two-way reporting mechanism, that is, to the Chief Executive Officer Capital Market Authority (CEO) and to the Director of Criminal Investigations (DCI).

### Crime Trends

During the financial year 2020/2021, it was Noted that: there was an increase in offences relating to the carrying out businesses in collective investment schemes and online trading without a license. Several companies such as Pesos Capital Markets, Richmond Investments Ltd, RedDiamond Investments Ltd, Gold Avenue Africa Ltd and Carta Group were reported to be collecting money from the public to invest in varied products and giving returns on such investments.

Table 6: Summary of Current Cases

Year	Pbc	Pui	Paka	Referred To Dmo For Enforcement	Total	Decrease By	Increase By	Finalised	Losed Nfpa
2014	5	20	3	2	30	-	-	3	
2015	6	22	4	-	30	-	-	4	
2016	6	10	2	1	19	11		5	
2017	4	13	2	2	21		2	0	
2018	7	14	5	1	17	4		14	
2019	3	16	2	1	22		5	11	2
2020	6	18	3	2	29		7	3	1
2021	07	17	06	NIL	30	-	1	5	1

### Glossary

**PBC-** Pending Before Court

**PUI-** Pending Under Investigation

**PAKA-** Pending Arrest of Known Accused.

**ENFORCEMENT-** Referred to Directorate of Market Operations for administrative Action.

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

**NFPA-** Files Closed No Further Police Action

## Market Supervision

### Market Surveillance

Market Surveillance is charged with the mandate of ensuring a free, fair, and orderly capital market. One way of achieving this mandate is through conducting real-time monitoring of the trades at the NSE as well as post-trade analysis to identify suspicious trades and market abuses. The Authority is in the process of acquiring a multi-asset surveillance system to enhance monitoring of the equities, debt, and derivatives transactions. During the year, the surveillance team through technical and financial assistance from Financial Sector Support Project (FSSP) conducted an industry-wide capacity building on various market abuses. The training involved different market players including the NSE, CDSC, stockbrokers, investment banks and fund managers. The process also included review of market surveillance policies and procedures.

### Risk - Based Supervision

The year 2020-2021 has been challenging due to COVID-19 restrictions which led to changes in our supervision approach. The Authority continued to formulate new strategies to ensure uninterrupted and effective market oversight. The Authority guided the market on reporting requirements, stakeholder engagements, annual general meetings among other regulatory obligations. The Authority is continuously enhancing its procedures, systems, and technology to better supervise the market despite the challenges occasioned by the Covid -19 restrictions. The Authority continued to conduct enhanced offsite 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.

### SupTech in Market Supervision

The Authority has continued to adopt technology solutions which facilitate smooth running of the supervision process. Besides the process of acquiring a multi-asset surveillance system, the Authority is also in the process of upgrading its Risk Based Supervision tool. This will enhance the Authority's supervisory process through effective risk profiling for all intermediaries. The new tool will factor in new products in the market as well as services that impact the risk profile of market players.

### SRO Framework

In a bid to promote the development of Self-Regulatory Organizations (SROs), the Authority through support from the Financial Sector Deepening (FSD) procured consultants-International Securities Consultancy Ltd (ISC)-to develop a framework to strengthen SRO oversight. The consultancy also facilitated capacity building programmes to the Authority, existing and potential SROs on supervision of SROs. The project commenced in September 2020 with meetings undertaken between the ISC team and Nairobi Securities Exchange(NSE), Central Depository and Settlement Corporation(CDSC), Nairobi Coffee Exchange(NSE), Kenya Association of Stockbrokers and Investment Banks (KASIB), East African Venture Capital Association (EAVCA), and the Fund Managers Association (FMA). Practical steps in this project include preparation of customized guidance to SROs and potential SRO candidates with indicative road maps to fully achieving SRO status and executing SRO mandates appropriately.

### Derivatives Market

Since the launch of the Derivatives Market in July 2019, the market has experienced significant growth. During the first half of 2021, the derivatives market recorded deals almost seven times greater than the first half of 2020. During the year, EGM Securities became the first online trading broker to offer derivatives contracts on the Derivatives Market. The new NSE derivatives offering will provide investors with a revolutionary onboarding process that will take less than five minutes to start trading as opposed to the current average two-day processing time, putting Kenya at par with global standards.

### Online Forex Brokers and Money Managers

The Authority has issued Non-dealing Online Forex Broker licences to six entities: EGM Securities (FX-Pesa), SCFM Ltd (Scope Markets), Pepperstone Markets and Exinity Africa. Exinity Africa is the newest addition with the licence granted in November 2020. Standard Investment Bank (Mansa-X) is the only firm that was granted a money manager licence. Some of the Non-Dealing Online Forex brokers as well as the money manager were inspected during the year.

## People and Culture

The People and Culture (P&C) function plays a critical role in ensuring the Authority has the required skills to drive the accomplishment of the CMA's strategic objectives and mandate. The function oversees the Authority's recruitment, performance management as well as learning and development among other functions in the Human Resource value chain. During the financial year 2020/ 2021, the People and Culture function recorded major milestones as highlighted below:

- 1. Roll out of HR Instruments:** The HR Instruments comprise the Authority's Human Resources Manual, the Staff Establishment, Career Guidelines and the Job Grading Structure and Organization Structure. Following the approval by the State Corporations Advisory Committee (SCAC) and the National Treasury and Planning in September 2020, the function championed the roll out of these HR management tools across the organization. An important aspect of the roll out was the sensitization of staff in October 2020 on the content of the HR Instruments. The rollout started with a staff meeting convened by the Chief Executive and the appointment of the Human Resource Management Advisory Committee (HRMAC). The role of HRMAC was to spearhead the implementation of the HR Instruments with the Chief Executive and the Board reviewing management proposals and facilitating approval.
- 2. COVID-19 Management:** The year under review was a unique year in the Authority's history due to the far-reaching changes arising from the COVID-19 pandemic. In particular, the pandemic changed the way work is delivered with staff having to primarily undertake their job-related tasks from home through remote working. The function was instrumental in developing a corporate-wide framework to support effective remote working through such measures as providing staff with data bundles to ensure internet connectivity, working with ICT function to provide remote access to office servers, rotational duty rotas and access to taxis for staff on office duty to limit use of crowded public transport. The function also developed a programme to support staff infected with COVID-19 that included medical insurance coverage, easily-accessible testing and psychological support services. The function has also been running a structured information campaign to sensitize staff on COVID-19.
- 3. Health and Safety:** To ensure the health and safety of staff, the function ensured that the office premises met the strict COVID-19 Guidelines issued by the Government including regular fumigation of the offices and vehicles, provision of face masks to all staff and sanitization stations installed on all floors.
- 4. Employee Wellness:** As part of the Authority's Performance Contract commitments, the function championed the delivery of Road Safety and Alcohol and Drug Abuse prevention measures that included sensitization and support programmes for staff. Wellness sessions on screening for blood sugar, hypertension, cancer, HIV/AIDS were facilitated in Quarter two of the financial year.
- 5. Public Service Commission Internship Programme:** The Authority is an active participant in the Public Service Commission-supported internship programme to provide a 12-month on-the-job-training to young graduates. A total of ten interns benefited from a wide-ranging job exposure across the various functions.
- 6. Learning and Development (L&D):** The COVID-19 pandemic drastically changed the global L&D landscape forcing the Authority to embrace novel ways of delivering training. The Authority refocused training delivery to online and digital platforms. As a result of this strategic refocus, 75 percent of the Authority's training programmes in 2020-21 were delivered virtually. Importantly also, the average learning days per staff during the year was an impressive 12.4 days – compared to the five days that are stated in the L&D Policy. In terms of training effectiveness, majority of staff strongly agreed that the training programmes were relevant to their job requirements and were of an acceptable quality. Learning in the year was also anchored on the 65:20:15 model which underscores the fact that learning is delivered through a variety of approaches not only in the classroom.
- 7. Management and Leadership Development Programmes:** The HR policy requires directors, senior managers, managers and senior officers to undergo mandatory trainings as part of their preparation for leadership, managerial and supervisory roles. The function oversaw the rollout of the first phase of the Supervisory Skills Development Course for the first batch of 20 Senior Officers in May 2021. The first phase of the Senior Management Course also took place with 20 managers successfully completing the course in June 2021. Both courses were delivered offsite



at Morendat Institute, Naivasha in partnership with Kenya School of Government (KSG).

8. **Change Management:** The Authority has been implementing a corporate change program with the overall objective of embedding a culture of excellence and high performance. During 2020/21 financial year, the function oversaw the planning and execution of corporate change impact assessment survey in June 2021 that targeted all staff with the objectives of assessing the successes and gaps of the Uwezo Kipeo programme. The survey's findings and recommendations have provided management with the data and information needed to support effective change programming going forward.
9. **Job Evaluation:** The Authority participated in the Salaries and Remuneration Commission (SRC) Job Evaluation exercise whose objective was to develop an equitable job grading structure. The function coordinated the process on behalf of the Authority to ensure compliance with SRC Guidelines and requirements. The Job Descriptions Analysis Committee (JDAC) and Job Analysts Team (JAT) undertook a one-week training on Job Evaluation at the Kenya School of Government in September 2020. The training equipped the JDAC and JAT with the knowledge and skills required to undertake job analysis and culminated into JDAC review of the outputs and subsequent forwarding of the CMA Job Evaluations Manual (JEM) to the SRC in December 2020. The CMA Job Evaluations Manual contained all the jobs that were evaluated in the exercise.

## Policy

The Authority continuously engages the stakeholders on identifying impediments to the development of the capital markets. These policy issues are consolidated and submitted annually as policy proposals to the Cabinet Secretary, National Treasury and Planning for consideration in the Fiscal Budget. The focus of these proposals is to create an enabling environment for capital market development to facilitate mobilizing of long-term financial resources for realization of Vision 2030 objectives and national development priority areas.

To develop these set of proposals, a review of policy issues received during the year and past policy proposals made to the National Treasury and Planning was done. Stakeholders were also requested to share their policy proposals and an industry stakeholders' roundtable workshop was held on 22 October 2020. Following stakeholder feedback, an analysis of practices in other jurisdictions was conducted to inform the final policy proposals. The Authority welcomes the robust and excellent support extended by the National Treasury for the overall development of the capital markets. To this end we would like to highlight the key policy incentives and pronouncements in the Budget Statement 2021 and the Finance Act 2021 that impact on the soundness of the market. The Finance Act, 2021 (the Act) was signed into law by the President on 29 June 2021 and thereafter gazetted on 1 July 2021 while the Budget Statement was presented by The Cabinet Secretary Hon.(Amb.)Ukur Yatani, EGH, Cabinet Secretary for The National Treasury and Planning on 10 June 2021. The following matrix captures the key policy incentives and pronouncements as described above.

**Table 7: Summary of Policy Incentives and pronouncements in Budget Statement for FY 2021/22 and Finance Act 2021.**

REFERENCE	ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Budget Statement	Coffee Exchange Regulations	In line with the ongoing reforms in the coffee and tea sectors, The CS will be proposing further measures to enhance competitiveness of these sub-sectors.	<p>As part of the measures to enhance coffee production, the Government has embarked on the implementation of coffee sub-sector reforms. The Cabinet Secretary to the National Treasury in his 2021 Budget Speech committed to fast track the coffee sub-sector reforms. To this end, the Authority licensed five coffee brokers as one of the ways of improving the marketing of coffee and hence Kenya's coffee production value chain.</p> <p>The Authority is fully supportive of the reforms in the coffee sub-sector and is ready to execute its mandate as envisaged in the regulatory framework. As a result, these conditional licenses are our commitment to ensuring that the trading of coffee continues at the Nairobi Coffee Exchange (NCE) without disruption even beyond the 30 June 2021 deadline. In order to ensure that there is no disruption in the coffee value chain, the Authority has granted an extension of 3 months to the Marketing Agents currently trading at NCE for them to apply for the coffee broker license.</p> <p>The Authority continues to work with the National Treasury and Planning, the Central Bank of Kenya, the Ministry of Agriculture, Livestock, Fisheries and Cooperative, Agriculture and Food Authority, NCE, the State Department for Trade, Council of Governors, County Governments, Coffee Cooperatives, Growers, Unions, the Coffee Millers and Marketers, the Coffee Traders and other stakeholders through the coordination of the Coffee Sub-sector Reforms Implementation Standing Committee (CSRISC) which is domiciled in the Office of the President to support implementation of reforms in the coffee subsector.</p>

REFERENCE	ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Finance Act 2021 & Budget Statement	Omnibus Accounts	<p>The Act has amended the Central Depositories Act, 2000, to enhance the regulation of investors in the capital markets such that all purchases and sales of deposited securities and other dealings made in respect thereof, include the identity of the buyer and seller of each of those deposited securities or, in the case of other dealings, the identity of the persons executing such dealings and the persons in whose favor the dealings are executed.</p> <p>The Act introduces a new provision allowing a beneficial owner or legal owner to appoint an authorized nominee for the purpose of opening a securities account and where such nominee is acting for more than one beneficial owner, the Act requires that the nominee should open an omnibus account.</p>	Management welcomes this proposal envisaged in the Capital Markets Master Plan (CMMP) which aims at enhancing Kenya's capital markets competitiveness by its inclusion in the Morgan Stanley Capital International (MSCI) emerging market. The operationalization of omnibus accounts is one of the parameters tracked by MSCI to assess the operational enhancements that effectively increases the opening of the market to international institutional investors.
Finance Act 2021 & Budget Statement	Capital Markets Tribunal	The Finance Act 2021 sets a 90-day period commencing on the date of filing of an appeal for the Capital Markets Tribunal to hear and determine that appeal. Currently, save for maintaining the status quo for a matter that is subject to appeal until the appeal is determined, the law does not provide for a specific period that a matter should be heard and determined. This is expected to improve efficiency in resolving disputes by the Tribunal.	Management welcomes this proposal to mitigate against frivolous appeals against the Authority's determination. As currently worded the provisions of Section 35A (17) of the Capital Markets Act, entitle a party to obtain an automatic stay of a decision of the Authority, by mere filing of an appeal against the Authority's decision. The interim and automatic orders are not subject of review or consideration and are expected to stay in place until hearing and determination of the appeal proceedings.
Budget Statement	Over the Counter Government Securities Trading	Working with the Kenya Bankers Association and other industry players the National Treasury shall establish an electronic over-the-counter secondary market platform for Government securities.	This platform will help in deepening our domestic debt market, improve pricing efficiency and transparency in securities trading thereby lowering yields and cost of credit in the economy.

REFERENCE	ISSUE	POLICY PRONOUNCEMENT	IMPLICATION
Budget Statement	Real Estate Investment Trust	The VAT Act is amended to exempt "The Transfer of assets and other transactions to transfer of assets into Real Estate Investment Trusts and Asset Backed Securities".	<p>The Tax (Amendment) Act 2020 deleted Paragraph II of the First Schedule of the Value Added Tax Act which had earlier exempted "Asset transfers and other transactions related to the transfer of assets into real estate investment trusts and asset backed securities." Thus the transfer of properties which was an exempt supply before became a taxable supply.</p> <p>With the deletion, VAT would be collected at the point of acquisition of property thus constraining REIT promoter's cash flow wise. Subsequently the REIT's will charge and account for VAT after the acquisition hence there will be no incremental increase in tax collection by the Kenya Revenue Authority. At the same time Real Estate Developers have to pay stamp duty when acquiring properties hence any additional charge will make REIT transactions expensive and unattractive to potential issuers.</p> <p>The deletion made REIT's unattractive to potential promoters with those in the pipeline holding off their issuance plans.</p> <p>The re-introduction of the VAT exemption will ensure tax neutrality in raising capital to finance housing and other developmental projects.</p>

## Research and Analytics

### Operating Environment

#### Kenya's GDP Growth Rates

The release of the Economic Survey by the Kenya National Bureau of Statistics (KNBS) indicated that economic performance contracted by 0.3% in 2020 as compared to a 5.0% growth recorded in 2019. The contracted performance is attributable to the impact of COVID-19 pandemic on the economy which was felt across all sectors with the major contractions being recorded in accommodation and Restaurant's sector, education sector and professional, Administration and Support services sector. The economy was cushioned from a further contraction by the growths recorded in the agricultural production, construction activities, financial and insurance activities and health services which recorded growths of 4.8%, 11.8%, 5.6% and 6.7% respectively.

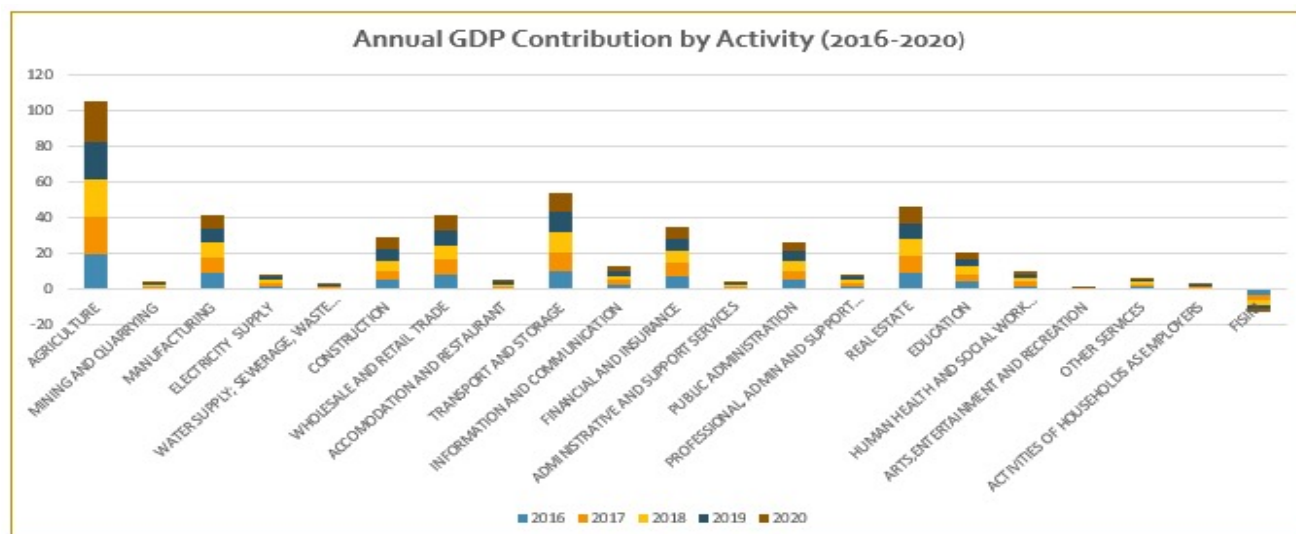
Figure 1 : Annual GDP Growth Trend (2016-2020)



Source: KNBS, 2021

A further analysis of the contribution to the GDP by sector indicate that the Agricultural sector remained to be the dominant sector in the economy contribution 23.0% to the GDP. Other sectors that made significant contributions to the GDP during the period under review included; the Transportation and Storage which accounted for 10.8%, Real Estate sector accounting for 9.3%, Wholesale and Retail Trade at 8.1%, Manufacturing sector at 7.6%, Financial and Insurance Activities at 6.5% and the Construction at 7.0%. Notably, taxes charged on products contributed of 8 percent to the GDP.

**Figure 2: GDP Contribution by Activity/ Sector**

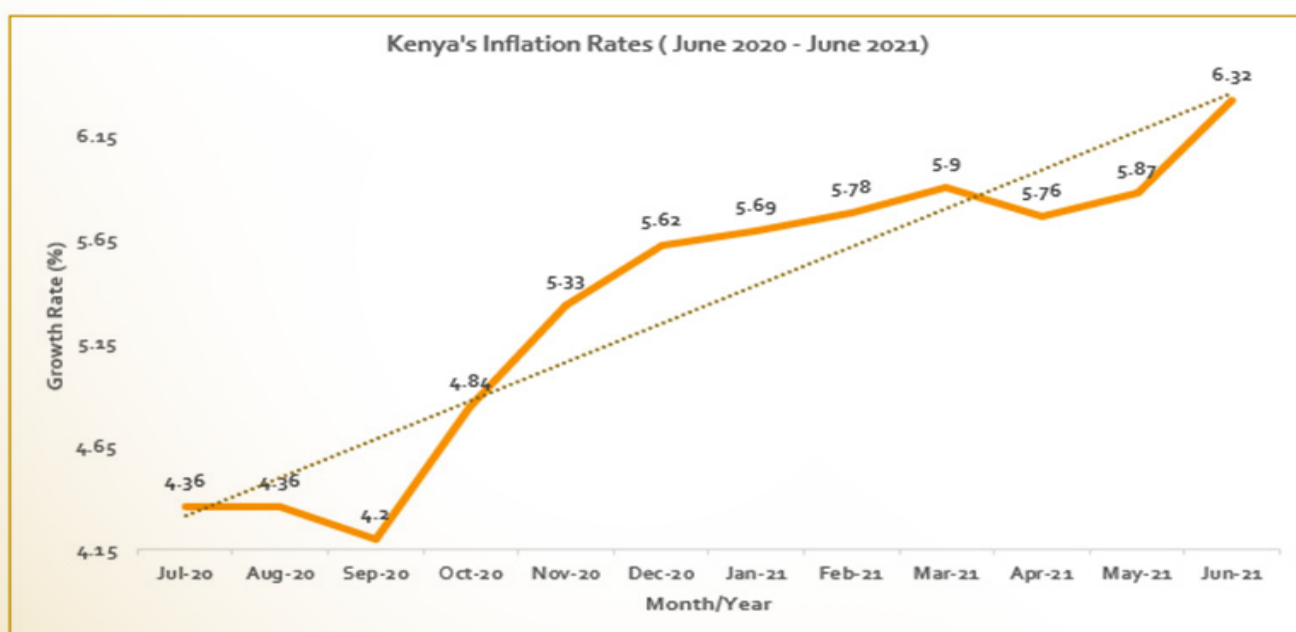


Source: KNBS 2021

### Kenya's Inflation Rate- (July 2020-June 2021)

According to the Kenya National Bureau of Statistics Consumer Price Indices (CPI) and Inflation Rates report for June 2021, overall year-on-year inflation stood at 6.32% in June 2021 compared to 4.59% recorded in June 2020 and 5.87% in May 2021. The CPI increased by 0.12% from 114.977 recorded in May 2021 to 115.11 in June 2021. Between May and June 2021, Food and Non-Alcoholic Drinks' Index increased by 0.06%, which was as a result of increase in prices of some food items such as kale (Sukuma wiki), melons and spinach. A further comparison of the year on year of the Consumer Price Index (CPI) indicates that the increase of the inflation could be attributed to the price increase in food and non-alcoholic beverages, housing, water, electricity and other fuels and transport between June 2020 and June 2021.

**Figure 3: Kenya's Inflation Rate- (July 2020-June 2021)**



Trend of Inflation Rate July 2020 - June 2021

Source; KNBS 2021



### Kenya's Economic Outlook

Kenya's economy has been affected by the Covid-19 pandemic. According to the African Development Bank<sup>1</sup> the Kenyan Economy is expected to grow by 5.0% and 5.9% in 2021 and 2022 respectively. This growth will position Kenya as the second jurisdiction in terms of GDP growth rates in the East African region after Djibouti which is expected to record a GDP growth rate of 9.9%<sup>2</sup>. This growth is pegged on the reopening of the economy and the successful implementation of the Economic Recovery Strategy put in place by the Kenyan government. Further to this the Inflation rate is expected to remain within the Central Bank of Kenya's target of 2.5% to 7.5% throughout this period. Exports and revenue collection are also expected to increase thus causing a reduction of deficits recorded in the Current account. Further to this the Central Bank of Kenya's Monetary Policy Committee through its meeting in April 2021 indicated that Diaspora remittances had recorded significant increase from USD 208.2 million recorded in October 2020 to 299.3 million in April 2021. This further increased in May 2021 to USD 315.80 million. These increases could be attributed to the financial innovations launched in Kenya during the period as well as fiscal stimulus efforts in host countries, factors that made it easier to make transactions.

<sup>1</sup> <https://www.afdb.org/en/countries-east-africa-kenya/kenya-economic-outlook>

<sup>2</sup> <https://www.afdb.org/en/documents/african-economic-outlook-2021>

## Market Performance

### Primary Equity Markets

#### Listing By Introduction

During the year, Homeboyz<sup>3</sup> Entertainment Plc was listed at the Nairobi Securities Exchange by introduction under the Growth Enterprise Market Segment (GEMS). The volume of shares listed was 63,200,000 shares at a price of 4.66.

**Table 8: Primary Equity issues**

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
Homeboyz Entertainment Plc	63,200,000	2020	4.66
<b>TOTAL</b>	<b>6,148,450,893</b>		

Source: NSE/CMA, 2021

### Primary Bond Markets

#### Treasury Bonds

During Financial year 2020/21, twenty-nine (29) Treasury bonds (that is 19 re-openings, 5 new issues, 5 tap sales<sup>4</sup> and 3 Infrastructure development bond issuances) were issued as the Government sought to raise Shs.725 billion. Shs.1,078.06 billion worth of bond applications were received, with the Government accepting Shs 785.35 billion.

**Table 9: Issued and reopened Treasury Bonds FY 2020/2021**

	BOND	Amt Issued (Shs. Bn)	Amt Received (Shs. Bn)	Amt Accepted (Shs. Bn)	% AA/AI	% AR/AI
Jul 2020	FXD1/2020/05	60.00	65.34	9.34	15.57	108.90
	FXD2/2018/10		55.49	21.27	34.45	92.48
	FXD1/2019/15		60.95	50.24	83.73	101.58
Aug 2020	IFB1/2020/11	70.00	101.47	78.64	112.34	144.96
	<b>Tap Sale</b>	<b>40.00</b>	<b>40.26</b>	<b>41.01</b>	<b>102.53</b>	<b>100.65</b>
Sep 2020	FXD2/2010/15	50.00	17.84	11.02	22.04	35.68
	FXD1/2020/15		49.79	45.69	91.38	99.58
	FXD1/2011/20		14.04	7.47	14.94	28.08
Oct 2020	FXD1/2011/20	50.00	23.16	16.99	33.98	46.32
	FXD1/2018/25		45.98	43.03	86.06	91.96
Nov 2020	FXD2/2013/15	40.00	27.10	26.22	65.55	67.75
	FXD1/2018/20		28.88	27.49	68.73	72.20
	<b>Tap Sale</b>	<b>20.00</b>	<b>7.96</b>	<b>7.90</b>	<b>39.50</b>	<b>39.80</b>

<sup>3</sup> <https://www.nse.co.ke/issuer-announcements.html?download=13546%3Ahomeboyz-entertainment-plc-listing-statement>

	BOND	Amt Issued (Shs. Bn)	Amt Received (Shs. Bn)	Amt Accepted (Shs. Bn)	% AA/AI	% AR/AI
Dec 2020	FXD 1/2012/15	40.00	9.26	8.55	21.38	23.15
	FXD2/2019/15		15.08	9.71	24.28	37.70
	Tap sale	22.00	10.01	9.92	45.50	45.09
Jan 2021	FXD1/2021/002	25.00	61.15	55.86	223.44	246.20
	IFB1/2021/016	50.00	125.47	81.05	162.1	250.94
Feb 2021	FXD1/2013/15	50.00	13.55	9.41	18.82	27.10
	FXD1/2012/20		28.31	22.71	45.42	56.62
	Tap Sale	18.00	11.24	10.91	60.61	62.44
Mar 2021	FXD1/2019/10	50.00	15.90	15.51	31.02	31.80
	FXD2/2018/20		32.81	32.80	65.60	65.62
Apr 2021	IFB1/2021/18	60.00	88.58	81.94	136.57	147.63
May 2021	FXD2/2019/15	30.00	11.58	6.04	20.13	38.60
	FXD1/2021/25		31.00	14.25	47.50	103.33
	Tap Sale	20.00	20.93	20.69	103.45	104.65
Jun 2021	FXD1/2019/20	30.00	41.05	13.40	44.67	136.83
	FXD1/2012/20		23.88	6.29	20.97	79.60

Source: CBK/CMA, 2021

### Corporate Bonds Issues as at 30 June 2021

During the financial year Centum Investment's subsidiary Centum Real Estate Limited issued a private placement to raise Shs.4 Billion with a Green Shoe Option of Shs. 2 Billion. The proceeds raised from the bond will be used to finance the different housing projects that the company is engaging in. In addition to this, Family bank launched its Shs.8 Billion Medium Term Note Programme with the first tranche offering Shs.4 Billion being oversubscribed by up to 147 percent. The purpose of the bond include strengthening the bank's capital base to support growth as well as supporting onward lending activities.

**Note:** Issued Corporate Bonds and Commercial Papers in Kenya as at 30 June 2021 in the table next page.

Table 10: Issued Corporate Bonds and Commercial Papers in Kenya as at 30 June 2021

Issuer	Arrangers	Approved Amount	Issued Amount	Approval Date	Issue Date	Maturity Date	Outstanding As At June, 2021
REAL PEOPLE MEDIUM TERM Note	NIC Capital	5,000,000,000		25-Jun-15			
RPBD.BD.19/04/21-0049-13.75	NIC Capital		267,600,000		10-Aug - 15	21-Feb-21	267,100,000
RPBD.BD.03/08/20-0047-13.65	NIC Capital		1,363,900,000		10-Aug - 15	3-Aug-28	1,036,000,000
<b>Total</b>		<b>5,000,000</b>	<b>1,631,500,000</b>				<b>1,303,100,000</b>
THE ACORN PROJECT: DRAWDOWN 1	Stanbic Bank	5,000,000,000	786,000,000	31-Jul-19	8-Nov-19	8-Nov-24	116,000,000
THE ACORN PROJECT: DRAWDOWN 2	Stanbic Bank		930,000,000	9-Jan-20			877,000,000
THE ACORN PROJECT: DRAWDOWN 3	Stanbic Bank		313,000,000	19-Oct-20			259,000,000
THE ACORN PROJECT: DRAWDOWN 4	Stanbic Bank		332,400,000				332,400,000
THE ACORN PROJECT: DRAWDOWN 5	Stanbic Bank		159,000,000				159,000,000
<b>Total</b>			<b>2,361,400,000</b>				<b>1,743,400,000</b>
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
CENTUM REAL ESTATE LIMITED	Private Wealth Capital Limited	4,000,000,000	2,603,300,000	13-Nov-2020	31-Dec-2020	31-Dec-2023	2,603,300,000
			354,600,000				354,600,000
<b>Total</b>			<b>2,957,900,000</b>				<b>2,957,900,000</b>
IMPERIAL BANK MULTICURRENCY MEDIUM TERM Note	Dyer & Blair Investment Bank	2,000,000,000	2,000,000,000	6-Oct-2014	13-Oct-2015	21-Dec-20	2,000,000,000
FAMILY BANK MEDIUM TERM Note (TRANCHE 1)	NCBA Investment Bank Limited and Genghis Capital	4,000,000,000	3,999,000,000	7-Jun-21	24-Jun-21	18-Dec-26	3,999,000,000
FAMILY-FLT			1,000,000				1,000,000
<b>Total</b>			<b>4,000,000,000</b>				<b>4,000,000,000</b>
<b>Total Outstanding Amount</b>							<b>16,826,800,000</b>

Source: Capital Markets Authority, 2021



### Rights Issues 2007-2021

In the last quarter of the Financial Year 2020/21, the Authority granted approvals to Crown Paints Kenya Plc to undertake a rights issue to raise Shs.711,810,000 by issuing and listing 71,181,000 new ordinary shares on the Nairobi Securities Exchange. The rights was issued on the basis of one new ordinary share for every one existing share. The results of the issue were released on July<sup>5</sup> indicating that it had registered an oversubscription of 13.74% in terms of the bids received and raised Shs. 809,594,700 which resulted to the issuance of an additional 16,685,851 additional shares thus the total shares issued were 80,959,470.

**Table 11: Rights Issues**

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%
Crown Paints <sup>6</sup>	80,959,470	2021	10.00	809,594,700.00	90.30%
<b>TOTAL</b>	<b>8,441,105,191</b>			<b>124,360,078,155.10</b>	

Source: Capital Markets Authority, 2021

<sup>5</sup> [https://www.nse.co.ke/phocadownload/Daily-Downloads/Corporate\\_Actions/crown-paints-kenya-plc---rights-issue-results.pdf](https://www.nse.co.ke/phocadownload/Daily-Downloads/Corporate_Actions/crown-paints-kenya-plc---rights-issue-results.pdf)

<sup>6</sup> The listing will take effect on 15th July 2021

**Bonus Issues 2012-2021**

There were no bonus issues during the 2020/21 Financial Year.

**Table 12: Bonus Issues 2012-2021**

Company	Date (Month/Year)	Bonus Issue Ratio
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
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
Kenya-Re	July -2019	3:1

Source: Capital Markets Authority, 2021

**Stock Splits (2007 – 2021)**

There was no stock split during the review period

**Table 13: Stock Splits (2007 - 2021)**

Company	Date (Month/Year)	Share Split 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 2021

## Secondary Markets

The 2020/21 financial year was characterized by implementation of the various recovery strategies put in place by the Kenyan government as well as the Capital Markets regulator and stakeholders with the aim of reviving the market activity from the negative impact caused by the COVID-19 pandemic. The Bonds Turnover and the Market Capitalization recorded notable increases of 47.94% and 28.35% respectively. On the other hand, the Equity Turnover, NSE 20 Share Index and Share Volume recorded decreased activity by 14.94%, 19.01% and 0.75%.

**Table 14: Market Statistics 2020/21**

Year	Month	Equity Turnover (Shs Bn)	Share Volume (Mn)	NSE 20 Share Index	Market Capitalization (Shs Bn)	Bond Turnover (Shs Bn)
2020	July	13.47	517.07	1,804.10	2,036.04	69.99
	August	10.54	470.56	1,794.85	2,144.43	70.46
	September	13.92	524.53	1,852.29	2,147.74	87.41
	October	5.88	219.42	1,783.68	2,150.06	62.68
	November	11.39	381.02	1,759.93	2,229.49	48.52
	December	10.24	369.13	1,868.39	2,336.70	58.06
2021	January	8.85	294.14	1,881.91	2,390.29	54.41
	February	10.82	330.68	1,915.68	2,541.16	77.40
	March	12.06	372.93	1,846.41	2,437.04	67.57
	April	9.88	293.00	1,866.58	2,599.05	67.59
	May	14.16	385.94	1,871.55	2,646.71	107.04
	June	13.95	420.71	1,927.53	2,702.22	96.60
Total FY 2020/2021*		135.16	4,579.13	1,927.53	2,702.22	867.73
Total FY 2019/2020		158.90	5,653.75	1,942.12	2,105.36	586.53
Percentage Change		14.94%	19.01%	0.75%	28.35%	47.94%

Source: Capital Markets Authority 2021

## Trends in Foreign Investors Portfolio Activity

The Fiscal year 2020/21 witnessed a net portfolio outflow amounting to Shs 10,180 million compared to a net outflow of Shs 22,015 million in FY 2019/20. The drop in the negative foreign investor participation recorded in the period is attributable to improved foreign investor confidence in the Kenyan market given the resilience depicted by the market in reopening the economy, technological innovations and the continued implementation of the Economic Recovery Strategy.

Table 15: Foreign Investor Net Cash Flow Activity (Shs Millions) 2012-2021

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
January	(812)	2,133	(876)	(273)	(533)	1,608	(1,464)	(1,357)	530	621
February	795	(3,927)	(1,505)	201	281	435	(5,137)	216	(2,656)	(621)
March	2,651	1,810	(399)	(3,085)	(1,334)	(55)	(1,483)	1,742	(9,058)	(976)
April	1,771	3,026	1,409	(67)	80	433	(1,815)	93	(4,098)	(31)
May	1,099	3,475	(2,578)	(2,030)	196	(1,888)	(4,022)	2,166	(4,462)	(782)
June	1,639	2,602	2,586	(447)	100	(813)	(2,339)	(900)	(1,690)	(1,196)
July	828	1,625	142	(1,127)	974	(2,054)	(2,111)	(2,073)	(5,339)	
August	1,048	9,839	3253	1,183	3,703	(3,268)	(1,565)	1,509	10	
September	3,286	2,063	(850)	6,500	1,343	(5,799)	(3,029)	827	802	
October	2,965	2,723	(1,208)	889	(125)	486	(4,287)	(1,361)	(1,128)	
November	4,335	884	2,535	(829)	459	(450)	(599)	(730)	(1,186)	
December	2,129	(690)	1,021	1	615	(218)	(1,785)	1,247	(354)	
<b>Net Portfolio Flows</b>	<b>21,734</b>	<b>25,563</b>	<b>3,530</b>	<b>916</b>	<b>5,759</b>	<b>(11,583)</b>	<b>(22,965)</b>	<b>1,378</b>	<b>(28,629)</b>	<b>(2,985)</b>

Source: Capital Markets Authority 2021

Table 16: Corporate actions July 2020 to June 2021

Security	Announcement Date	Corporate Action	Amount (Shs) /Ratio
WPP SCANGROUP	07-Jul-2020	Special Dividend	8.00
BAT KENYA	13-Jul-2020	Interim dividend	3.50
KAPCHORUA TEA	17-Jul-2020	Final dividend	20.00
WILLIAMSON TEA	17-Jul-2020	Final dividend	20.00
JUBILEE HOLDINGS	28-Aug-2020	Interim dividend	1.00
KENGEN	01-Sep-2020	Final dividend	0.25
KENYA-RE INSURANCE	02-Sep-2020	First & Final dividend	0.10
CARBACID INVESTMENTS	23-Nov-2020	Final dividend	0.70
CAR & GENERAL	28-Jan-2021	Final dividend	0.80
SAFARICOM PLC	10-Feb-2021	Interim dividend	0.45
BAT KENYA	19-Feb-2021	Final dividend	41.50
STANBIC HOLDINGS	05-Mar-2021	Final dividend	3.80
KCB GROUP	18-Mar-2021	First & Final dividend	1.00
CO-OP BANK	18-Mar-2021	First & Final dividend	1.00
ILAM FAHARI I-REIT	19-Mar-2021	First & Final dividend	0.60
KAKUZI PLC	19-Mar-2021	First & Final dividend	18.00



Security	Announcement Date	Corporate Action	Amount (Shs) /Ratio
UMEME LTD	05-Mar-2021	First & Final dividend	12.00*
STANCHART BANK	25-Mar-2021	First & Final dividend	10.50
NSE PLC	26-Mar-2021	First & Final dividend	0.53
NCBA GROUP	29-Mar-2021	Final dividend	1.50
I&M HOLDINGS	31-Mar-2021	Final dividend	2.25
I&M HOLDINGS	31-Mar-2021	Bonus issue	1:1
TOTAL KENYA	06-Apr-2021	First & Final dividend	1.57
JUBILEE HOLDINGS	16-Apr-2021	Final dividend	8.00
BAMBURI CEMENT	20-Apr-2021	First & Final dividend	3.00
B.O.C KENYA	21-Apr-2021	Final dividend	4.15
SASINI PLC	11-May-2021	Interim dividend	0.50
SAFARICOM PLC	13-May-2021	Final dividend	0.92
CROWN PAINTS	21-May-2021	Rights Issue	1:1
KENYA RE INSURANCE	02-Jun-2021	First & Final dividend	0.20
KAPCHORUA TEA	30-Jun-2021	First & Final dividend	10.00
WILLIAMSON TEA	30-Jun-2021	First & Final dividend	10.00

Source: NSE 2021 \*UShs

### Research work undertaken during the Financial Year

The Authority undertook research, surveys, and data analytics in a bid to produce reports that inform the formulation of fact-based capital markets policies. In every financial year, the Authority publishes research papers on a wide range of issues, products, services, infrastructure and/or challenges that have an impact on the performance of capital markets in Kenya.

In addition, the Authority publishes quarterly capital market reports such as the capital markets Quarterly Statistical Bulletin and the capital markets Soundness Report. During the Financial Year 2020/21 the Authority prepared research papers and survey reports that included:

- A study of the Demand and Preparedness for Central Counterparty (CCP) Services Kenya
- A working paper on the application of Big Data in the Capital Markets Authority
- Research paper aimed at evaluating the implementation status of past research recommendations.

## Spot Commodities

### Background

The Government is currently undertaking a collaborative multi-sectoral initiative to implement structured commodities trading in Kenya including the development of a policy, regulatory and institutional framework for a Warehouse Receipt System (WRS) and establishment of commodities exchanges. This is expected to address existing market challenges such as supply chain inadequacies, limited access to credit, information asymmetry, inefficient price discovery, volatility, and poor market access. The development of WRS and commodities exchanges is informed by the need to link farmers to the market value chain to facilitate better access to markets and financial opportunities. This helps them maximize their returns in a transparent market where the value created is transparent to all stakeholders. In view of this, fair trade practices are expected to incentivise farmers to increase production, which further supports the realisation of the national priority on Food Security set out by the Government Big 4 Agenda.

### Key Milestones

The Capital Markets (Commodities Markets) Regulations, 2020 and the Capital Markets (Coffee Exchange) Regulations, 2020 were gazetted in April 2020 and approved by Parliament in November 2020. In addition, the Warehouse Receipt System Act, 2019 and the Warehouse Receipt System Regulations, 2020 were gazetted in June 2019 and January 2021 respectively. The Crops (Coffee) (General) Regulations, 2019 were gazetted on 1 July 2019. The development of these frameworks was facilitated by three key multi-sectoral taskforces/committees; the National Taskforce for establishment of Commodities Exchange in Kenya (COMEX Taskforce); the Multi-Sectoral WRS Working Group and the Coffee Sub-sector reforms Implementation Committee.

The Capital Markets (Commodities Markets) Regulations 2020 provide for the licensing of commodity exchanges, commodity brokers and the establishment of a Settlement Guarantee Fund (SGF). These Regulations further provide for the governance, trading and conduct of business of commodity exchanges and commodity brokers, including the disclosure, compliance, and reporting requirements.

During the review period, the Authority commenced on the operationalization of the Capital Markets (Coffee Exchange) Regulations 2020 by initiating a comprehensive stakeholder engagement programme as well as developing transition mechanisms to guide affected market participants of the Nairobi Coffee Exchange into compliance with the new framework with minimal business disruption.

## Strategy, Risk and Projects

The Capital Markets Authority Strategic Plan (2018-2023) has six strategic objectives as follows:

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

To ensure full implementation the Authority prepares annual work plans every financial year. The key thematic areas for 2020/2021 were:

1. Optimal product uptake and market deepening;
2. Supervision, stability and governance; and
3. Institutional service delivery, operational efficiency and sustainability.

The Strategy, Risk and Projects function is also responsible for project management and is mandated with tracking implementation to ensure the Authority achieves its strategic objectives and the implementation of the Capital Market Master Plan. This is done in line with the Authority's Project Management Guidelines. This includes management of stakeholders such as the World Bank through the Financial Sector Support Project (FSSP) and Financial Sector Deepening Africa (FSDA) among other external stakeholders, consultants and vendors. The projects can be either internally or externally funded.

**Table 17: Projects undertaken by the Authority**

Project	Expected outcome/Objective	Status
Business Continuity Management	Facilitate Business continuity in the event of a disruption	CMA's Business Continuity Management System provides a framework for developing, implementing, and reviewing business continuity objectives which include a commitment to satisfy applicable requirements aligned to ISO 22301:2019.
		The Authority onboarded a consultant who has facilitated the development of a BCM framework and a gap analysis report on all functional areas. The gap analysis process assessed existing policies, procedures and practises with a view identify areas of improvement and enhancement. The draft BCM policy is currently under review.
Cyber Security Framework	Achieve structured Cybersecurity management and response	The consultant undertook cyber risk profiling & reviewed the systems and applications implemented by the Authority. The Authority's cyber-risk visibility score and maturity rating were also determined to inform the development of effective cybersecurity governance and risk management practices. The Cyber Security Framework which outlines the minimum requirements that the Authority shall build upon in the development and implementation of strategies, policies, procedures and related activities aimed at mitigating cyber risk is progressively being formulated.
Enterprise Architecture Framework	A framework that provides a conceptual blueprint that defines the structure and operation of the Authority with regards to technology	The Authority engaged experts in Enterprise Architecture Framework development, but the project was delayed due to budgetary constraints. However, the terms of reference for the development of the Enterprise Architecture Framework were revised and aligned to the industry's standard framework.

## Implementation of the Capital Market Master Plan

During the year under review, the market experienced some dynamic and drastic changes which were not envisioned at the debut of the CMMP such as the impact of the Covid-19 pandemic. In this regard, with the support of Financial Sector Deepening Africa (FSDA), the Authority is undertaking a mid-term review of the Master Plan. Some of the areas of focus will include:

- i. Alternative and sustainable finance (green bonds, blue bonds, social bonds, ESG, private equity), digital finance;
- ii. Post-Covid-19 Recovery Strategy which envisages significant increase in utilization of capital markets and listings by MSMEs;
- iii. Existing and potential large cap businesses and counties;
- iv. Primary and secondary equity and debt market liquidity enhanced through rollout of capital markets liquidity tools (market making, short selling, securities lending and borrowing, over the counter (OTC) transactions; and
- v. Increased mobilization of savings and investments through transformative access of mobile and other online technology to retail and institutional investors for participation in the primary and secondary capital markets.

The key milestones achieved in the year under review include:

- i. Operationalisation of the Financial Law Review Panel comprising sixteen leading domestic and international financial market lawyers and practitioners;
- ii. The Authority together with the Commission on Revenue Allocation developed a white paper on market-based financing for devolved entities;
- iii. The Pooled Funds Industry Players Committee finalised the Cross-Sectoral Challenges and Opportunities Pooled Funds Report;
- iv. As part of the industry certification programme, 1,552 market practitioners had undertaken the International Introduction to Securities & Investment and 1,432 the Regulations & Market Practice in Kenya, bringing giving an overall total of 3,012 market practitioners who have been certified for Level I and Level II;
- v. The Authority enhanced awareness of capital market products by leveraging technology through implementation of an online toolkit, deploying a revamped savings calculator and commenced the development of a Mobile Application;
- vi. The CIS performance Reporting standards were operationalized in January 2021. These are expected to entrench international best practice in the capital markets by standardizing investment performance measurement and presentation by collective investment schemes;
- vii. Homeboyz Entertainment was listed on the Growth Enterprise Market Segment (GEMS) of the Nairobi Securities Exchange (NSE) by introduction in December 2020;
- viii. NSE operationalized the Unquoted Securities Platform for holding, trading and settlement of securities of unquoted companies. The platform enables companies to access capital markets for long term funding through private placements and restricted offers;
- ix. The Warehouse Receipt System Regulations were gazetted in January 2021 to operationalize the Warehouse Receipt System Act 2019 by providing a framework for the establishment of a Warehouse Receipt System in Kenya;
- x. The Authority drafted a Concept Note on Islamic Capital Markets in Kenya, which highlighted key issues that would require to be addressed to deepen Islamic Capital Markets in Kenya; and
- xi. As part of developing a national consumer financial literacy policy and strategy, several milestones have been achieved including infusion of financial literacy concepts into the Competency-Based Curriculum.

## Major Risks and Opportunities Identified in the Enterprise Risk Management Framework

Risk management is critical to the Authority and structured risk assessments are undertaken on a continuous basis. Several risks were identified and mitigated as follows:

- 1. Emergence of the Covid-19 pandemic and its effects on product uptake.**  
To mitigate low product uptake, the Authority has been leveraging technology to engage Capital Market Industry stakeholders, potential issuers, SMEs, and County Governments on funding options available through the capital market products including; REITs, Green bonds, Islamic Finance, equity and the corporate bond market. Further, the Authority also hosted the inaugural Capital Markets Consultative Forum in April 2021 to discuss emerging market and industry issues and challenges that require the industry's concerted efforts to make the capital markets more vibrant.
- 2. Emergence of unregulated entities/unregulated products/unapproved public issuance of securities**  
The Authority has been proactively publishing cautionary statements and investor alerts as well as issuing cease-and-desist orders to unlicensed entities. The Authority has also used social media channels to warn investors on the need to confirm they investing through licensed entities and approved products.



The following opportunity was identified

1. **Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions** The Authority is maximizing on this opportunity by conducting engagements with global regulators and developing cooperation agreements towards cross-border testing.

## Corporate Affairs and International Relations

The Corporate Affairs and International Relations function is responsible for developing and implementing communication strategies to ensure that the Authority's brand is well positioned among all capital markets industry stakeholders.

The Authority used various communication tools to maximize the value and impact of stakeholder engagement in support of desired outcomes including social media channels such as Facebook, Twitter, LinkedIn, and YouTube. The Authority continues to leverage mutually beneficial media relationships to ensure that corporate messages are shared with various stakeholders.

The Authority continues to engage with peer regulators through its membership in IOSCO. The Chief Executive Officer, who sits on the Growth and Emerging Markets Committee of IOSCO, was appointed the Committee's representative on the IOSCO Board.

## Information and Communications Technology

To ensure optimal institutional efficiency and effectiveness, the ICT function has continued to ensure the confidentiality, integrity, and availability of technology services to internal and external stakeholders. In line with the strategic objective of leveraging on technology, the Authority continued to undertake strategic investments in sound and reliable ICT systems to increase automation levels of functions and processes.

The key initiatives during the review period included the development and adoption of an Enterprise Architecture Framework, a Business Continuity Management Plan and a Cybersecurity Framework.

The Authority also undertook Enterprise Systems upgrade which included Enterprise Resource Planning and the Risk-Based Supervision System. The Authority also commenced the development of the Business Intelligence and Information Repository System.

## Enforcement Actions Taken by the Authority Between 1 July 2020 and 30 June 2021

**Table 18: Enforcement action taken by the Authority**

LICENSEE/PERSON	BREACH	ENFORCEMENT ACTION TAKEN
Cytonn Asset Managers Limited	Non-compliance with regulatory requirements	Directive issued against the company pursuant to Section 11(1)(d) and 11 (3) (w) of the Capital Markets Act
Robert Arthur Arnold	Misapplication of 2015 Medium Term Note (MTN) issue proceeds raised by Real People Kenya Limited. The MTN proceeds were not used for onward lending to Small and Micro Enterprises (SMEs) in Kenya. On contrary, the proceeds were used to repay the group loan. Mr. Arnold was liable for making false, misleading/deceptive statements in the RPKL Information Memorandum on the use of the MTN proceeds.	Disqualification from being board members or key personnel of any issuer, licensed or approved person in the capital market in Kenya pursuant to Section 25A (1)(c) (i) as read together with section 11(3)(cc) of the Capital Markets Act. The disqualification will only be lifted once the bond holders recover their money in full (KES 1,303,000,000) together with the outstanding interest. A financial penalty of KES 5 million imposed.
Bruce Aubrey Schenk	Misapplication of 2015 Medium Term Note (MTN) issue proceeds raised by Real People Kenya Limited. The MTN proceeds were not used for onward lending to Small and Micro Enterprises (SMEs) in Kenya. On contrary, the proceeds were used to repay the group loan. Mr. Bruce was liable for making false, misleading/deceptive statements in the RPKL Information Memorandum on the use of the MTN proceeds.	Disqualification from being board members or key personnel of any issuer, licensed or approved person in the capital market in Kenya pursuant to Section 25A (1)(c) (i) as read together with section 11(3)(cc) of the Capital Markets Act. The disqualification will only be lifted once the bond holders recover their money in full (KES 1,303,000,000) together with the outstanding interest. A financial penalty of KES 2.5million imposed.
Neil Grobbelaar	Misapplication of 2015 Medium Term Note (MTN) issue proceeds raised by Real People Kenya Limited. The MTN proceeds were not used for onward lending to Small and Micro Enterprises (SMEs) in Kenya. On contrary, the proceeds were used to repay the group loan. Mr. Neil was liable for making false, misleading/deceptive statements in the RPKL Information Memorandum on the use of the MTN proceeds.	Disqualification from being board members or key personnel of any issuer, licensed or approved person in the capital market in Kenya pursuant to Section 25A (1)(c) (i) as read together with section 11(3)(cc) of the Capital Markets Act. The disqualification will only be lifted once the bond holders recover their money in full (KES 1,303,000,000) together with the outstanding interest. A financial penalty of KES 5million imposed.
Arumugam Padachie	Misapplication of 2015 Medium Term Note (MTN) issue proceeds raised by Real People Kenya Limited. The MTN proceeds were not used for onward lending to Small and Micro Enterprises (SMEs) in Kenya. On contrary, the proceeds were used to repay the group loan. Mr. Padichie was liable for making false, misleading/deceptive statements in the RPKL Information Memorandum on the use of the MTN proceeds.	Disqualification from being board members or key personnel of any issuer, licensed or approved person in the capital market in Kenya pursuant to Section 25A (1)(c) (i) as read together with section 11(3)(cc) of the Capital Markets Act. The disqualification will only be lifted once the bond holders recover their money in full (KES 1,303,000,000) together with the outstanding interest. A financial penalty of KES 2.5million imposed.

**Note:**

The Authority imposed a total penalty of KES 15,000,000 for misapplication of 2015 Medium Term Note (MTN) issue proceeds raised by Real People Kenya Limited.

Mr. Robert Arthur Arnold, Mr. Arumugam Padichie, Mr. Neil Grobbelaar, Mr. Bruce Aubrey Schenk have filed appeal to the Capital Markets Tribunal against the Authority's decision delivered on March 31, 2021. The appeal is still pending.

## Approvals, Analysis & Issuer Governance

### Introduction

One of the strategic objectives of the Authority is to ensure sound market infrastructure, institutions and operations. The Authority receives applications for approval and licensing and undertakes reviews to ensure compliance with the regulatory requirements. The Authority ensures compliance with the regulatory requirements and the turnaround timelines in the Authority's Service Charter. The Authority is also cognizant of the need to facilitate entities bringing innovations to the market to enhance efficiency and deepen the capital markets.

### Licensing

The Authority licensed Meru County Coffee Marketing Agency Limited as the first coffee broker following the roll out of the Capital Markets (Coffee Exchange) Regulations, 2020. In the spirit of supporting the ongoing reforms in the coffee sector, four other entities; Kipkelion Brokerage Company Limited, Murang'a County Coffee Dealers Company, Mt. Elgon Coffee Marketing Agency Limited and United Eastern Kenya Coffee Marketing Company Limited were granted conditional coffee broker licences on 30 June 2021. The four are expected to come into full compliance with the Regulations on or before September 30, 2021.

Uptake of new licences saw the grant of seventeen licences including three authorized depository licenses, five coffee broker licences (full & conditional), three investment advisers, three fund managers, one stockbroker, one non-dealing forex broker and one REIT manager.

### Debt, Equity & Other Schemes

The year saw the revival of corporate bonds issuances in the capital markets with enhanced issuer and investor confidence. The emphasis on restoring confidence and safeguarding investor interests, saw the market respond positively, with oversubscription for various medium term notes issues.

The equity market reported interest from issuers seeking to raise capital through rights issues and businesses seeking to access the market through listing by introduction and initial public offers. During the review period, Crown Paints Kenya Plc raised capital through a 1:1 rights issue, that is, one new share for every existing share as at 31 May 2021. The company was targeting to raise Shs 712 million. Homeboyz Entertainment also accessed the capital market through listing by introduction.

In early 2020 the market welcomed the first Green Bond issued by Acorn Holdings and certified by Climate Bonds. In December 2020, Acorn Holdings issued and listed the first Development and Investment REIT raising Shs 2.1 billion.

In November 2020, Centum Real Estate Limited was granted an approval to issue secured Medium Term Notes of up to Kenya Shillings 4 billion. The Notes were issued as a restricted public offer targeting sophisticated investors only. The issuer raised Shs 3 billion.

In June 2021, Family Bank Limited issued a Shs 8 billion Medium Term Note Programme. The first tranche of Shs 3 billion with a green shoe option of up to Shs 1 billion was oversubscribed by 147 percent and the issuer exercised the green shoe option.

The market portends sustained resurgence in demand for products by investors and businesses looking to recover from the pressure and liquidity constraints experienced during the initial COVID-19 pandemic period in early 2020. During the year four Collective Investment Schemes were registered namely, Gencap Specialized Unit Trust Scheme, Absa Unit Trust Funds, Jaza Unit Trust Fund and Masaru Unit Trust Scheme.

### Financial Analysis and Reporting

The Guidance to Collective Investment Schemes (CIS) on valuation, investment performance measurement, reporting and other related matters came into effect on 1 January 2021. The Guideline was aimed at standardizing investment measurement and presentation by CISs to enhance comparability and consistency of information. Fund managers have so far submitted the reports of collective investment schemes for the quarters ended 31 March 2021 and 30 June 2021. The Assets Under Management for Collective Investment Schemes grew from Shs88 billion as at 30th June 2020 to Shs118 billion as at 30th June 2021.

### Issuer Governance

The Authority 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 and other regulatory requirements and standards such as G20 OECD, IOSCO Corporate Governance Principles, ICGN, King IV, IRC, GRI and SASB.

During the year, the Authority undertook the following;

#### 1. The Third Report on the State of Corporate Governance of Issuers of Securities to the Public in Kenya

The Authority published the third edition of the 2019/2020 State of Corporate Governance Report in December 2020, presenting the highlights of the findings and recommendations on the governance frameworks, practices and disclosures. This was after assessing the implementation of governance structures and practices by issuers.

In 2019/2020 the weighted overall score for all issuers was 72 percent a commendable improvement from the previous year's 61 percent.

## 2. Development of a roadmap for adopting environmental, social and governance (ESG) practices and integrated reporting

As envisioned in the Authority's Strategic Plan 2018-2023, a key strategic focus for developed markets was ensuring that capital market players enhance their policies around general corporate governance and ESG factors. This was identified as an important issue for consideration as Kenya seeks to enhance its attractiveness to foreign direct investments.

The development of this roadmap was informed by corporate governance advancements and the Authority's continuous efforts to foster good governance practices, with the focus currently being on ESG factors and integrated reporting as components of promoting sustainability. ESG has become a global concern with investors increasingly using it as a measure for responsible investment and business operation. The Authority will work towards implementing the roadmap in the future. The Authority will develop an overarching legal and regulatory framework to facilitate adoption of ESG and integrated reporting in the capital markets sector in Kenya.

The Authority also recognizes the increased demand for transparency on sustainable and socially responsible practices including climate-related financial disclosures by various stakeholders and potential investors. The Code of Corporate Governance for Issuers emphasizes the need for boards to adopt an ESG framework to guide strategy thereby promoting sustainable practices. Additionally, the Stewardship Code for Institutional Investors, seeks to encourage the institutional investor community to act as they serve as responsible stewards in promoting the sustainable success of issuers. Institutional investors are required to factor an issuer's social, environmental and ethical performance into its monitoring, voting and engagement activities in creating sustainable capital markets, including supporting mandatory requirements to promote sustainability disclosure that is consistent and comparable across markets.

The Authority supported the NSE in the development of ESG reporting guidelines for issuers of securities to the public in Kenya. In addition, the Authority will support NSE in the development of an ESG Index to track the implementation of the ESG guidelines.

## 3. Signing of MoUs to facilitate implementation of the Stewardship Code for Institutional Investors

CMA signed MoUs with the Fund Managers Association, the Institute of Certified Secretaries, and the Association of Retirement Benefit Schemes. The MoUs seek to deepen the implementation of the Stewardship Code, which seeks to ensure that institutional investors understand their roles in the capital market and become agents for promoting accountability, responsibility, and sustainability in the capital market. The Authority will continue to seek partnership with other relevant organizations to promote the uptake of the Stewardship Code for the growth and sustainability of the capital market. The recommendation is based on a comparative study particularly in South Africa, Japan, and Brazil, among others which shows that the implementation of most stewardship codes globally is spearheaded by institutional investor associations, with support from regulators where necessary. The Authority has continued to undertake stakeholder sensitization activities to encourage sign up to the Stewardship Code for Institutional Investors.

## 4. Introduction of the 'Stewardship Award for Institutional Investors' under the Champions of Governance Awards

Having engaged the Institute of Certified Secretaries in 2018 and 2019, a new award category under the Champions of Governance Awards was adopted. The Stewardship Award for Institutional Investors seeks to identify, recognize, and reward institutional investors who effectively implement the Stewardship Code. The Authority will continue to undertake capacity building for institutional investors to support the implementation for the stewardship code and enhance corporate governance among listed companies. The Authority is also seeking to develop and automate offsite tools to enhance the assessment of the implementation of Stewardship Code by Institutional Investors. In the long-term, the Authority will develop and publish the report on the state of implementation of the Stewardship Code for Institutional Investors annually to raise visibility and encourage continuous improvement among institutional investors.

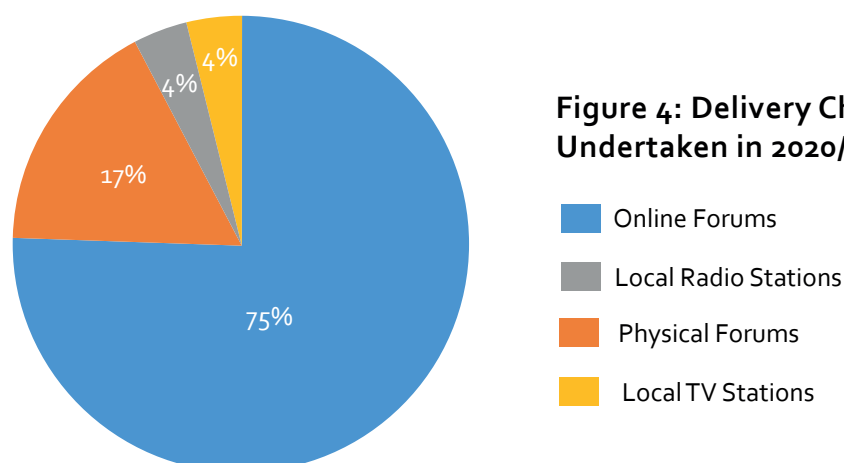
## Education, Awareness and Certification

The Authority has a core mandate to create awareness among investors on capital markets products and services. The impact of its robust investor awareness programmes are increased capital markets knowledge, change of investor attitude and behaviour. These three factors largely contribute to increased investor protection. In the capital markets, the adage 'an informed investor is a protected investor' rings true because the informed investor can easily detect scams, weigh the merits and demerits of each investment against their risk appetite and investment objectives to make an informed investment decision. In this regard, several initiatives to promote product uptake, innovation, increasing market activity, enhancing liquidity and foster investor protection were undertaken. The initiatives targeted various constituents such as the youth, structured groups, Kenyans in the Diaspora, professionals, industry associations, regulators, the public and market intermediaries.



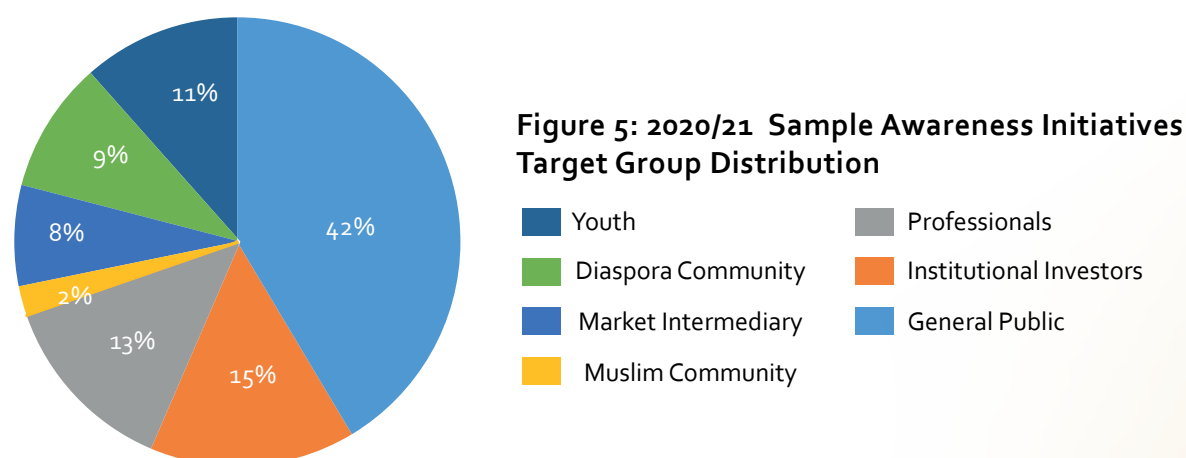
Given the COVID-19 pandemic during the reporting period, the Authority continued to leverage technology to conduct its programmes virtually and utilized social media, webinars and electronic media such as radio and television to disseminate pertinent information. Key to the continued success of the awareness programmes was the introduction of more innovative solutions outlined below. Noting that there is still a relatively large population particularly at the county level with limited access to the internet, a few initiatives were conducted in-person while strictly observing COVID-19 Ministry of Health protocols.

During the 2020/2021 financial year, the Authority undertook 54 initiatives, 75% of which were online forums, 17% physical forums (targeting Kisii, Mombasa and Nairobi Counties), Radio Campaigns (targeting Isiolo and Laikipia Counties) and TV initiatives targeting all the 47 Counties. This is a marked improvement compared to 41 initiatives in 11 Counties undertaken in 2019/2020. The chart below summarizes the delivery channels utilized during the Financial Year:



**Figure 4: Delivery Channels of Initiatives Undertaken in 2020/2021 FY**

In line with the recommendations of the baseline Capital Markets Investor Behavioural and Situational Analysis Study (2018), specific groups were targeted by specific initiatives. During the 2020/2021 Financial Year, the Authority focussed on seven segments in its awareness and investor protection initiatives as follows:



**Figure 5: 2020/21 Sample Awareness Initiatives Target Group Distribution**

## Key initiatives and outreach strategies included:

### 1) Pooled Funds Industry Players Committee Engagements

A Pooled Funds Industry Players Committee comprising of representatives from the market intermediaries, pension fund administrators, financial regulators, association of investment groups and young professionals was inaugurated in September 2020. The mandate of the Committee is to retool investment by retail investors to pooled funds such as the collective investment schemes, investment groups, Rotating Credit and Savings Associations (ROSCA), pension plans among others. The Committee was formed to implement interventions to deepen the capital markets in Kenya by targeting retail and institutional investors. The Committee held engagements and finalized a cross-industry report on challenges and opportunities regarding pooled funds based on research studies. The report will be used to formalize a strategic approach towards facilitating achievement of the full potential of pooled funds in Kenya.

At the same time the Committee contributed to the review of the Collective Investment Scheme Regulations that was underway during the period.

**2) County Initiatives and Vernacular Radio Campaigns**

In addition to webinars, the Authority continued to engage investors, especially retail investors at the County level during the financial year. This was done through participation in two Open Day events in collaboration with the Insurance Regulatory Authority (IRA) in Kisii and Mombasa Counties and a Trustees Conference in Mombasa County. Additionally, the Authority held vernacular radio campaigns targeting Isiolo and Laikipia Counties.

**3) Testimonials and Media Infusion**

The Authority leveraged popular television shows and infused capital markets information to create awareness through television. This was done through a segment in the NTV television show called "Daring Abroad" targeting Kenyans in the Diaspora. In addition, the Authority infused a capital markets script on a popular Citizen Television show called "Mother-in-law" aimed at enhancing public awareness for uptake and investor protection.

**4) Social Media**

The Authority continued to implement a robust campaigns with key capital markets messages in the various social media platforms targeting various groups on investor protection as well as products and services. The campaign included but was not limited to Vlogs, infographics and testimonials. During the period, nine animations, infographics and short educational messages on opportunities, products and services within the capital markets and investor protection techniques were developed, shared and boosted on social media.

**5) Strategic Partnerships**

The Authority collaborated with the following key strategic partners in jointly holding various initiatives including structured forums and exhibitions:

- Capital markets intermediaries and approved institutions
- Chartered Institute for Securities and Investment (CISI)
- Kenya Bankers Association (KBA)
- Other financial regulators including; Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Sacco Societies Regulatory Authority (SASRA) and Retirement Benefits Authority (RBA)
- Institute of Certified Public Accountants of Kenya (ICPAK)
- Institute of Certified Investment & Financial Analysts (ICIFA)
- Kenya Diaspora Alliance (KDA)
- Kenya Association of Investment Groups (KAIG) and Amalgamated Chama Limited
- Local radio and television stations
- Kenya National Chamber of Commerce and Industry

**6) Youth forums**

The Authority organized various initiatives targeting the youth, who are a key constituent of the Authority's target group, with regard to awareness. The initiatives were aimed at promoting awareness on capital markets products and services as well as investor protection. Key among the youth initiatives was the Strathmore Junior Chamber of Commerce Webinar, which attracted over 500 participants. Based on the webinar survey, the forum was impactful as 85% of the attendees indicated they had enhanced their knowledge on capital markets product and services and 78% requested for more such forums in future. Subsequently, in collaboration with key stakeholders, the Authority organized five more forums targeting the youth in universities, tertiary institutions, youth in employment and youth in businesses on capital markets products and services, investor protection, career preparedness in financial services and awareness on Online Forex Trading. Several other collaborative forums on investing using Chatbot were held in partnership with the Nairobi Securities Exchange.

**7) Structured Forums and Exhibitions**

To unlock challenges with respect to retail 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 of capital markets. Additional forums were held targeting intermediaries and structured groups aimed at providing investor protection as well as product awareness information.

Key to some of the initiatives included forums in collaboration with the Chartered Institute for Securities and Investment (CISI), Institute of Certified Investment and Financial Analysts (ICIFA), market intermediaries and other professional institutions. The Authority further facilitated 12 structured forums targeting professionals, institutional investors, trustees and the youth. Two open day exhibitions were also held in partnership with Insurance Regulatory Authority (IRA).

**8) National and Global Campaigns**

As an International Organisation of Securities Commissions (IOSCO) member, the Authority participated in the World Investor Week (WIW) 2020 which is an annual week-long global campaign to raise awareness about the importance of investor education and protection. This event gives a unique opportunity to IOSCO members to work in collaboration with all capital markets stakeholders, at both the local and international level. The event involved various initiatives among them development of infographics, animations and short educational messages on opportunities, products and services within the capital markets and investor protection techniques on social media. In addition, forums were organized during the week based on the WIW thematic areas, online Resource Centre Campaign, collaborated with market intermediaries to create awareness in their respective websites and other platforms, Facebook Conferences and Cross-word Puzzle among others.

### 9) Diaspora Initiatives

The Authority organized three major diaspora webinars in partnership with market intermediaries and the Kenya Diaspora Alliance. The objectives of the webinars were to create awareness on the products of interest to the diaspora, discuss new innovative solutions within the capital markets in Kenya, advance investor protection messages and provided an opportunity to discuss any challenges the Diaspora community has been facing in their quest to invest in capital markets. The webinars attracted over 1,000 participants globally with the majority being from the United States of America, United Kingdom, Australia, Sweden, Rwanda, Somalia, Qatar, South Africa and Afghanistan. The videos had a total of over 98,000 viewers as at end of June 2021.

### 10) Train the Trainer 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. The outsourcing strategy facilitates effective delivery of investor education to various constituents without compromising staffing resources. During the period under review the Authority introduced provisions for the contracted resource persons to conduct online events utilizing the approved platforms by the Authority such as Zoom and Facebook. Further, the Authority held Train the Trainers initiatives targeting intermediaries on various compliance topics in collaboration with stakeholders. These included forums on curbing market abuse in securities trading and on licensees' compliance with capital markets rules and regulations.

### 11) Leveraging Technology

Cognizant of the role information technology continue to play in service delivery, the Authority continued to leverage 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.

During the financial year, the Authority came up with several innovative ideas, namely, an interactive online Toolkit, an online forum feedback and request form, a capital markets mobile application being finalized, a revamped savings calculator, introduction of new contracts to facilitate resource persons in conducting online forums as well as a digitized and revamped Capital Markets Handbook. The Capital Markets Handbook provides current and potential investors with insights on the capital markets operations and address the needs of beginners and other interested parties in the industry. Given the dynamic nature of the capital markets ongoing developments, the Capital Markets Handbook is a live document on the CMA website requiring periodic review in order to update users on new products, regulations, industry trends and emerging issues among others.

In line with leveraging technology, the Authority rolled out an internal App Concept Competition. The main objective of the initiative was to select the most innovative ideas that can facilitate the subsequent development of a CMA App on Google Play with innovative features to increase awareness and uptake of the capital markets products and services. The Authority held an award ceremony to recognize the winners of the internal capital markets mobile phone application competition which was aimed at providing solutions towards the ongoing development of an App that will provide more access to capital markets.

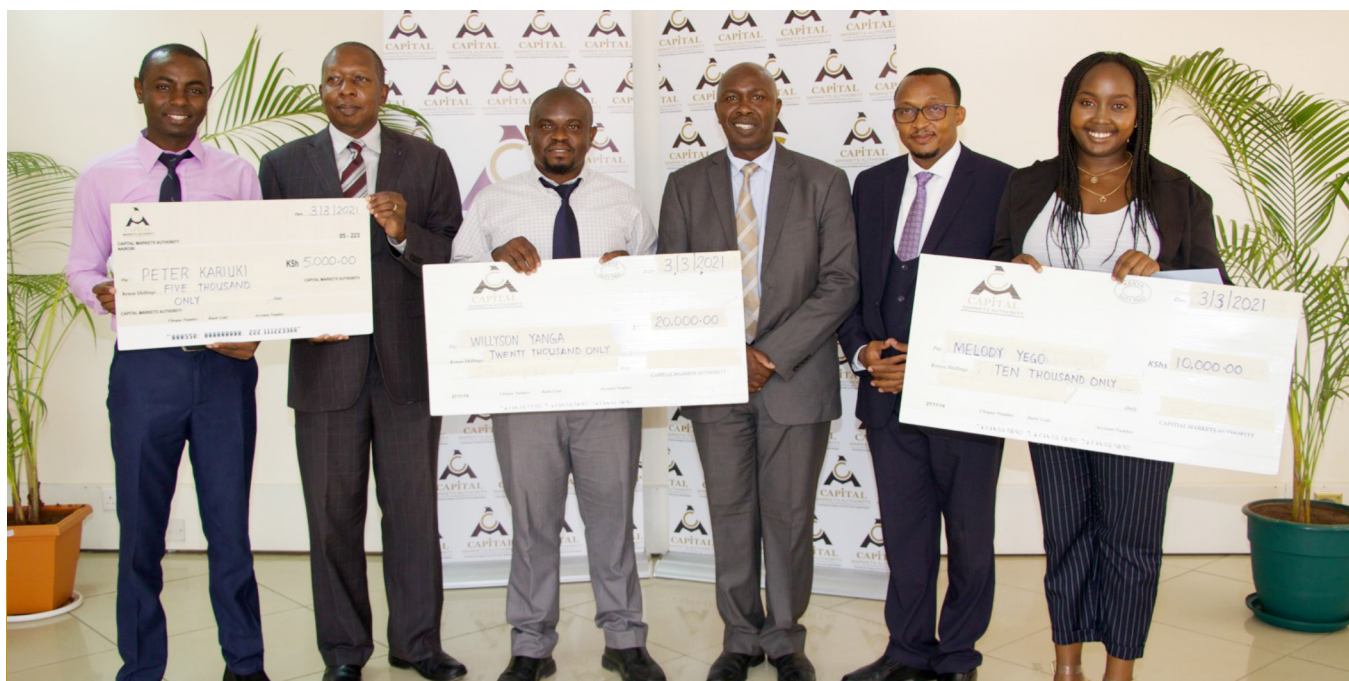
### 12) Industry Certification and Continuous Professional Development (CPD)

Exam uptake by CMA licensees under the Securities Industry Certification Programme (SICP) has continued to gain momentum since the onset of the Covid-19 pandemic. We have witnessed an increased drive by the industry towards compliance with certification requirements. During the period, 225 industry professionals undertook Level I and II exams 2021 compared to 188 in 2020 representing a 19.6% increase in uptake and cumulating to an 85 % industry compliance rate with a total of 3,201 having undertaken and passed the exams. CISI and ICIFA witnessed a total of 536 practitioners undertake the CPD program compared to 322 in 2019/2020 financial year when the CPD program was introduced. This is a great accomplishment given the prevailing Covid-19 pandemic situation. Leveraging technology and increased use of online platforms by service providers attributed to the continued success of the program.

### 13) Capital Markets Mobile App

In line with leveraging technology, the Authority rolled out an internal Mobile App concept competition. The main objective of the initiative was to select the most innovative ideas that can facilitate the subsequent development of a Capital Markets Mobile App on Google Play with key innovative features to increase awareness and uptake of the capital markets products and services. Following an award ceremony where the top three winners were announced, the Authority will commence the development of the App to be launched within the next reporting period.





A group photo of the internal Mobile App Competition winners and CMA management during the Award Ceremony held at the Authority. (From Left to Right: Peter Kariuki, 2nd runners-up; Luke Ombara, Director Policy and Market Development; Willyson Yanga, Grand Winner; Wyckliffe Shamiah, Chief Executive Officer; Kamunyu Njoroge, Senior Manager Education, Awareness and Certification; and Melody Yego - 1st runners - up)

## Market Deepening

During the year, the Authority progressed key market deepening and product uptake initiatives including seeking strategic partnerships, undertaking targeted stakeholder engagements and pursuing innovation to promote increased uptake of existing capital market products and services.

### 1. Strategic Partnerships

#### Memorandum of Understanding between CMA and KEPSA

The Authority signed a Memorandum of Understanding (MOU) with the Kenya Private Sector Alliance (KEPSA) to support capital market deepening as a way of collaborating to help the private sector leverage capital markets to catalyze growth, in line with the Big 4 Agenda and Sustainable Development Goals. Following the signing of the MoU, the two institutions will actively seek avenues for private and public sector partnership to support Kenya's economic growth agenda, while playing a complementary role in bridging the existing development funding gaps. The two organisations will thus collaborate in the development of policy and regulatory interventions to create a conducive business environment that will support a robust, resilient, and inclusive financial sector while facilitating the growth of the country's capital markets.

### 2. Stakeholder Engagements

#### a) The Annual Trustees Forums

As part of its Market Deepening efforts, the Authority participated in three Annual Trustee Forums organized by Zamara and Enwealth Financial Services. The forums attracted participation from diverse stakeholders from capital markets including pension funds representatives, regulators, trustees and transaction advisors. These engagements turned out to be ideal platforms with the Authority sharing existing capital market opportunities with the stakeholders.

#### b) Inaugural Capital Markets Consultative forum

A virtual consultative forum for all capital markets industry stakeholders was hosted by the CMA Board on 13 April 2021. The forum which was themed *"Building Back a Better Resilient Capital Markets"* focused on three key thematic areas, namely:

1. Taking stock of progress from previous engagements and how issues from the supply and demand sides of the market had been tackled;
2. Leveraging capital markets to support the post COVID-19 recovery strategy; and
3. Laying the foundation for the future of our capital market as guided by the review of the CMMP and the Authority's Strategic Plan (2018-2023) in consultation with the industry.



### c) National Capital Markets SME Forum

The Authority, in conjunction with the Nairobi Securities Exchange held the inaugural National SME Conference virtually on 11 December 2020. The event was hosted in collaboration with key institutions including East Africa Venture Capital Association (EAVCA), Kenya Association of Manufacturers (KAM), Kenya Private Sector Alliance (KEPSA), Nairobi Business Ventures (NBV) Plc, Pezesha Africa Limited a digital finance enabler, and the Kenya Industrial Enterprise Programme (KIEP) among others. The forum which was themed "*Unlocking Access to Finance for MSMEs through Capital Markets*" aimed at highlighting opportunities in the capital market for market-based financing for Small and Medium Sized Enterprises in Kenya.

The forum emphasized:

- i. The need for stronger advocacy for Policy and Legal Incentives to facilitate MSMEs specifically, through the capital markets;
- ii. The need for development and submission of pro-MSME policy proposals and incentives to the National Treasury to support MSMEs' capital raising efforts through capital markets;
- iii. Review of the Public Offers and Listing Disclosures regulations to motivate SMEs to raise capital through capital markets; and
- iv. Continuous stakeholder engagements with MSMEs and relevant companies to understand and address their financing needs.

### d) Real Estate Industry Engagements

The Authority, in partnership with the Nairobi Securities Exchange (NSE) and the REITS Association of Kenya (RAK) organized a Regional Capital Markets REITS Conference on 19 March 2021. The event attracted participants from; issuers and investors, policy makers as well as players in the Real Estate and Capital Market sectors.

The forum:

- i. Explored opportunities in the REITS Market in Kenya and highlighted challenges impacting issuers' and investors' uptake of REITS products;
- ii. Presented an ideal for highlighting the operational structure and requirements in structuring and operationalizing both Income and Development REITS in the capital markets;
- iii. Summarized the current regulatory landscape of REITS to key stakeholders and potential issuers;
- iv. Highlighted key lessons from existing REITS issuers in the market;
- v. Summarized key REITS industry policy, legal and operational challenges to inform necessary policy and legislative recommendations to promote uptake; and
- vi. Helped obtain targeted feedback to improve uptake of REITS in Kenya.

As part of the wider effort to improve uptake during the year, three sub-committees with a membership drawn from CMA, NSE & RAK were constituted to address Investor Education, Awareness, Policy, Tax, Regulatory issues, and strategic partnerships & alliances.

### e) Islamic Finance

During the financial year, the Authority held three Islamic Finance stakeholder engagement webinars as highlighted below;

#### i) Islamic Financial Services Board (IFSB) and CMA Islamic Finance Seminar

A joint virtual Islamic Capital Markets seminar themed "Covid 19: Investor Protection and Transparency in Islamic Capital markets" was hosted in conjunction with the Islamic Financial Services Board (IFSB) on 30 June 2021. The session brought together key local and international industry stakeholders.

The forum helped to:

- i. Increase awareness on investor protection and transparency in fostering investor confidence and ultimately the sustainability and stability of the Islamic Capital markets.
- ii. Address Islamic Finance specific issues in relation to investor protection
- iii. Discuss best practices for investor protection in the ICM and the elements of a robust investor protection framework
- iv. Highlight best practice and guidelines on disclosure requirements for ICM products, specifically for Sukuk and Islamic Collective Investment Schemes.
- v. Identify issues arising from the current global environment and share policy actions taken by various policy regulators & policy makers to address emerging issues.

Further, the forum provided a platform for stakeholders to:

- i. Gain a comprehensive understanding of investor protection and disclosure requirements to strengthen investor confidence and improve market performance;
- ii. Share insights on policy approaches and best practices in different jurisdictions to address new and emerging issues related to investor protection & transparency; and
- iii. Gauge the appetite for Sukuk issuances in Kenya.

#### ii) Abrar Consulting Kenya's readiness for a Corporate Sukuk webinar

A webinar on Kenya's readiness for corporate sukuk issuances was hosted by the Authority, in collaboration with Abrar Consulting - a consultancy firm on Islamic Finance issues, on 25 September 2020. The webinar confirmed Kenya's readiness for the issuance, listing and trading of sukuk with participants encouraging market players to fast-track the process.

#### iii) Islamic Finance training

An online Islamic finance training on issuance and structuring of Sukuk for financial sector regulators and relevant industry stakeholders was facilitated by a consultant on 4 December 2021. The training provided insights on fundamentals of Islamic Finance and introduced participants to sukuk and sukuk issuance.

### f) County Engagements

Between March and June 2021, the Authority conducted engagements in the counties of Uasin Gishu, Trans Nzoia, Nakuru and Kiambu, with a focus on county governments, business communities, potential issuers, investors and MSMEs to showcase opportunities in the capital markets for them to access financing for their operations and growth. The engagements aimed to:

- a. Improve the understanding of county governments, companies, and SMEs of the capital market and its products;
- b. Regulator's role in the issuance, trading, clearing and settlement of capital market products and services;
- c. Demystify capital markets to stakeholders at county level;
- d. Present capital markets as a viable avenue for market-based financing for County Governments;
- e. Understand financing gaps and needs of corporates and MSMEs at the county level and help them appreciate the opportunities in the capital markets;
- f. Understand the impediments preventing County Governments, corporates & MSMEs from considering the capital market as a viable alternative source of financing their operations; and
- g. Share fintech and innovations updates relevant to the capital markets.

### g) Regulatory Sandbox

#### i. Newly Admitted Firms

The Authority admitted three new firms to the Regulatory Sandbox bringing the number of admitted firms to nine.

**KOA Save Africa Limited** was admitted to the Regulatory Sandbox on 25 May 2021 to test KOA App. The innovation seeks to help retail investors to easily, conveniently, and affordably, save and invest in the capital markets. The fully digital mobile application has the capacity to embed several Collective Investment Schemes.

**Moneto Ventures Limited** was admitted to test its Chumz App on 25 May 2021, a digital application. It uses behavioral psychology techniques to encourage users to save and build a culture of digital savings and investment.

**Four Front Management Limited** was admitted on 24 September 2020 to test a robo-advisory solution. A robo-advisor is a digital platform that provides automated, algorithm-driven financial planning and investing services with little-to-no human interference. A robo-advisor collects information from its clientele about their financial situation and future goals through an online survey and then leverages the data as a basis to offer investment advice and automatically invest client funds.

#### ii. Exited firms

Two companies; Genghis Capital and Pezesha Limited exited the Sandbox.

- a. On 12 October 2020, a No-Objection letter was issued to Pezesha upon successfully testing its crowdfunding platform.
- b. The Authority granted Mali, a Genghis Capital product, approval to exit and roll-out to the mass market in May 2021, after successfully testing in the sandbox.

#### iii. Regulatory Sandbox Milestones report

The Authority published the Regulatory Sandbox Milestones Report in April 2021. The report presents an opportunity for the Authority and the country's capital markets to appreciate the achievements realized and lessons learnt since the Regulatory Sandbox started operations in March 2019.

#### iv. CMA teams up with Global Financial Innovation Network (GFIN) members to test innovations across borders

As a strategy for supporting financial innovation in Kenya, CMA joined 23 regulators across five continents to test innovative financial products, services, business models and regulatory technology (RegTech) in November 2021. The cross-border tests were conducted across five continents under GFIN - an international network of financial services regulators and related organizations, committed to supporting financial innovation. CMA is a member of GFIN work-streams.

## Snapshot of Current Licensees and Approved Institutions

**Table 19: 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	21
Investment Banks	15
Fund Managers	25
Stock Brokers	9
Investment Advisers	17
REIT Managers	10
REIT Trustees	3
Authorized REITS	3
Registered Collective Investment Schemes	27
Registered Employee Share Ownership Plans (ESOP)	14
Non-Dealing Online Foreign Exchange Brokers	4
Money Manager	1
Coffee Exchange	1
Coffee Brokers i.e. 1 full licence & 4 conditional licences	5

During the 2020/2021 financial year the Authority issued new licences and granted approvals as follows:

### Licences, consents and registrations

- African Diaspora Asset Managers Limited - Fund Manager Licence granted on September 8, 2020;
- Kestrel Capital East Africa Limited - Stockbroker Licence granted on November 2, 2020;
- CFS Asset Management Limited - Fund Manager Licence granted November 2, 2020;
- Acorn Investment Management Limited - Real Estate Investment Trust (REIT) Manager Licence granted on November 2, 2020;
- Exinity Capital East Africa Limited - Non-Dealing Online Foreign Exchange Broker Licence granted on November 3, 2020;
- I&M Capital Limited - Fund Manager Licence granted on April 27, 2021;
- Family Bank Limited- Authorised Depository Licence granted on April 26, 2021;
- Private Wealth Company Limited - Investment Adviser Licence granted on June 30, 2021;
- Waanzilishi Capital Limited - Investment Adviser Licence granted on June 30, 2021;
- Riscura Solutions (Kenya) Limited - Investment Adviser Licence granted on June 30, 2021;
- Ecobank Kenya Limited - Authorised Depository Licence granted on June 30, 2021;
- Sidian Bank Limited- Authorised Depository Licence granted on June 30, 2021
- Meru County Coffee Marketing Agency Limited- Coffee Broker Licence granted on June 30, 2021;
- Kipkelion Brokerage Company Limited, Murang'a County Coffee Dealers Company, Mt. Elgon Coffee Marketing Agency Limited and United Eastern Kenya Coffee Marketing Company Limited - Conditional Coffee Broker Licence granted on June 30, 2021. They are expected to come into full compliance with the requirements of the Coffee Exchange Regulations within the next three months i.e. by September 30, 2021.

## Corporate Actions

Approval to NCBA Group plc of a bonus issue of Shs. 149,774,503 million new ordinary shares;

- Approval to Standard Chartered Bank of Kenya Limited for a proposed capitalization of Shs 171,755,285 by the issue of additional 34,351,057 ordinary shares;
- Approval to TransCentury Plc of Shareholder's Circular on Proposed Delisting of TransCentury Plc from the Nairobi Securities Exchange;
- Approval to Acorn Holdings Limited for a proposed issue and listing of third drawdown of the Notes by Acorn Project (Two) Limited Liability Partnership;
- Approval to I&M Holdings Limited of Shareholders' circular on the proposed acquisition of 90% of issued share Capital of Orient Bank Limited Uganda;
- Approval to Co-operative Bank of Kenya Limited of Shareholder Circular on takeover of Jamii Bora Bank;
- Approval to Nairobi Business Ventures Ltd of a Shareholders' circular on the proposed issuance of Shs 415 million shares and application;
- Approval to Batian Income Properties LLP of Short Form Prospectus for restricted public offer;
- Approval to Centum Real Estate Limited of Short Form Prospectus for restricted public offer to raise Shs. 4 billion with a Green Shoe Option of Shs. 2 billion;
- Approval to Nation Media Group Plc of Bonus Issue and Listing of additional Ordinary Shares in the Company to existing shareholders at a rate of 1 bonus ordinary share for every 10 shares;
- Approval to Jubilee Holdings Limited of Shareholder's circular of Jubilee Holdings Limited regarding the proposed strategic partnership with Allianz Se in respect of general insurance business;
- Approval to Nairobi Business Ventures of splitting of existing shares by half and issuance and listing of additional ordinary shares and grant of exemption from the requirement to make a takeover offer by Delta International Holdings FZE;
- Approval to Acorn Holdings Limited of proposed Development Real Estate Investment Trust Scheme (Acorn D-REIT) and the Proposed Income Real Estate Investment Trust (Acorn I-REIT);
- Approval to Liberty Kenya Holdings Plc for a proposed Acquisition of 84,235,930 Ordinary Shares in the Capital of Liberty Kenya Holdings by Liberty Holding Limited;
- Approval to Carbacid Investments Plc of Shareholder and Independent Adviser Circulars on takeover of BOC Kenya Plc by Carbacid Investments Plc;
- Approval to ABSA Asset Management for Registration of Absa Unit Trust Funds;
- Approval to Zimele Asset Management Company Limited for registration of the Zimele Fixed Income Fund to be added to the Zimele Unit Trust;
- Approval to Genghis Capital Limited for registration of the Gencap Specialized unit Trust Scheme;
- Approval to Nabo Capital Limited for application for the Registration of JAZA Unit Trust Scheme;
- Approval to Synesis Capital Limited for application for the registration of Masaru Unit Trust Scheme;
- Approval to Crown Paints Kenya Plc for issuance and listing of 71,181,000 newly issued ordinary shares and application for exemption from the requirement to make a takeover offer; and
- Approval to KCB Group Plc for acquisition by KCB Group Plc of: Up to 100% of the issued share capital of Banque Populaire Du Rwanda Plc; and 100% of the issued share capital of African Banking Corporation Tanzania Limited.
- The Authority revoked licences and de-registered the following companies in the year 2019, 2020/2021.

## Revocations and De-Registrations

- The voluntary revocation of the fund manager licence by Allan Gray Kenya Limited on July 15, 2020;
- The voluntary revocation of the investment bank licence by Kestrel Capital East Africa Limited on March 19, 2021; and
- The voluntary revocation of the stockbroker licence by NIC Securities Limited on February 15, 2021.



# Notes

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