



**CAPITAL  
MARKETS AUTHORITY**

*Promoting the Integrity and Growth of the Capital Markets*

**2022-2023**

**Annual Report and  
Financial Statements**



The Capital Markets Authority (CMA) promotes and facilitates the development of orderly, fair, and efficient capital markets in Kenya. The CMA is a regulatory body charged with the prime responsibility of supervising, licensing, and monitoring the activities of market intermediaries, including the stock exchange and the Central Depository and Settlement Corporation (CDSC) and all the other persons licensed under the Capital Markets Act. It plays a critical role in the economy by facilitating mobilization and allocation of capital resources to finance long-term productive investments.



### OUR VISION

The trusted regulator of an inclusive Capital Markets.

### OUR MISSION

To regulate and promote the development of an orderly, fair, and efficient capital and commodities markets that safeguard stakeholder Interests.

### CORE VALUES

To fulfill its mandate, pursue the Vision and accomplish its Mission the CMA will be guided by its core values of:



#### Customer focus

We are dedicated to providing exceptional service and value to our customers, and we strive to exceed their expectations in every interaction.



#### Accountability and Integrity

We are committed to acting with honesty, fairness, transparency, ethically and above board in all of our operations.



#### Professionalism

We are committed to upholding the highest standards of behavior, ethics, and expertise in all of our interactions.



#### Innovativeness

We are dedicated to providing exceptional service and value to our customers, and we strive to exceed their expectations in every interaction.



#### Teamwork and Trustworthiness

We encourage open communication, mutual respect, and shared decision-making among our employees and partners.



#### Agility and Continuous learning

We are committed to adapting quickly to changing circumstances, embracing new ideas and technologies, and continuously developing our skills and knowledge.



#### Leadership

We are committed to leading by example, setting high standards, and inspiring others to achieve their full potential.



The regulatory functions of the Authority as provided by the Act and the regulations include the following:

- Licensing and supervising all the capital market intermediaries
- Ensuring proper conduct of all licensed persons and market institutions.
- Regulating the issuance of the capital market products
- Promoting market development through research on new products and institutions.
- Promoting investor education and public awareness
- Protecting investors' interest



# | Letter of Transmittal

The Cabinet Secretary  
The National Treasury and Economic Planning  
Nairobi

Dear Hon. Cabinet Secretary,

I have the honor of submitting the Annual Report of the Capital Markets Authority for the fiscal year ended 30 June 2023. 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,



Chairman  
Mr. Ugas Sheikh Mohamed

# Contents

Abbreviations	8
Key Entity Information and Management	9
Board of Directors of the Authority	12
Key Management Team	24
Chairman’s Statement	28
Report of the Chief Executive Officer	30
Statement of Performance Against Predetermined Objectives For FY 2022/23	36
Management Discussion and Analysis	47
Environmental and Sustainability Reporting	50
Corporate Governance Statement	54
Board and Committee Meetings Attendance	55
Statement of Directors Responsibilities	58
Report of the Directors	60
Report of the Independent Auditor for the Capital Markets Authority	62
Statement of Financial Performance for the Year Ended 30 June, 2023	69
Consolidated Statement of Financial Position as at 30 June, 2023	70
Capital Markets Authority Statement of Financial Position as at 30 June, 2023	71
Investor Compensation Fund (ICF)	72
Statement of Changes in Net Assets for the Period Ended 30 June, 2023	73
Capital Markets Authority (CMA) Statement of Cash Flows for the Year Ended 30 June, 2023	74
Statement of Cash Flows for the Period Ended 30 June, 2023	75
Statement of Comparison of Budget and Actual Amounts	76
Notes to the Financial Statements	80
<b>Appendices:</b>	<b>110</b>
Appendix I: Progress on Follow Up of Auditor Recommendations	110
Appendix II: Inter Entity Transfers	111
Appendix III: Recording of Transfers from Donors	112

# Corporate Information



## Registered office

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

## Authority contacts

Telephone: (254) 2264900  
E-mail: [corporate@cma.or.ke](mailto:corporate@cma.or.ke)  
Website: [www.cma.or.ke](http://www.cma.or.ke)



## Principal bankers

NCBA Bank Kenya PLC  
Mara/Ragati Roads Upper Hill ,  
P.O. Box 30437, 00100  
Nairobi, Kenya.

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

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

## Authorized independent auditor

Ronalds LLP  
Certified Public Accountants  
136 Manyani East Road,  
Off Waiyaki Way,  
P. O. Box 41331, 00100  
Nairobi, Kenya.

## On behalf of

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



## Principal legal adviser

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

# Abbreviations

1. CEO	Chief Executive Officer
2. CBK	Central Bank of Kenya
3. CMA	Capital Markets Authority
4. ERP	Enterprise Resource Planning- software
5. GOK	Government of Kenya
6. ICPAK	Institute of Certified Public Accountants of Kenya
7. ICT	Information Communication Technology
8. IPSAS	International Public Sector Accounting Standards
9. ISO	International Organization for Standardization
10. L&D	Learning and Development
11. TNT	The National Treasury
12. NSSF	National Social Security Fund
13. OCOB	Office of the Controller of Budget
14. OAG	Office of the Auditor General
15. OSHA	Occupational Safety and Health Act of 2007
16. PFM	Public Finance Management
17. PPE	Occupational Safety and Health Act of 2007
18. PSASB	Public Sector Accounting Standards Board
19. SAGAs	Semi-Autonomous Government Agencies
20. SC	State Corporations

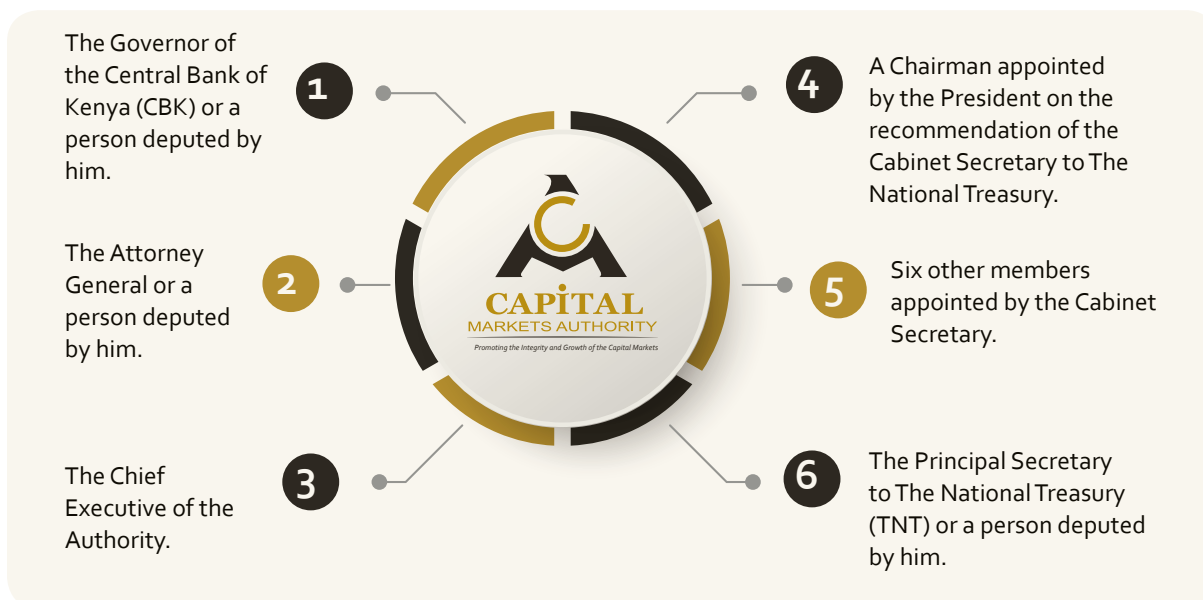


# Key Entity Information and Management

## a) Background information

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

The Authority is composed of a Board constituted as follows:



The chairman and the six members are persons who have experience and expertise in legal, financial, banking, accounting, economics or insurance matters, serve for a period of three years and are eligible for re-appointment for another three years.

## b) Principal Activities

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

The CMA is a regulatory body charged with the prime responsibility of supervising, licensing, and monitoring the activities of market intermediaries, including the stock exchange and the Central Depository and Settlement Corporation (CDSC) and all the other persons licensed under the Capital Markets Act. It plays a critical role in the economy by facilitating mobilization and allocation of capital resources to finance long-term productive investments.

## c) Key Management

CMA's day-to-day management is under the following key organs:

- Board of Directors (BOD).
- The Chief Executive Officer (CEO).
- Directors and Senior Management.
- Various Management Committees.

## Key Entity Information and Management (Cont')

### d) Fiduciary Management

The key management personnel who held office during the period and who had direct fiduciary responsibility were:

Designation	Name
1. Chief Executive Officer	Wyckliffe Shamiah
2. Director Corporate Services	Edwin Nyaga Njamura
3. Director, Policy & Market Development	Luke Ezekiel Ombara
4. Acting Director, Market Operations	Daniel Ngenga Warutere
5. Director Internal Audit	Esther Maiyo
6. Director Legal Affairs & Corporation Secretary	Hellen Ombati
7. Director Technology, Research and Knowledge Management	Solomon Kirwa
8. Senior Manager, Education, Certification and Awareness	Samuel Kamunyu Njoroge
9. Senior Manager, People and Culture	Andrew Muthabuku
10. Senior Manager, Information Communications & Technology	Richard Chirchir
11. Senior Manager, Accounting and Finance	John Njoroge
12. Senior Manager, Commodities	Mathew Mukisu
13. Senior Manager, Strategy, Projects and Risks	James Kivuva
14. Senior Manager, Market Supervision	Evelyne Loko Mbithi
15. Senior Manager, Policy & Regulatory Framework	Jairus Muaka
16. Senior Manager Research and Analytics	Wilberforce Ongondo
17. Head, Capital Markets Fraud Investigation Unit	Michael Wiso

# Key Entity Information and Management

## e) Fiduciary Oversight Arrangements

### Board Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 14 of the Capital Markets Act, the Board works through a number of committees which operate within defined Terms of Reference (ToRs). Other committees are formed on an ad-hoc basis as need arises. 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 up to 24<sup>th</sup> February 2023 and subsequently by Mr. Meshack Moses Kiprono. 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 up to 24<sup>th</sup> February 2023 and subsequently by Mr. Gibson Kimani Maina. 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 during 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 24<sup>th</sup> February 2023 and subsequently by Prof. Michael Bowen. 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.

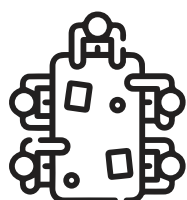


#### The Technical and Policy Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. John Birech up to 24<sup>th</sup> February 2023 and subsequently by Ms. Elena Natalia Pellegrini. 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 six times during the year.

# Board of Directors of the Authority

NAME	POSITION
Mr. Ugas Sheikh Mohamed	Chairman of the Board (Effective 24 <sup>th</sup> February 2023)
Mr. Wyckliffe Shamiah	Chief Executive Officer
Hon. Prof. Njuguna Ndung'u	Member: Cabinet Secretary, The National Treasury & Economic Planning
Mr. Musa Kathanje	Alternate to Cabinet Secretary, The National Treasury and Economic Planning
Hon. Justin B.N. Muturi	Member: Attorney General
Ms. Christine Kanini	Alternate to Hon. Attorney General
Dr. Kamau Thugge	Member: Governor, Central Bank of Kenya
Mr. David Luusa	Alternate to Governor, Central Bank of Kenya
Mr. Meshack Moses Kiprono	Member (Effective 24 <sup>th</sup> February 2023)
Mr. Gibson Kimani Maina	Member (Effective 24 <sup>th</sup> February 2023)
Ms. Elena Natalia Pellegrini	Member (Effective 24 <sup>th</sup> February 2023)
Ms. Natasha Awuor Aduwo	Member (Effective 24 <sup>th</sup> February 2023)
Prof. Michael Bowen	Member (Effective 24 <sup>th</sup> February 2023)
Mr. Nicholas Kamuya Ng'arua	Member (Effective 26 <sup>th</sup> May 2023)
Mr. Nicholas Nesbitt	Former Board Chairperson (Term ended effective 24 <sup>th</sup> February 2023)
Mr. John Birech	Member (Term ended effective 24 <sup>th</sup> February 2023)
Dr. Freshia Mugo-Waweru	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Peter Mungai	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Mark Bichachi	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Eli Mwangi	Member (Term ended effective 24 <sup>th</sup> February 2023)



The Board of the Authority (The Board) is responsible and accountable to the Government of Kenya (GoK), through The National Treasury, 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 and management.
- iii. During the period under review, the Board met eight times.



## Composition of the Board



### SITTING FROM LEFT TO RIGHT:

1. **Chrisologus Makokha**  
Representing the Inspectorate of State Corporations
2. **Mr. Nicholas K. Ng'arua**  
Member
3. **Mr. Ugas S. Mohamed**  
Chairman
4. **Ms. Christine Kanini**  
Alt to the Hon. Attorney General
5. **Ms. Natasha Awuor Aduwo**  
Member



**STANDING FROM LEFT TO RIGHT:**

**6. Prof. Michael Bowen**  
Member

**7. Ms. Hellen Ombati**  
Director, Legal  
Affairs & Corporation Secretary

**8. Mr. Gibson Kimani Maina**  
Member

**9. Mr. David Luusa**  
Alt to the Governor, CBK

**10. Mr. Musa Kathanje**  
Alt to the Cabinet Secretary  
National Treasury and Planning

**11. Mr. Wyckliffe M. Shamiah**  
Chief Executive Officer

**12. Mr. Meshack Moses Kiprono**  
Member

**13. Ms. Elena Natalia Pellegrini**  
Member

# Composition of the Board

## Mr. Ugas Sheikh Mohamed

Mr. Ugas Sheikh Mohamed was appointed the Chairperson of the Board of Directors of Capital Markets Authority, for a period of three years, with effect from the 24 February 2023.

Mr. Mohamed has 27 years' experience in strategic management, leadership and as a development specialist. He has worked with Fortune 500, blue chip companies in the USA such as Microsoft, Verizon Communications at various levels of management. He has worked in the Information, Communication and Technology sector at executive, engineering, senior project management, and consultant levels. He is a humanitarian and social justice advocate for the underprivileged. He is a founding member and chairman of board of global non-profit based in the USA. He is currently in private business practice, as well as serving as a board director and trustee of several private businesses, non-profits, and endowments.

Mr. Mohamed is a holder of a Masters from University of Phoenix in Project Management, and Bachelor of Science, Information Systems from University of Dallas, Irving, Texas. He holds high level certifications from Microsoft, HP storage SAN systems, ITL, Compaq, VMware cloud computing, Virtualization, and a PMP.

He previously served as a board member at the ICT Authority for 3 years and as a Board of Governor and Council Member at Kenya Technical Trainers College (KTTC) for 6 years.

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## Hon. Prof. Njuguna Ndung'u

### **(Cabinet Secretary, The National Treasury & Economic Planning)**

Prof. Njuguna Ndung'u is the Cabinet Secretary, The National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and a former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at International Development Research Centre (IDRC) and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.



# Composition of the Board

## Mr. Musa Kathanje

### (Alternate to Cabinet Secretary, The National Treasury & Economic Planning)

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 the 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 the Monetary Policy Analysis Division. Mr. Kathanje served at the Central Bank of Kenya (CBK) 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 by 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 Africa. He holds among others, a two-year certificate in macroeconomic modelling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa. He holds both master's and bachelor's 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, The National Treasury at the Central Bank of Kenya, Monetary Policy Committee (MPC) meetings (May 2017 to date) and is an Alternate to the Cabinet Secretary, The National Treasury and Economic 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, The National Treasury and Economic Planning at the Konza Technopolis Board (14th October 2015 to September 30, 2019) and at the Kenya Institute of Public Policy Research and Analysis (KIPPRA) (14th October 2015 to August 19, 2019).

# Composition of the Board

## Hon. Justin B. N. Muturi

Hon. Justin B. N. Muturi E.G.H is the Attorney General of the Republic of Kenya. He serves as a Director on the Board of Directors of the Capital Markets Authority. Prior to the current appointment, Hon. Justin B.N Muturi was serving as the Speaker of The National Assembly and Chair, the Parliamentary Service Commission (PSC). He has served in several capacities in the Republic of Kenya including Chairman of the Centre for Multiparty Democracy, Member of the National Assembly, Siakago Constituency, Embu County and the Judiciary where he served for 15 years as Principal Magistrate at the Nairobi Law Courts and Chairperson of the Kenya Judges and Magistrates Association.

Hon. Justin B. N. Muturi E.G.H is a member of the Law Society of Kenya (LSK), Commonwealth Lawyers Association (CLA), and International Bar Association (IBA). Hon. Justin B. N. Muturi E.G.H has been the President of the Board of the African Parliamentarians Network Against Corruption (APNAC), and Chairperson of the Executive Committee of the Commonwealth Parliamentary Association (Africa Region).

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## Dr. Kamau Thugge

### (Governor, the Central Bank of Kenya)

Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK), and has been in office since June 19, 2023.

Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division. In these roles, Dr. Thugge helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He also worked on various Article IV missions. Dr. Thugge also served as Mission Chief to Botswana and Lesotho in the wake of the global financial crisis.

Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs Department at The National Treasury, as Economic Secretary and as Senior Economic Advisor. Dr. Thugge also served as Principal Secretary at The National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. Dr. Thugge helped to design and implement various laws including the Public Finance Management Act, the Commission on Revenue Allocation (CRA) Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the Monetary Policy Committee), the Kenya Revenue Authority (KRA) and the Capital Markets Authority.

The Governor holds a bachelor's degree from the Colorado College, and Master's and PhD Degrees in Economics from Johns Hopkins University in the United States.

# Composition of the Board

## Ms. Christine Kanini

### Alternate to Hon. Attorney General

Ms. Christine Kanini is a Deputy Chief State Counsel at the Office of the Attorney General in the Government Transactions Division. She serves on the Board of the Capital Markets Authority as an alternate to the Hon. Attorney General. She previously served in the National Irrigation Board and Kenya Academy of Sports as an alternate to the Attorney General.

Prior to joining the Office of the Attorney General, Ms. Christine Kanini served as a Legal Associate at the law firm of A.B. Patel & Patel Advocates and Mburu Kariuki & Company Advocates . Ms. Christine Kanini has over 12 years' experience and knowledge in commercial and financial transactions. She has also experience in Public Procurement, Public Finance, Public Private Partnerships and Land laws . She holds a Master of Laws (LLM) degree in international law and a Bachelor of Laws (LLB) degree from the University of Nairobi.

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## Mr. David Luusa

### Alternate to Governor, Central Bank of Kenya

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.

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## Mr. Meshack Moses Kiprono

Mr. Meshack Moses Kiprono was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24th February 2023.

Mr. Kiprono is an investment and banking professional with over 14 years of experience in the capital markets. He is a graduate of Bachelor of Commerce (banking and finance) from Makerere University. Throughout his career, he has developed a deep understanding of financial instruments and investment vehicles, as well as the regulatory environment that governs them. He has a track record of success in managing complex financial transactions.

Mr. Kiprono is highly skilled in financial analysis and risk management and has a keen eye for identifying emerging trends in the market. He has expertise in equity and fixed income securities, structured products, and alternative investments.

# Composition of the Board

## Mr. Gibson Kimani Maina

Mr. Gibson Kimani Maina was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Mr. Maina holds a Bachelor of Laws degree from the University of Nairobi and is an Advocate of the High Court of Kenya. He is currently serving as a Partner at Kilukumi & Company Advocates which specializes in commercial transactions and corporate governance. He has developed extensive knowledge in commercial transactions and a deep understanding of the legal and regulatory environment. He brings valuable legal expertise and unique perspective which helps to navigate complex legal and regulatory challenges leading to informed strategic decision and mitigation of legal risks.

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## Ms. Elena Natalia Pellegrini

Ms. Elena Natalia Pellegrini was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Ms. Pellegrini's career in financial markets spans over 15 years, her primary focus is on client and relationship management, working to develop strategies and enhance client offerings in the forex, commodities and in capital markets space. She has worked for several financial institutions including Standard Bank of South Africa, Chicago Mercantile Exchange Group (CME), and ICBC Standard Bank in the United Kingdom.

Throughout her career, she has developed analytical skills, the ability to understand complex financial markets and has held a specialist role in regulatory reporting, providing solutions to clients that ensured reporting was in line with the appropriate governing body. Most recently in the capital markets space, working closely with the business to enhance the post-trade services for all Exchange-Traded Derivatives (ETDs), cash equities and fixed income to reduce risk and drive efficiencies across bilateral and triparty post trade interactions.

Ms. Pellegrini holds a Bachelor of Science degree in Psychology from Middlesex University in London.

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## Ms. Natasha Awuor Aduwo

Ms. Natasha Awuor Aduwo was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Ms. Aduwo holds a Bachelor of Laws degree from the University of Nairobi. She is a legal consultant, a Certified Mediator, and a member of Federation of Women Lawyers-Kenya. She is also a board member at Safe Hands Trust, an organization that focuses on children in conflict with the law. Ms. Aduwo is a purpose-driven legal professional and Mediator with gained skill set and wealth of knowledge on legal matters. She is adept at drafting and reviewing legal contracts and agreements, client management and general office management. Led by her strong problem-solving and organizational skills, she has established a unique ability to steadfastly manage numerous duties and responsibilities pertinent to a company's growth.

## Composition of the Board

### Prof. Michael Bowen

Prof. Michael Bowen was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Prof. Bowen is an Associate Professor of Environmental Economics and is currently the Principal of the Nairobi Campus of Daystar University. Before this, he was the Director of Research at Daystar University between 2015 to 2019 and Deputy Director, Quality Assurance between 2013 to 2015 in the same institution. In the period between 2005 and 2012, he was a senior researcher within the same university. Earlier in his academic career he taught at Kenya Methodist University where he rose to head the Department of Business Administration. Between 2012 and 2014 he was a council member at Daystar University representing the staff. He previously chaired the Board of IDB Capital, a parastatal under the Ministry of Industry and Trade. Prof. Bowen has supervised more than 100 Masters and PhD students to completion. He has been involved in several funded research and his publications are listed on Google Scholar and Research Gate with 740 citations on former, with the leading paper cited 653 times.

Prof. Bowen has presented papers in international conferences in the USA, Netherlands, Hong Kong, Japan, Dubai, South Africa, UAE, Kenya, Tanzania and Uganda. He has been an external examiner for National University of Science and Technology (Zimbabwe), Jomo Kenyatta University, Kenya Methodist University, Moi University, Africa Nazarene University, Management University of Africa and University of Eldoret. He has also been an editor and reviewer of several journals. In addition, he has been part of teams in writing several academic programs from Undergraduate to PhD. He holds a PhD in Environmental Economics from Moi University.

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### Mr. Nicholas Kamuya Ng'arua

Mr. Nicholas K. Ng'arua was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 26th May 2023.

Mr. Ng'arua's areas of practice and key highlights include tax advisory work including but not limited to issuing advisory opinions to clients in relation to tax demands made by the Kenya Revenue Authority and assisting the firm in matters before the Tax Appeals Tribunals. He also deals with general tax consultancy, including issuing advisory opinions on tax optimization for clients, advising on transfer pricing policies, and general taxation liabilities for entities in Kenya.

Mr. Ng'arua is an Advocate of the High Court of Kenya (LL.B Hons) (Dip. KSL), a Commissioner of Oaths/Notary Public and an Associate Member, Chartered Institute of Arbitrator.

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### Mr. Wyckliffe Shamiah

Mr. Shamiah is the Chief Executive Officer of the Capital Markets Authority. Prior to his appointment, on 19th November 2020, he was the Acting Chief Executive from January 2020. He was previously the Director of Market Operations (DMO) and has worked at the Authority for over 22 years in various capacities with all round exposure in various aspects of capital markets.

He is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators' Forum. He also sits on the Financial Stability Board Regional Group of Sub-Saharan Africa.

Mr. Shamiah holds a Bachelor's degree in Economics and Mathematics from Egerton University and a Masters in Business Administration from the University of Nairobi. He is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has served on the ICPAK Council from 2009 to 2022.

## Composition of the Board

### Hellen Ombati

Company Secretary (CS). Hellen K. Ombati is the Director Legal and Company Secretary of the Capital Markets Authority. She is a holder of a Master of Business Administration (MBA) in Strategic Management from the Catholic University of Eastern Africa and a Bachelor of Laws (LLB) degree from the University of Nairobi. She is a Certified Public Secretary (CPS-K) and a member of the Institute of Certified Secretaries of Kenya (ISPCK). CS. Ombati is an advocate of the High Court of Kenya and a member of the Law Society of Kenya (LSK) as well as the Chartered Institute of Arbitrators– UK and the Kenya Institute of Supply Management (KISM). She also holds a Diploma in French from Alliance Française, Paris.

She joined the CMA in May 2016 as the Head Legal Affairs and Corporation Secretary. Prior to joining the CMA, she served as the Manager Legal Services & Board Coordination at the Kenya Revenue Authority. CS Ombati has been involved in conveyancing practice, preparation of contracts and legal agreements, commercial law as well as company secretarial work. She has also participated in civil society where she was engaged in civil litigation and prosecution of criminal cases at FIDA Kenya. She has also worked as a State Counsel at the Attorney General's Chambers.



# Key Management Team



**FCPA Wyckliffe Shamiah**  
**Chief Executive Officer**  
Date joined the Authority  
20 May, 1997  
Accountant  
MBA, BA, CPA(K)



**FCPA Edwin Nyaga Njamura**  
**Director, Corporate Services**  
Date joined the Authority  
17 July, 2012  
Management  
EMBA, BCOM, BSP, CPA(K)  
Certificate in Public Policy



**Luke Ezekiel Ombara**  
**Director, Policy & Market Development**  
Date joined the Authority  
15 February, 1995  
Economist  
BA, BSP, CISI, CIFA



**FCPA Esther J. Maiyo**  
**Director Internal Audit**  
Date joined the Authority  
15 February, 1995  
Accountant  
MBA, BCOM, CPS (K), CISA,  
CPA(K)



**Hellen Ombati**  
**Director Legal Affairs & Corporation Secretary**  
Date joined the Authority  
6 May, 2016  
Lawyer & Certified Secretary  
MBA, LLB, Dip-French, Dip in Law,  
CPS(K)



**Solomon C. Kirwa**  
**Director Technology, Research & Knowledge Management**  
Date joined the Authority  
2 June, 2022  
ICT Specialist  
CPA, BSC.IT, MSC.IT, MBA



**Daniel Ngenga Warutere**  
**Ag. Director Market Operations**  
Date joined the Authority  
10 November, 2008  
Lawyer  
LLB, CPS (K), CPA (K), LLM,  
Post Grad Cert, Capital Markets



**Samuel Kamunyu Njoroge**  
**Senior Manager, Education, Certification and Awareness**  
Date joined the Authority  
3 January, 2005  
Economist  
MA (Econ) , BA (Econ),  
MCSI (CISI, UK), CIFA,  
Fellow FLPFI (USA)



**Andrew Muthabuku**  
**Senior Manager, People and Culture**  
1 July, 2011  
Human Resources & Administration  
MBA, BA, H-Dip (HRM)



# Key Management Team



**Richard Chirchir\***  
**Senior Manager, Information Communications & Technology**  
 Date joined the Authority  
 22 June, 2009  
 Computer Science Engineering  
 BSC, Pg Dip - Computer Science



**John Njoroge**  
**Senior Manager, Accounting and Finance**  
 Date joined the Authority  
 4 February, 2008  
 Accountant/Economist  
 BA, CPA(K),CPS(K), BSP



**Matthew Mukisu**  
**Senior Manager, Commodities**  
 Date joined the Authority  
 7 March, 2016  
 Economist  
 MA (Economics), BSC,CPA(K)



**James M. Kivuva**  
**Senior Manager, Strategy, Risks and Projects**  
 Date joined the Authority  
 29 February 2016  
 Strategist, Programme Management & Information Technologist  
 MA in Project Planning & Management, BSc in Information Science – Information Technology, PRINCE 2, Agile Practitioner, CBAP, Database Administration



**Jairus Muaka**  
**Senior Manager, Policy & Regulatory Framework**  
 Date joined the Authority  
 5 January, 2009  
 Economist  
 M.A Economic Policy, B.A Economics and Performance Tuning Certification



**Wilberforce Ongondo**  
**Senior Manager Research and Analytics**  
 Date joined the Authority  
 11 November, 2008  
 Researcher  
 BSc, MBA



**Jeremiah Yego**  
**Principal Supply Chain Management Officer**  
 Date joined the Authority  
 1 August 2017  
 Supply Chain Management  
 BA,KISM,CIPS,SMC

## KEY

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

\*Left the Authority on 16th January 2024





# Chairman's Statement



“ Kenya’s GDP is projected to grow at 5.6 percent compared to 5.5 percent in 2023, driven by growth in the services industry and household consumption in spite of some downside risks including inflationary pressure, driven by food and energy price rises.



In 2023-24, Africa’s average real GDP growth is anticipated at 4.1 percent compared to 3.8 percent in 2022

## Overview of the Global Economy

In 2023, global Gross Domestic Product (GDP) growth is projected at 2.7 percent, one of the lowest annual growth rates in recent times, a performance that only comes close to the COVID-19 peak period in 2020. The main factors responsible for this slowdown include steep rises in energy costs and commodity supply bottlenecks instigated by the conflict in Eastern Europe, resulting in inflationary pressure, interest rate hikes and currency volatility. Significantly, the 2023 slowdown appears broad-based, with countries accounting for about one-third of the

global economy poised to register significant contraction.

Emerging markets are projected to register substantial growth, with among others, China, Brazil, India, Mexico and Russia anticipated to post growth improvements. China is anticipated to register a growth rate of about 5.6 percent from 5.2 percent in 2022, while the USA is forecast to grow by about 1.2 percent in 2023 compared to 1.0 percent in 2022. Eurozone growth is forecast at 0.8 percent for 2023 compared to 3.2 percent in 2022.

# Chairman's Statement (Cont')

## Africa and the East African Community (EAC) Region

In 2023-24, Africa's average real GDP growth is anticipated at 4.1 percent compared to 3.8 percent in 2022). This growth will be above the global average of 2.7 percent and Europe's 0.8 percent. This growth however, compares well with Asia's projected 4.3 percent growth, fueled by strong consumption and investment that could offset the impact of weak global demand. Africa's growth will be affected by risks including high global interest rates and a strong dollar while the continuing war in Eastern Europe is likely to worsen food insecurity and further push up basic commodity prices.

The East African Community (EAC) regional block is anticipated to register improved growth at 5.1 percent in 2023 compared to 4.4 per cent in 2022. This growth will be supported by relatively high growth in Ethiopia, Rwanda and Uganda (which when combined, have been accounting for about 41 percent of the region's GDP). Kenya and Tanzania are also expected to register growth amidst shocks emanating from extended periods of drought, internal challenges, disruptions to global supply chains, tight monetary and fiscal policy to contain inflation, contractions in agriculture and manufacturing activities, weak growth in credit to the private sector and a rise in public debt.

## Domestic Performance and National Outlook

Kenya's GDP is projected to grow at 5.6 percent compared to 5.5 percent in 2023, driven by growth in the services industry and household consumption in spite of some downside risks including inflationary pressure, driven by food and energy price rises. Monetary policy is expected to remain tight against a

backdrop of the war in Eastern Europe that has adversely impacted commodity prices, tight global financing, drought, and slow global economic recovery.

## Appreciation and Outlook

Given the better performance of the country's capital markets during the financial year that included significant improvement in bond turnover, oversubscribed issuances in the bond market and facilitative policy changes that were approved by The National Treasury & Economic Planning, we have reason to believe that the country's capital markets is on the rebound. We are confident that our stakeholders will continue playing their critical role in driving uptake of Kenya's Capital Markets products to support the Government's socio-economic transformation agenda.

I take this opportunity to thank the Government of Kenya (GOK) through The National Treasury & Economic Planning, development partners, Government Agencies and Departments and Financial Sector Regulators for supporting the Authority in this endeavor.

Finally, I thank Authority's Board of Directors and staff for their invaluable contribution 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 wish our stakeholders a rewarding year ahead.



.....  
**Chairman**  
**Mr. Ugas Sheikh Mohamed**



# 2.7%

2023, global Gross Domestic Product (GDP) growth is projected at



# 5.6%

Kenya's GDP growth projection



# 4.1%

Africa's average real GDP growth anticipation

# Report of the Chief Executive Officer



As regards market capitalization, as of June 2023, the market's value was Ksh.1.67 trillion (June 2022 – Ksh.1.93 trillion), a 13.47 percent decrease.



**In 2023-24, Africa's average real GDP growth is anticipated at 4.1 percent compared to 3.8 percent in 2022**

## I. Market Performance

### Primary Market

One of the key developments during the Financial Year was the listing of the LapTrust Imara I-REIT by the Local Authorities Pension Trust (LAPTRUST) - the first Income-Real Estate Investment Trust (I-REIT) by a pension fund at the Nairobi Securities Exchange (NSE). This major milestone is expected to provide investors with a unique opportunity to invest in a diversified portfolio of income-generating real estate assets when the I-REIT starts to trade.

In the commodities markets, coffee reforms took centre stage, with the Authority receiving approval by Parliament to regulate the coffee sector. To this end, the Authority has licensed 12 coffee brokers and extended the in-principle approval of the Nairobi Coffee Exchange (NCE) to continue operating as a coffee exchange which will be followed by the granting of a license, upon compliance with the regulations.

In addition, the effort to effect policy and regulatory reforms for improved uptake gathered momentum during the year, with some key pieces

# Report of the Chief Executive Officer (Cont')

of legislation getting submitted to The National Treasury & Economic Planning for consideration and possible gazettelement. These were the Credit Rating Regulations and the Collective Investment Schemes and Alternative Investment Funds Regulations.

Further, as a way of facilitating the market to do more equity issuances, together with industry players, the Authority hosted a number of stakeholder events including the annual SME Forum, the third Capital Markets Consultative Forum (CMCF III) and engaged with select counties and enterprises within those counties, to interest them in capital markets.

In the primary bond market, 34 Treasury Bonds (2021/22 - 32) were issued or re-opened, as the Government of Kenya sought to raise Ksh.887.8 billion (2021/22 - Ksh.881.50 billion). In response, Ksh.988.55 billion worth of bond applications were received (2021/22 - Ksh.1,144.66 billion), with the Government accepting Ksh.829.95 billion (2021/22 - Ksh.888.66 billion).

As regards the corporate bond market, during the year, the market was relatively quiet, with the total outstanding amount totalling Ksh.29 billion.

## Secondary Market

In the secondary market, most of the challenges experienced in 2021/22, got carried over to 2022/23 as tighter macro-economic conditions instigated by the impact of COVID-19, global supply chain constraint and rising energy costs led to rising costs of living, volatile exchange rates, rising interest rates and rapidly rising input costs persisted during the year. (Ksh.191.49 billion - 2021/22), a 48.1 percent decrease on the equity turnover levels recorded in the previous period. The end-period NSE 20-Share index was

down by 2.35 percent (2021/22 - 16.32 percent) to close the year at 1574.92 points (2021/22 - 1612.89 points).

As regards market capitalization, as of June 2023, the market's value was Ksh.1.67 trillion (June 2022 - Ksh.1.93 trillion), a 13.47 percent decrease. The performance decline notwithstanding, there was some significant positive performance in the Collective Investment Schemes market, the Exchange Traded Funds market and the Agricultural Sub-Segment within NSE Main Market Segment.

With regards to the derivatives market launched in 2019, the derivatives market traded a cumulative turnover of Ksh.88.67 million (2021/22 - Ksh.213.9 million), a 58.5 percent decrease in derivatives market activity. As regards foreign portfolio flows, 2022/23 registered outflows worth Ksh.27.2 billion (2021/22 - Ksh.19.8 billion worth of outflows) a 37.4 percent rise in net outflows.

In the secondary bonds market, during the Financial Year, the country's bond market turnover stood at Ksh.665.15 billion (2021/22 - Ksh.872.97 billion) a 23.81 percent decrease.

## i. Major Market Developments

Below is a highlight of some of the key market developments during the Financial Year.

- i. In close collaboration with the capital markets industry, the Authority held a two-day consultative workshop on 9<sup>th</sup> and 10<sup>th</sup> May, 2023 to discuss the bottlenecks faced by the market in the implementing Circular No. 8 of 2020 on Collective Investment Schemes (CISs) Valuation,



# 88.67 Million

Market traded a cumulative turnover.

# 34

Treasury Bonds were issued or re-opened in the primary bond market.



# 19.8 Billion

Registered outflows in 2022/2023

# Report of the Chief Executive Officer

Investment Performance Measurement, Reporting and other related matters. In this regard, subject to stakeholder input, the Authority has made recommendations to have the provisions in the circular included in the substantive CIS Regulations.

- ii. The Authority undertook several initiatives aimed at leveraging technology to enhance customer experience. These included:
  - a) Launch of a retail digital trading application that is downloadable on play store for Android and IOS users aimed at facilitating retail investors with direct access to trade stocks with participating intermediaries as well as have access to market data.
  - b) Approval of CIS offering through mobile platforms such as MALI.
  - c) Launch of the Capital Markets Authority App that is accessible on Google Play Store for both IOS and Android users to promote investor education while leveraging technology to increase product uptake.
  - d) Supporting innovation of start-ups through the regulatory sandbox that provides a platform to test and exit into the mass market upon successful testing.
- iii. To encourage and facilitate the uptake of capital markets products and services, the Authority undertook several stakeholder engagements including:
  - a) The 3<sup>rd</sup> Annual National Capital Markets SME Forum – 10th November 2022,
  - b) The 3<sup>rd</sup> Annual Capital Markets Consultative Forum (CMCF) - 20th June 2023
  - c) The Capital Markets REITs Conference – 30<sup>th</sup> November 2022
  - d) The County Green Bonds Assessments conducted in collaboration with other stakeholders for Nairobi County (13<sup>th</sup> January 2023) Embu (24-27 January 2023), Kisumu (7-10 February 2023), Taita Taveta (14<sup>th</sup> -17<sup>th</sup> February 2023), Kirinyaga (21-24 March 2023) and Wajir (15<sup>th</sup> -23<sup>rd</sup> May 2023) Counties.
- e) A Structured Finance Workshop on Exchange Traded Funds (ETFs) - 25<sup>th</sup> May 2023.
- f) An Islamic Finance Stakeholder Workshop - 14<sup>th</sup> April 2023.
- g) An engagement with the Council of Governors - May 9<sup>th</sup> 2023, and
- h) Support for the launch of the National REITs umbrella – Kenya National REITs (KNR) – 7<sup>th</sup> February 2023.
- iv. In so far as Investigations and Enforcement for investor protection is concerned, the Authority undertook the following initiatives:
  - a) Investor protection initiatives aimed at boosting investor confidence including Capital Market investigation and enforcement processes, the online whistle blower portal and reporting via email;
  - b) Issuance of investor alerts and market arbitration;
  - c) Collaboration with global regulators under IOSCO Multilateral Memorandum of Understanding (MMoU) to bolster information sharing and cross border fraud deterrence initiatives;
  - d) Collaborative capacity building across the region for peer regulators on investigations & enforcement processes for global competitiveness for among others; Malawi, Botswana and Zambia and
  - e) Stakeholder engagements for market fraud deterrence by closely working with other state agencies including financial industry regulators and agencies (Capital Markets Fraud Investigations Unit (CMFIU), Directorate of Criminal Investigations (DCI) and the Office of the Director of Public Prosecutions (ODPP).



# I Report of the Chief Executive Officer (Cont')

## II. Financial Highlights

RESULTS		As at June 30, 2023	As at June 30, 2022
		Kshs '000	Kshs '000
The results for the year are summarised below:-	<b>Notes</b>		
Total income for the year	6-9	872,016	1,095,800
Total operating expenditure for the year	29	(839,565)	(888,948)
Surplus before tax		32,451	206,852
90% Surplus due to Exchequer	11(a)	-	(147,557)
<b>Retained Surplus</b>		<b>32,451</b>	<b>59,295</b>

\*Details of each line are found under respective notes in the Annual Report and Financial Statements.



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

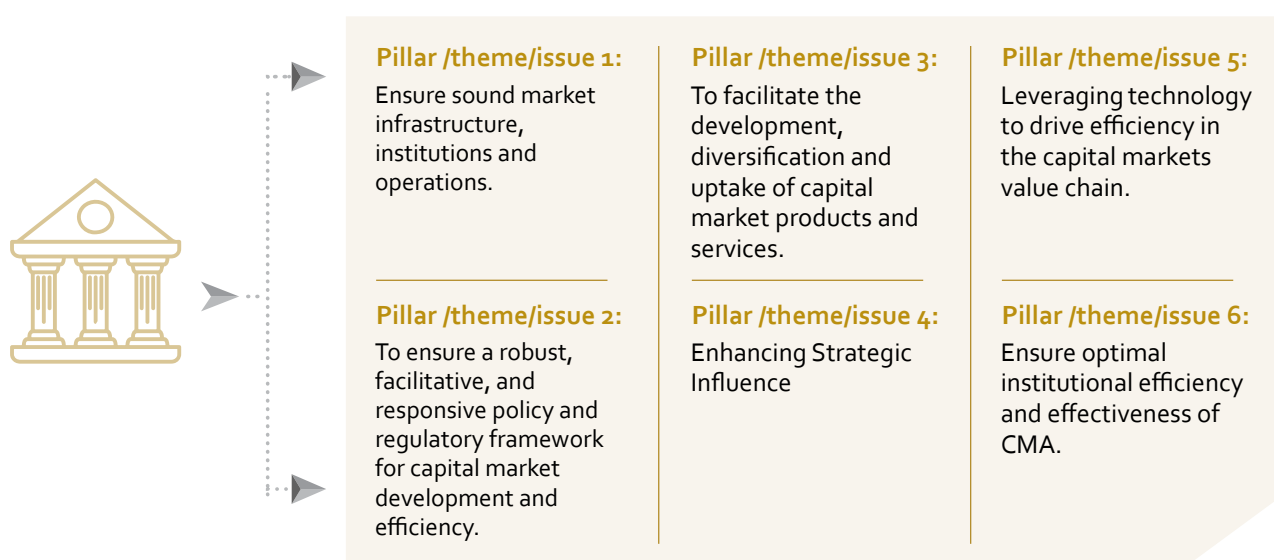




# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the National Government entity's performance against predetermined objectives.

The Capital Markets Authority has six (6) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022-2023. These strategic pillars/ themes/ issues are as follows;



The Capital Markets Authority developed its annual work plans based on the above six (6) pillars/themes/issues. The assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2022-2023 period for its six (6) strategic pillars, as indicated in the table below:

**Table 2: Performance against predetermined objectives**

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
To facilitate the development, diversification, and uptake of capital market products and services.	Sustain market vibrancy by enhancing liquidity through existing capital markets products and services.	Increased market liquidity by facilitating optimal product and services uptake and market deepening.	Undertake targeted supply-side promotion of non-traditional capital markets products including Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Asset-Backed Securities (ABS), and Spot Commodities.	Identification of 3 potential structured product issuers and product concepts with an engagement schedule.	3 engagements were held with potential ABS (1), REITs (1), and ETF Issuers (1). 5 new coffee brokers were licensed.
			Review existing milestones and determine the next steps towards enabling issuance and disbursement of Islamic Finance Capital Market products.	Approved road map and implementation framework toward issuance and disbursement of Islamic Finance Products.	A Workshop was held in April 2023 and a roadmap was developed. Follow-up meeting with potential issuer held with CBK in May 2023.
			Review private equity deals and understand key competitive advantages over going public.	One policy advisory on encouraging private markets issuer participation in the capital markets.	-

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
	Support alternative approaches to increase retail and institutional investors and participants in the capital markets.	Increased mobilization of savings and investments through transformative access to mobile and other online technology to retail and institutional investors.	Implement recommendations of the concluded Investor Education Measurement Index (IEMI) Survey as per the implementation matrix by June 2023.	Implement 100% of the new recommendations from the IEMI Survey.	Action Plan developed, approved, and implemented.
			Facilitate increase of domestic retail investment in Collective Investment Scheme (CIS) by leveraging technology.	Total Assets Under Management by Collective Investment Schemes to increase by 10%.	AUM Increased by 12 % from 144 Bn in July 2022 to 161 Bn in March 2023.
			Implement a continued and innovative framework for partnering with industry stakeholders and professionals.	20% increase in the number of domestic retail investors participating through the CMA Mobile App.	300% increase in App. Users from 1668 in July 2022 to 6700 in June 2023. 'Dosika' App. Launched in March 2023. The Authority recruited and trained 38 resource persons covering 14 Counties as part of a new outsourcing strategy. Several forums were held during the period both in the County and online during the period.
				Roll out of continued innovative forums such as Virtual Open Days and edutainment challenges targeting various demographic groups.	A Fintok competition was held as part of World Investor Week 2022. An Edutainment video was developed and posted on social media as follows. <a href="https://fb.watch/hqyYLrQFLT/">https://fb.watch/hqyYLrQFLT/</a> .
			Enhance professional standards within the capital markets for accelerated product uptake and investor protection by facilitating the implementation of a roadmap for the delivery mechanism of professional training programs for capital markets stakeholders.	Implement a roadmap for the delivery mechanism of professional training programs for capital markets stakeholders and further realignment of the certification unit to support the initiative by June 2023.	Following the completed benchmarking to India as part of the establishment of a training delivery mechanism, a report was developed and presented to management and the Board. Modalities for collaborations with institutions are underway as per the roadmap.
				Phase 1 of the continuous professional education (CPE) program for retail investors who participate in our programs during the awareness webinars/forums implemented.	CPE program to be actualized as part of the new upcoming Strategic Plan.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Engage with private equity firms and banks to identify potential issuers that are under private equity deals or need to restructure their financing and promote public listing as a suitable exit strategy.	Private equity firms operating in Kenya and banks are identified and engagements documented.	To be implemented in the next strategic plan.
			Engage with Government entities involved in structuring public-private partnerships (PPPs) to consider public listing as a suitable privatization strategy.	Five Public-owned entities/PPPs are identified as potential issuers and engagements are documented.	
			Implement county financing strategy, including capacity building for counties on the practicalities of accessing capital markets.	Amount of county project financing raised through capital markets.	The Authority in partnership with FSD Kenya, NSE, Augusto & Co, and Ada Consortium, undertook engagements in Nairobi, Embu, Kisumu, Taita Taveta, Kirinyaga, and Wajir Counties. The engagements were aimed at assessing the project readiness for green bond investments in these Counties.
To ensure a robust, facilitative, and Responsive policy and regulatory framework for capital market development and efficiency	Support market-based long-term funding for all sizes of businesses to jump-start economic recovery and growth.	Significant increase in the utilization of capital markets and listings by Micro, Small, and Medium Enterprises (MSMEs), existing and potential large-cap businesses, and Counties to fund their longer-term development initiatives.	Develop an annual memorandum of policy proposals to promote capital market development, regulatory responsiveness, and product uptake.	Memorandum of Annual policy proposals submitted to the National Treasury by April 2023.	The Policy Roundtable was held on 3rd November 2022 and the Policy Memorandum was submitted to the National Treasury and Economic Planning on 16th December 2022.
			Implement the stakeholder engagement and advocacy strategy to promote equity and debt as an avenue for fundraising by Micro, Small, and Medium Enterprises (MSMEs)	A documented pipeline of potential equity and debt issuers.	Structured approaches to engaging stakeholders identified and are currently under implementation. Prospects emanating from the engagements and advocacy are to be documented in the next quarter.
			Facilitate the approval process through active engagement for issuers desirous of raising capital from the capital markets.	Two (2) issuers of securities to the public.	Two (2) REITs were approved for listing (Laptrust and Insignis).
			Examine and implement light disclosure regulations for Private Equity (PE) firms operating in Kenya but domiciled in other countries.	80% increase in institutional funds exposure to PE asset class by June 2023.	Draft Private Equity Regulations have been developed. The Regulations will be progressed to finalization in the next financial year.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
To ensure a robust, facilitative, and Responsive policy and regulatory framework for capital market development and efficiency.	Support market-based long-term funding for all sizes of businesses to jump-start economic recovery and growth.	Policy, Regulatory and operational framework to support the real sectors.	Review of the following draft Regulations/ Guidelines: - 1. The Capital Markets (Licensing Requirements) (General) Regulations, 2002. 2. The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011. 3. The Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011. 4. Guidelines on Financial Resource Requirements for Market Intermediaries, 2022. 5. Credit Rating Agencies Oversight Guidelines, 2002. 6. Margin Trading Regulations 2023. 7. Capital Markets Registered Venture Capital Regulations 2007. 8. Gap analysis and impact assessment of Mergers and Takeovers regulations.	Drafting and Submission of regulations to NT&EP.	The Draft Capital Markets (Licensing Requirements) and (Takeovers and Mergers) Regulations have been developed and submitted to the National Treasury on 30.06.2023. The remaining set of regulations will be finalized in the next financial year 2023-2024.
			Development of a Policy and Regulatory Framework on implementation of Integrated Reporting (IR) and Environment Social and Governance (ESG) for Kenya.	Draft Policy Framework for ESG and IR for Kenya developed by June 2023.	The ESG Policy framework was prepared and approved by the board. 1 workshop held in May 2023.
			Support the implementation of the Commodity Markets Regulations through harmonization of the regulatory framework and continued stakeholder engagement.	Two (2) policy and Regulatory framework proposals/ advisories.	8 stakeholder engagements were undertaken. Senate Coffee Bill 2023 was reviewed, and an advisory was submitted to CSRISC and Senate. 2 advisories on implementation challenges and fees were submitted to NT&EP and C&F respectively.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Review the Corporate governance code for Issuers and establish a tailor-made SME-specific Code.	Reviewed CG Code.	The completed new set of POLD requirements contains specific governance requirements for SMEs alongside those of other market segments. In addition, IG team developed both a strategy and a policy framework for the development of Corporate Governance Code for SMEs. The policy framework was adopted by the CMA Board in the last FY. IG will work with RF to develop the CG Code for SMEs and review the current CG Code for issuers.
To ensure a robust, facilitative, and Responsive policy and regulatory framework for capital market development and efficiency.	Support market-based long-term funding for all sizes of businesses to jump-start economic recovery and growth.	Policy, Regulatory and operational framework to support the real sectors.	Initiate rollout of SME-specific corporate governance requirements.	% Compliance Level.	
			Provide clear guidelines on Group Companies seconding staff to the intermediaries and how they can become signatories.	Guideline.	The draft paper is ready and will be tabled to Compliance and Facilitation Committee in the next financial year.
			CMA to provide guidance on outsourcing functions i.e., internal audit	Guideline.	
			Coordinate the development of a national consumer financial literacy policy and strategy.	National Policy Developed.	This was included as part of the JFSR technical committee to lobby the NT and is ongoing.
			Implement a national consumer financial education policy and strategy, including capital markets content.	Increase in retail investors.	Female investors in the equities market increased by 4,176 in Q4 as of April 2023 compared to Q2 while male investors increased by 8,033 in the same period. This can be attributed to social media, investor education, and stakeholder engagements.
Ensure Sound Market Infrastructure, Institutions, and Operations.	Effective monitoring and supervision of capital market operations to minimize misconduct.	Enhanced investor protection and sound market institutions.	Develop and implement effective Market Oversight Programs including authorization, monitoring, and sanctioning.	100% implementation of market oversight programs.	100% implemented (28 firms).
			Engage a consultant to undertake a fraud risk survey in the market to establish threats to the markets that will guide and inform the Oversight Focus.	Market Fraud risk survey findings and implementation matrix.	The proposal to conduct the Fraud Risk Survey was considered by management, approved, and adopted for the consultancy to be conducted in the next financial year 2023/2024.



# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Engage the IOSCO screening committee to expedite the evaluation of the CMA EMMOU application for the purposes of admission and signing.	Signed EMMOU.	The Authority has continued to engage the IOSCO screening committee and has provided the committee with the information, clarifications, and documents requested.
			Market piloting of the New Risk-Based tool and automation of the tool.	Tool operationalization.	The tool was developed, piloted, and automated ready for roll out to the market by August 2023 as per the Market supervision inspection manual and ISO procedures.
			Implement the SRO work plan in a phased approach as may be guided by CMA & NSE boards through the joint committee deliberations and in line with the delegated responsibilities in the CMA public offers regulations.	Joint CMA & NSE board approval of the agreed areas of SRO work plan implementation.	The Authority has been working closely with NSE, and a joint committee was formed to discuss the SRO responsibilities and issues on capacity.
			Conduct stress testing of the equities and derivatives markets (settlement guarantee funds) and conduct a stress testing of the stockbroking and investment banks' P&L & Balance Sheets.	A stress testing report of the equities and derivatives markets and a stress testing report of the stockbroking and investment banks P&L & Balance Sheets.	Stress testing reports for CDSC and NEXT SGFs were undertaken.
			Conduct forums on protection and detecting fraud.	Number of Forums.	The I&E program was fully implemented.
		Maintenance of an efficient pre-trading environment including trade facilitation, access to data and information, and stable technology.	Increase trading participants/ trading channels.	Two new approved (additional) Market participants/trading channels.	1 trading channel was launched (Dosika). Marshall guide plan and industry communications strategy developed.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
Ensure optimal institutional efficiency and effectiveness of CMA.	Enabling the Authority to have competent and healthy manpower that is well capacitated with adequate and effectively allocated resources, well-maintained tools/ equipment, and in a safe reliable working environment.	Enhance CMA's operational efficiency.	Implement the in-house CISI certification training program in collaboration with People and Culture.	40% of untrained staff undertake CISI level 1 by June 2023.	In house CISI training was completed week of June 12 and training to commence week of June 26th, 2023.
			Assess priorities and obtain approvals to hire where necessary.	Board and NT approval for hiring.	In quarter 4, the National Treasury granted approval to fill thirteen (13) phase 2 priority positions.
			Undertake skills gap analysis and collate Learning and Development needs for 2022 / 2023.	Approved L & D plan 30th September 2022.	Learning and Development plans were approved by September 2022.
				Implement 80% of the L&D Plan by June 2023.	93% of the Approved L&D plans were executed.
	Undertake a Staff Engagement survey to assess areas of improvement to support impactful HR delivery.		Staff Engagement Index finalized by June 2023.	On the employee engagement survey, terms of reference were developed, and a service provider procured through a competitive process; service provider was onboarded; data collection tool developed; and online tool pilot undertaken with actual survey planned to be undertaken by 15 July 2023.	
	Undertake the medical cover renewal process.		Medical Provider in place by 30th September 2022.	A provider for inpatient cover and outpatient fund management services cover was in place by September 30, 2022. The new cover kicked off in October 2022.	
	Continue to implement Government Protocols on Covid-19 to mitigate on the impact of the pandemic at the workplace.		100% implementation of Covid-19 protocols.	The Authority has continued to issue face masks to staff, providing hand sanitizers and comprehensive cleaning is being undertaken regularly.	
	Optimize office space utilization.		5th floor fully and optimally utilized.	The space is currently occupied by the Supply Chain team and Nyaga Stockbrokers Limited (under statutory management) and the remaining space is utilized for document storage which will be re-allocated once an alternative storage space is identified and approved.	

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Ensure compliance with legal requirements on Occupational Health and Safety at the workplace.	100% compliance with Occupational Safety and Health Act.	The following was done; staff sensitization on fire safety in June 2022, training of the Authority's OSH Committee in Q3, registration of Authority's premises, Procurement, and display of OSH Abstracts on all floors in Q3, purchase of register, maintenance of fire equipment and induction of new staff on occupational Health and Safety among others.
			Enhance ICT staffing needs to build internal capabilities in data mining, management and analytics, and software engineering.	Training held for ICT staff on python, data mining, management, and analytics by June 2023.	All the ICT staff attended at least one training as per training plan. However, the training plan was not implemented to its entirety due to austerity measures by the executive.
			Develop an Institutional Knowledge Management Policy and Strategy.	Approved Knowledge Management Policy and Strategy.	The Research, Analytics and Knowledge Management department developed an Institutional Knowledge Management Policy and Strategy. The draft documents were further presented to the Authority's management (CnF).
	Ensure optimal institutional efficiency and effectiveness by maintaining operations through a seamless supply of goods and services required.	Institutional Service Delivery, and Financial Sustainability.	Review and ensure budgeted activities are resourced while aligning to meet Authority priorities.	Ksh1,095 million in revenue by June 2023.	In line with market activity dynamics, the Authority revised its revenue budget to Ksh916.5 million and submitted it to National Treasury. The YTD revenue is Kshs 872,015,495.69 and is tracking at 95% of the revised budget.
			Cashflow management for operations.	One Midterm review of budget utilization.	Budget Utilization engagements have been done with the with the heads of functions and approvals for expenditures are aligned to PFMA regulations to ensure spending is within budget.
				An absorption rate of 85% by June 2023.	93%
			FY2023/24 budget preparation/ coordination.	Budget reallocations if required.	Budget was consolidated by the 15th of January 2023 and approved by Board on 26th January 2023.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Propose for approval of the draft ICF management policy structure to operationalize the running of the ICF as a 'Trustees-ship'.	Information Paper on ICF for presentation to the Board by December 2022.	The proposal to establish ICF was presented to the Finance & Planning Committee of the Board in the 81st meeting. Further revisions for resubmission to FPC are ongoing.
			Develop and operationalize a tool to track gratuity contributions and interest earned for relevant beneficiaries.	Circulation of gratuity statements by 31/03/2023.	A gratuity monitoring tool was developed, and individual statements were shared with beneficiaries. A Gratuity management meeting was on 9th June 2023. Circulation of the gratuity statements to members is on course.
		Full Statutory Compliance with no sanctions or warnings.	Development of Annual Procurement Plan.	Plan approved for implementation in the FY.	The rationalized Procurement Plan for the FY was approved following the submission of the reviewed Procurement Plan in February 2023 based on the reviewed budget by The National Treasury.
			Sensitization of Staff on the procurement process, charter, and annual plan. Undertake skills gap analysis and collate Learning and Development needs for 2022 / 2023.	One staff sensitization in Q1 of the financial year.	Board sensitization in Q1 Staff sensitization is continuous.
				One sensitization session with the special groups and locally registered firms for the supply of goods and services.	Sensitization held in Q2.
			Quarterly submission of statutory reports to PPRA and TNT.	100% compliance with reporting requirements with no warnings from PPRA or TNT for delayed or inaccurate submission of reports.	All procurement reports were submitted on time including on PPIP with no warnings from PPRA or TNT registered for delayed or inaccurate submissions.
			Ensuring compliance with statutory procedures that govern procurement and disposal processes under the Public Procurement and Asset Disposal Act and Regulations.	Zero requisitions were processed outside the approved Procurement Plan.	No requisitions were processed outside the approved Procurement Plan with the ERP (Navision) acting as an effective control.
				100% compliance with the requirements of the Public Procurement Act and Regulations with no reports of malpractice and/or contravention of the provisions of the Act and Regulations.	All procurement processes were carried out in full compliance to the requirements of the PPADA No.33 of 2015 and PPADR 2020 in addition to using the new Standard Tender Documents issued by PPRA whenever tendering.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Reserve and spend a minimum of 30% and 40% of the annual procurement spend on qualified AGPO and Locally registered firms respectively.	30% AGPO, 40% BKBK.	AGPO – 22.85% BKBK – 19.83%
				80% of complaints resolution by stakeholders.	Over 80% of requisitioned goods and services with approved specifications were delivered on time, in full, and in the right quality.
	Improve and uphold the corporate image of the Authority.	Restoration of the corporate image and reputation of the Authority.	Continued implementation of the joint MDD, EACD and CAIR Strategy to enhance awareness and support product uptake.	80% implementation of Strategy Workplan initiatives.	80% implementation of the departmental strategy has been achieved and periodic updates shared with the Board Human Resource and Communications Committee HRCC.
		Enhanced awareness of CMA mandate, products, and services.	Develop and utilize an annual stakeholder engagement calendar.	Operationalized Stakeholder calendar.	Engagement calendar developed.
		Enhanced investor protection and confidence.			
	Ensure full adherence by the Authority to the ISO 9001:2015 quality management system requirements.	Continued ISO 9001:2015 certification by the Authority and continuous improvement of the QMS.	Coordinate the implementation, maintenance, and continual improvement of the ISO 9001:2015 Quality Management System of the Authority.	Internal Audit reports and Implementation of Audit recommendations.	The Authority is ISO 9001:2015 certified.
	Develop 2023-28 Strategic Plan	2023-2028 Strategic Plan	Develop a proposal with the relevant TORs to engage a consultant in the process of developing the Authority's Strategic Plan; Procurement of Consultancy; Developing draft of the Strategic Plan; Approval of the Plan by the Board; Design and printing; Launch and sensitization.	Approved Strategic Plan	The draft plan has been finalized and approved by the Board awaiting design, printing, and launch.

# Statement of Performance Against Predetermined Objectives For FY 2022/23 (Cont')

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
Enhance the Strategic Influence of the Authority.	Enhance strategic influence to build strategic alliances with key/influential partners/ stakeholders to address key capital markets policy, legal, and operational challenges.	Improved stakeholder support and coordination .	Implement the Capital Markets stakeholder advocacy and engagement strategy. Propose for approval of the draft ICF management policy structure to operationalize the running of the ICF as a 'Trustees-ship'.	Capital markets stakeholder advocacy and engagement strategy approved by the CMA Board by December 2022.	Structured approaches to engaging stakeholders identified and currently under implementation by departments across board.
				Phased Implementation of stakeholder advocacy and engagement strategy by June 2023.	Phased Implementation of stakeholder advocacy and engagement strategy is currently on course.
			Pursue corporate-level strategic partnerships with development partners to conduct learning and promotional seminars/ training on the green and sustainability bond issuance process.	One Potential issuers workshop undertaken on green and sustainability bonds in Kenya.	2 workshops undertaken.



# 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 was 20 per cent below last year, with a surplus of Kshs 32 million before 90% calculation. The drop in the realized revenue is mainly attributable to the low market activities affected by the reduced disposable incomes due to the global economic challenges.

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



Revenue earned was 20 per cent below last year, with a surplus of

**Ksh  
32M**

before 90% calculation.

## SECTION B

### Compliance with statutory requirements

The Authority is in compliance with all statutory obligations including, but not limited, to: remittances of Pay As You Earn (PAYE), National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), Value Added Tax (VAT), Higher Education Loans Board (HELB), Withholding tax within the stipulated deadlines.

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



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## SECTION C

### Major risks identified in the ERM

The Authority has an Enterprise Risk Management (ERM) Framework on the basis of which Risk Management has been mainstreamed to allow for structured risk assessments on a continuous basis.

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 in the next page.

# Management Discussion and Analysis (Cont')



## **Unfavorable fiscal and macro-economic environment delaying business decisions on uptake of capital markets products and services.**

To address this, the Authority is facilitating county level engagements, hosting annual capital markets consultative forums and stakeholder workshops with Council of Governors on market-based financing options, and sponsoring tournaments targeting stakeholders from the demand and supply side.

## **The promulgation of new legislation proposing to remove CMA from regulating the coffee and tea auctions.**



To address this, the Authority is developing proposals for amendments to harmonize Commodities Sector Policy and Regulatory Framework with the Capital Markets Act and Capital Markets (Commodity Markets) Regulations, 2020. Further the Authority is undertaking quarterly stakeholder engagement programs on the Institutional, Policy and Regulatory Framework to increase awareness, build capacity and enhance buy-in.

The Authority is also building strategic partnerships with the National Treasury, Ministry of Agriculture and Agriculture and Food Authority (AFA).



## **Insufficient human resources to deliver CMA's mandate.**

The Authority is addressing this risk by fostering active advocacy, and innovation efforts to facilitate buy-in of proposals made to improve the operating environment and facilitate higher uptake.

## **Inadequate financial resources.**



The Authority will pursue approval to levy commensurate administration fees on ICF to mitigate loss of building fund that was called up by the parent ministry and also, ensure budgets are duly approved.



## **ICT service downtime resulting from power outages from the building.**

A power audit was initiated to address the risk of business disruption.

## **Inadequate oversight of the coffee trading process at the Nairobi Coffee Exchange (NCE).**



To address this, the Authority will develop a system link to allow real time surveillance of the market and finalize trading rules to govern market conduct.



## **Financial distress of licensed and listed companies.**

The Authority will review and analyze financial statements of issuers, market intermediaries to check compliance with financial resource requirements International Financial Reporting Standards (IFRS), continuous reporting obligations and prepare relevant reports.



## **Suboptimal use of the Risk-Based Supervision System (RBSS) system in the licensing and approval process and in undertaking financial analysis.**

A reporting template will be developed for issuers as well as work closely with service providers to provide information needed to develop the system. Stress testing for stockbrokers and investment banks will also be undertaken.



## **Litigation against CMA enforcement processes and unfavorable court decisions.**

The Authority is addressing this through initiation of enforcement actions within 14 days of applicable approvals and expeditious finalization of enforcement proceedings and taking action in accordance with the Fair Administrative Actions Act.



# Management Discussion and Analysis (Cont')

## OPPORTUNITIES



Maximize social media and/or digital marketing to promote awareness and optimal uptake of capital markets products and services. The Authority is targeting to roll out products, videos and blogposts on capital markets products and services as well as implement a continued and innovative new strategy for partnering with industry stakeholders and professionals across the country by leveraging technology in furthering the market deepening agenda.



Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions. The Authority will undertake active engagements with potential Sandbox participants and continuously push to accommodate innovations that are not in the current financial system.



Promote higher uptake of structured products such as Green Bonds and Exchange Traded Funds (ETFs), given the favorable landscape. The Authority purposes to hold more ETF stakeholder engagements with relevant stakeholders in the next financial year.



Renewed political will from Government and by extension the private sector in developing a functioning commodity exchange and generally the Capital Markets in Kenya.

- The Authority will hold meetings, seminars and retreats inviting all commodities (including coffee) stakeholders and aligning ideas and action points in the larger commodity ecosystem to be presented to Coffee Sub Sector Implementation Committee (CSIC) and Parliamentary Coffee Caucus.
- The Authority will also purpose digitization of capital markets, Privatizations of State-Owned Enterprises (SOEs), Commercialization of SMEs through the capital markets and development of tax incentives across products offerings through the policy development process.
- The Authority will also leverage the enhanced strategic influence resulting from partnership and engagements with key influential stakeholders and partners.

## SECTION D

### 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 E

### 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. They are disclosed accordingly when they arise.

# Environmental and Sustainability Reporting

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



## 1. Sustainability strategy and profile

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



## 2. Environmental performance

The Authority's partnership with Kenya Forest Service (KFS) began in FY 2013-2014 through a tree planting exercise undertaken in collaboration with Financial Sector Regulators namely: - Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefits Authority (RBA) and Sacco Societies Regulatory Authority (SASRA). 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 has previously planted 550 trees on a 1.25-acre space allocated by the Kenya Forest Service in Ngong Forest and additionally planted 1,010 trees in May 2023 within the allocated space in Ngong Forest.

The Authority also collaborated with NETPAD in the tree planting exercise at Kaptagat Forest in Uasin Gishu County. These CSR initiatives cost Kshs 577,610.00



# +570k

Cost used to plant trees at Kaptagat Forest in Uasin Gishu County.



## 3. Employee Welfare

### a) Gender Matters

The Authority has consistently ensured compliance with 'not more than two thirds of either gender rule', with the current ratio of Female to Male standing at 40 percent 60 percent respectively. In addition, the Authority also takes into consideration the face of Kenya when conducting recruitment, selection and promotions for various positions in line with the National Values and Principles of Governance. Gender considerations are also made during appointments to task forces and committees handling special assignments that are key in achieving CMA's mandate.

The Authority achieved a 100% score under the National Cohesion and Values Indicator in the year 2022/23 performance contract.

### b) Learning Management System

CMA implemented a cloud-based Learning Management and e-learning Management System (LMS) and onboarded e-learning courses. This system provides a single source of coordination and information for its Learning & development activities, as well as an integrated E-Learning platform. This initiative has facilitated the development and delivery of eLearning programs for both talent and competency development at CMA.

The LMS has been active since January 2023. The usage during the period since it became active in January 2023 was at 40%: the e-learning courses uptake is tracked against the total number of staff.

### c) Leadership and Management Skills Development

During the year, the Authority sponsored a total of five (5) staff to undertake supervisory, managerial and leadership courses to develop leadership and managerial capabilities of staff. The courses were offered by Kenya School of Government for periods ranging between two (2) to six (6) weeks.

# Environmental and Sustainability Reporting

## (Cont')

### d) Performance appraisal

The Authority continued to implement Performance Management System (PMS) known as Annual Capability Review (ACR) with the aim of aligning key performance measures with strategy at all levels of the organization and supporting staff to gradually acquire the relevant capabilities for their roles. It aims at improving efficiency with focus on outcomes and value add initiatives beyond the day-to-day job requirements provided in the staff job descriptions.



### 4. Market place practices

#### a) Responsible competition practice.

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

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. Additionally, market players are required to observe good corporate governance practices, maintain the required standards of internal controls as well as meet the stipulated financial requirements.

#### b) Responsible supply chain and supplier relations

The FY2022/2023 ended with opportunities awarded to the special registered groups under (AGPO) including; Women, Youth and Persons with Disabilities contracts worth a total of Ksh. 24,906,445.00 translating to 55.78% of the total procurement expenditure accessible by the AGPO registered firms in the financial year.

In regard to the "Buy Kenya, Build Kenya" initiative, the Authority managed to award 84.31 percent of

the total expenditure for the period to locally registered firms for locally produced goods and services with the amount awarded totaling Ksh.69,812,009.14 for the year.

# +69M

Cost awarded to locally registered firms for locally produced goods and services for the "Buy Kenya, Build Kenya" initiative,

Framework Agreements were entered into, following competitive procurement processes for recurrent expenditure which aided in managing costs and improving efficiency for the delivery of goods and services required. The Framework Agreements with the awarded suppliers were comprehensive with clearly outlined expectations, deliverables, timelines and payment terms within the locked prices.

Furthermore, the list of registered suppliers for two years to expire in 2024 remained active and in use for the selection of bidders to be invited for restricted tenders where applicable. The list was however updated biannually in the course of the financial year as and when required and as prescribed under section 44 of the Public Procurement and Asset Disposal Regulations 2020. A sensitization exercise for the registered suppliers was held in Q2 of the FY 2022/2023 to enlighten them on the available procurement opportunities presented by the Authority and the intention of engaging them as partners required to meet the objectives of the Authority as a result of effective and efficient supply of goods and services sourced through competitive processes.

The Supply Chain Department also ensured timely submission of supporting documents to facilitate timely payment of invoices presented for delivered goods and service to avoid disruption of suppliers cash flow and

# Environmental and Sustainability Reporting

## (Cont')

ensure business continuity. Consequently, mutually beneficial business relationships were maintained with the competent suppliers.

The Authority maintained and achieved a performance target to pay for verified suppliers in under 30 days of invoice. The invoices were paid in an average of 17 days during the year.

### c) 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, the Authority requires such entities to submit all advertisements for their products/services for approval prior to publication.

### d) Product stewardship

The Authority has consistently taken regulatory measures to ensure investors are protected. The Authority's oversight role seeks to promote responsible conduct among key officers of market intermediaries, who are responsible for safeguarding investor's assets. The Authority continues to build strategic alliances with key stakeholders both within and outside the country in the execution of its mandate as a regulator. In this regard, the Authority has partnered with the Directorate of Criminal Investigations (DCI), whose officers are seconded to the Capital Markets Fraud Investigation Unit (CMFIU) to pursue criminal matters in the capital markets.



Authority's CEO FCPA Wyckliffe Shamiah during a tree planting exercise the the Ngong forest on 26/05/2023

# Transforming Lives

is our purpose, the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer first, delivering relevant goods and services, and improving operational excellence.



**1,100**

Number of trees planted by the Regulators on 2.5 acres in Kuwinda Grounds, Ngong Forest.

**2,200**

Number of trees planted by the Authority in partnership with KFS in Ngong Forest.



**40%**

Uptake of staff in the Learning Management System since January 2023

**60%**



**40%**



The Authority continued to implement Performance Management System with the aim of aligning key performance measures with strategy at all levels of the organization and supporting staff to gradually acquire the relevant capabilities for their roles.

CMA achieved a

**100%**

score under the National Cohesion and Values Indicator in the year 2022/23 performance contract.

**17**

Average number of days taken during the year to pay different suppliers.

# Corporate Governance Statement



Pursuant to Section 14 of Capital Markets Act, the Board works through a **number of committees** which operate within defined Terms of Reference.



Good **governance** with good intentions is the hallmark of our firm, implementation with integrity and passion.

## 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 up to 24th February 2023 and subsequently by Mr. Meshack Moses Kiprono. 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 up to 24th February 2023 and subsequently by Mr. Gibson Kimani Maina. 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 during 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 24th February 2023 and subsequently by Prof. Michael Bowen. 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.



### The Technical and Policy Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. John Birech up to 24th February 2023 and subsequently by Ms. Elena Natalia Pellegrini. 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 six times during the year.

# Board and Committee Meetings Attendance

## BOARD AND COMMITTEE MEETINGS ATTENDANCE

Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning 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 & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings:59 ( 30 June 2022-24 February 2023 (26) and 2 March 2023-30 June 2023 (32) )
1. Mr. Nicholas Nesbitt	Independent	Board Chairperson. Term ended effective 24 February 2023.									5/8	18
2. Mr. John Birech	Independent Member	Chairperson HRCC term ended effective 24 February 2023. Chairperson Ad Hoc Committee Chase Bank Limited (in Receivership)	1/6(Coopted)	1/5	6/9	3/4				1/1	5/8	8
3. Mr. Musa Kathanje	Alt. to the Cabinet Secretary National Treasury & Economic Planning		5/6	4/5	7/9		1/1				8/8	4
4. Dr. Freshia Mugo-Waweru	Independent Member	Chairperson FPC term ended effective 24 February 2023. Chairperson Audit ended effective 21 July 2022)	4/6	1/5	1/9	3/4	1/1			1/1	4/8	9
5. Mr. Peter Mungai	Independent Member	Chairperson Audit, Committee ended effective 24 February 2023.		2/5	5/9		1/1			1/1	3/8	5
6. Mr. Davis Luusa	Alt. to the Governor Central Bank of Kenya			2/5	7/9	1/4					8/8	3
7. Ms. Christine Kanini	Alt. to the Attorney General of Kenya	Chair person of the Financial Law Review Panel	4/6	1/5 (membership ended effective October 2022)	9/9	4/4	1/1				8/8	13
8. Ms. Joyce Wesonga	Representing the Inspector General (Corporations)- Term ended effective 1 March 2023		2/6		1/9	2/4	1/1				1/8	
9. Mr. Mark Bichachi	Independent Member	Member: Term ended effective 24th February 2023		1/5	5/9		1/1				4/8	12

# Board and Committee Meetings Attendance (Cont')

## BOARD AND COMMITTEE MEETINGS ATTENDANCE

Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Planning 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 & Chase Bank Limited Hearings. Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings:59 ( 30 June 2022-24 February 2023 (-26) and 2 March 2023-30 June 2023 ( 32 ))
10. Mr. Eli Mwangi	Independent Member	Member:Term ended effective 24th February 2023	2/6	1/5(membership ended effective October 2022)		2/4	1/1				3/8	12
11. Mr. Gerald Mwangi	SCAC -Facilitated Board Evaluation and tabled the report.										2/8	
12. Mr. Mathew Tuitoek	SCAC -Facilitated Board Evaluation and tabled the report,										2/8	
13. Mr. Ugas Mohammed	Independent Member	Chairperson of CMA effective 24 February 2023									3/8	30
14. Prof. Michael Bowen	Independent Member	Chairperson. Human Resources and Communications Committee effective 16 March 2023			3/9	1/4					3/8	7
15. Mr. Meshack Moses Kiprono	Independent Member	Chairperson Finance & Planning Committee effective 16 March 2023	2/6			1/4					3/8	9
16. Ms. Natasha Awuor Aduwo	Independent Member			2/5		1/4					3/8	7
17. Mr. Gibson Kimani Maina	Independent Member	Chairperson Audit, Corporate Governance and Risk Management Committee effective 16 March 2023.		2/5	3/9						3/8	7
18. Ms. Elena Pellegrini	Independent Member	Chairperson. Technical and Policy Committee effective 16 March 2023	2/6		3/9						3/8	5



# Board and Committee Meetings Attendance (Cont')

BOARD AND COMMITTEE MEETINGS ATTENDANCE												
Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Planning 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 & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings:5( 30 June 2022-24 February 2023 (26) and 2 March 2023-30 June 2023 ( 32 ))
19. Mr. Chrisologus Makokha	Alt. to the Inspector General (Corporations)- Effective 2 March 2023		1/6		2/9						3/8	6
20. Mr. Nicholas Ng'arua	Independent Member (appointed effective 26 May 2023)										1/8	2
21. Simon Indimuli	Official from State Corporations Advisory Committee(SCAC) (CEO/Secretary)										1/8	
23. Dr. Willy Mutunga	Ad hoc Member	Vice Chairperson								1/1		
24. Ms. Patricia Kiwanuka	Ad hoc Member	Member								1/1		
25. Dr. James Boyd Mcfhe	Ad hoc Member	Member								1/1		
26. Mahmood Marji	Ad hoc Member	Member								1/1		

- \* Mr. Nicholas Nesbitt Term as Chairperson of CMA ended effective 24th February 2023.
- \* Mr. John Birech-Term as chairperson HRCC ended effective 24th February 2023.
- \* Dr. Freshia Mugo Waweru-Term as chairperson FPC ended effective 24th February 2023. Term as Chairperson Audit ended effective 21st July 2022.
- \* Mr. Peter Mungai - Term as chairperson Audit Committee ended on 24th February 2023
- \* Mr. Gerald Mwangi, Mathew Tuitoek and Simon Indimuli are SCAC officials who attended the board evaluations and conducted board induction within the year.
- \* Ms. Joyce Wesonga is an alternate to the Inspector General, State Corporations. Term ended effective 1st March 2023
- \* Mr. Chrisologus Makoha is an alternate to the Inspector General, State Corporations (Effective 2nd March 2023)
- \* Other Engagements Meetings included consultations with CMA Management, Workshops and Retreats etc

# Statement of Director's Responsibilities

Section 83 of the Public Finance Management Act (PFMA), 2012 requires the Board Members to prepare annual financial statements in respect of Capital Markets Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial period and the operating results of the Authority for that period. The Board Members are also responsible for safeguarding the assets of the Authority.

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 at the end of the financial period ended 30<sup>th</sup> June 2023. This responsibility includes:

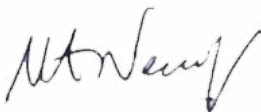
- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the Authority;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Board Members accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 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's transactions during the financial period ended 30<sup>th</sup> June 2023, 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 24 August 2023 and signed on its behalf by:



Chairman



Chief Executive



# FINANCIAL STATEMENTS

# Report of the Directors

The Directors submit their report together with the audited Annual Report and Financial Statements For The Year Ended 30 June 2023, 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 30 June 2023, are set out on page 1 to 38.

**iii. Directors**

The members of the Board of Directors who served during the year are shown on page viii .

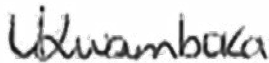
**iv. Surplus remission**

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 their surplus funds reported in the audited Annual Report and Financial Statements after the end of each Financial Year.

**v. Auditors**

M/S Ronalds LLP Certified Public Accountants were authorized by the Auditor General to carry out the audit of the Authority for the Year ended 30 June 2023, in accordance to Section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on her behalf.

**By Order of the Board**



.....  
**Hellen Ombati**  
**Corporation Secretary/  
Secretary to the Board**

**24 August 2023**

.....  
**Date**

# Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, and the Capital Markets Act require Board Members to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Board Members are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board members are also responsible for safeguarding the assets of the Authority.

The Board Members are responsible for the preparation and presentation of the Authority's Annual Report and 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 30<sup>th</sup> June 2023. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Annual Report and Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the authority;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

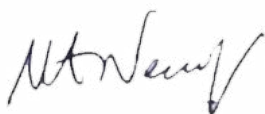
The Board Members accept responsibility for the Authority's Annual Report and Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), 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 Annual Report and Financial Statements give a true and fair view of the state of Authority transactions during the Financial Year ended 30<sup>th</sup> June 2023, 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 Annual Report and 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 Annual Report and Financial Statements

The Authority's Annual Report and Financial Statements were approved by the Board on 24 August 2023 2023.



.....  
**Chairman**



.....  
**Chief Executive Officer**

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023**

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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, gazette 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 controls, 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, the Public Finance Management Act, 2012 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 1 to 40, which comprise of the statement of financial position as at 30 June, 2023, and

the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 M/s Ronalds LLP, 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, 2023, 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, 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>IPSAS 41</b>	<b>Procedures Included</b>
	The Authority has financial instruments in form of: Trade and other receivables from non-exchange transactions, Kshs.89,213,000, trade and other receivables from exchange transactions,	<ul style="list-style-type: none"> <li>• We reviewed and analyzed the ageing analysis of all the outstanding debtors.</li> <li>• We examined the historical receivables recoverability rate and reviewed the current debtors credit status.</li> </ul>

	<b>How the Audit Addressed the Key Audit Matter</b>
<p><b>Key Audit Matters</b></p> <p>Kshs.16,721,000, staff loans and advances, Kshs.397,881,000 and investments held to maturity, Kshs.799,907,000. There is risk in the recoverability of the financial instruments as well as fair presentation of the same. Management made an assessment of Kshs.4,417,000 on expected credit loss.</p> <p>There is therefore complexity in determining the level of accuracy and reasonableness of the Management's estimates with regard to expected credit loss.</p>	<ul style="list-style-type: none"> <li>• We analyzed the other financial instruments, treasury bills and bonds and assessed the level of exposure given that they were held to maturity.</li> <li>• We inspected subsequent debtors' receipts after the year end.</li> <li>• We also obtained assurance from the Management on the extent of provisions made and the reasonableness of the same.</li> </ul>

### Other Information

The Directors are responsible for the other information, which comprises the Statement of Environmental and Sustainability Reporting, 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 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, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources, I confirm that, nothing else 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

##### Non-Compliance with the Data Protection Act, 2019

Review of the Authority's operations revealed that the Authority processes and stores both Personal Identifiable Information (PII) including information from employees during onboarding for payroll purposes and various entities and participants involved in the capital markets. However, the Authority is not registered as a Data Controller or Data Processor contrary to Section 18(1) of the Data Protection Act, of 2019, which states that no person shall act as a Data Controller or Data Processor unless registered with the Data Commissioner.

Further, the Authority's Data Protection and Privacy Policy had not been approved by the Board at the time of the audit. In addition, the Authority had not carried out a Data



Protection Impact Assessment to identify and mitigate privacy risks before they occur and ensure that data protection and privacy principles are effectively incorporated in the operations in line with Section 31 of the Act.

In the circumstances, Management was in breach of the law.

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 controls, risk management and 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 applicable 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 the 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 non-compliance. Also, projections of any evaluation of 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 conducted 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 applicable 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

21 September, 2023

NOTE:

This is a copy of the Audit Report by the Auditor General on the financial statements for the year ended 30 June 2023. 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 pages 69 to 112.

# Statement of Financial Performance for the Year ended 30 June 2023

	Note	June 2023 Kshs'000	June 2022 Kshs'000
<b>Revenue from non-exchange transactions</b>			
Capitalization, rights and new issue fees	6.	767,737	974,984
Donor fund income	7.	24,250	39,279
		<b>791,987</b>	<b>1,014,263</b>
<b>Revenue from exchange transactions</b>			
Finance income	8.	77,819	79,458
Other income	8.	109	1,271
		<b>869,915</b>	<b>1,094,992</b>
<b>Expenses</b>			
Employee costs	32.	(535,593)	(527,283)
Use of goods and services	34.	(183,932)	(249,030)
Remuneration of directors	28.	(33,416)	(24,738)
Depreciation and amortization expense	33.	(45,901)	(43,926)
Repairs and maintenance	35.	(40,724)	(43,971)
		<b>(839,565)</b>	<b>(888,948)</b>
<b>Other gains/ (losses)</b>			
(Loss)/Gain on sale of assets	9.	2,101	808
		<b>32,451</b>	<b>206,852</b>
<b>Surplus/(Deficit) for the year</b>			
Remission to National Treasury	11 a.	-	(147,557)
		<b>32,451</b>	<b>59,295</b>

The notes set out on pages 80 to 109 form an integral part of these Financial Statements. The Financial Statements set out on pages 69 to 112 were signed on behalf of the Board of Directors on 24 August 2023 and were signed on its behalf by:

Chief Executive Officer



Date 24 August 2023

Director, Corporate Services



Date 24 August 2023

ICPAK Member No: 1849

Chairman of the Board



Date 24 August 2023

# Consolidated Statement of Financial Position

## As at June 30, 2023

(Including Investor Compensation Fund)

	Note	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	13(a).	1,716	1,753
Trade and other receivables from non exchange transactions	13(b).	89,213	33,047
Trade and other receivables from exchange transactions	14.	16,721	14,394
Staff loans and advances/guarantee fund	15.	72,088	53,206
Held-to-maturity investments		722,139	880,019
Cash at bank and in hand	18.	40,812	71,792
Investors' Compensation Fund		1,286,623	671,513
<b>Total Current assets</b>		<b>2,229,312</b>	<b>1,725,724</b>
<b>Non-current assets</b>			
Property and equipment	19.	46,880	70,275
Intangible assets	20.	2,552	111,657
Staff loans and advances/guarantee fund	14.	325,793	322,040
Held-to-maturity investments	15.	77,768	109,832
Investors' Compensation Fund's investments	18.	3,895,460	3,921,056
<b>Total Non-current assets</b>		<b>4,348,453</b>	<b>4,534,860</b>
<b>Total Assets</b>		<b>6,577,765</b>	<b>6,260,584</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21.	192,267	212,967
Provision for liabilities and charges	22.	97,134	95,752
Investors' Compensation Fund	18.	1,286,623	671,513
Deferred income	23.	60,215	32,641
Surplus payable to National Treasury	11 a.	-	147,557
Prior years' tax provision	31.	5,370	45,734
Building fund	26.	564,900	600,000
<b>Total Current liabilities</b>		<b>2,206,509</b>	<b>1,806,164</b>
<b>Non-current liabilities</b>			
Investors' Compensation Fund liabilities	18.	3,895,460	3,921,056
Non current provisions-Work in Progress	22b	-	90,018
<b>Total Non-current liabilities</b>		<b>3,895,460</b>	<b>4,011,074</b>
<b>Total liabilities</b>		<b>6,101,969</b>	<b>5,217,238</b>
<b>Equity/Funds</b>			
Capital fund	25.	27,886	27,886
General fund	24.	53,641	43,324
Staff Mortgage and Car loan fund	27.	394,270	372,137
<b>Total Equity/Funds</b>		<b>475,797</b>	<b>443,347</b>
<b>Total Equity and Liabilities</b>		<b>6,577,765</b>	<b>6,260,584</b>

The Financial Statements set out on pages 69 to 112 were approved for issue by the Board Members of the Authority on 24 August 2023 and were signed on its behalf by:

Chief Executive Officer



Date... 24 August 2023 .....

Director, Corporate Services



Date... 24 August 2023 .....

Chairman of the Board



Date... 24 August 2023 .....

ICPAK Member No: 1849

# Capital Markets Authority (CMA) Statement of Financial Position As At June 30, 2023

		June 2023	Prior Year Audited June 2022
ASSETS	Note	Kshs'000	Kshs'000
<b>Current assets</b>			
Inventories	12.	1,716	1,753
Trade and other receivables from non exchange transactions	13(a).	89,213	33,047
Trade and other receivables from exchange transactions	13(b).	16,721	14,394
Staff loans and advances/guarantee fund	14.	72,088	53,206
Held-to-maturity investments	15.	722,139	880,019
Cash at bank and in hand	16.	40,812	71,792
<b>Total Current Assets</b>		<b>942,689</b>	<b>1,054,211</b>
<b>Non-current assets</b>			
Property and equipment	19.	46,880	70,275
Intangible assets	20.	2,552	111,657
Staff loans and advances/guarantee fund	14.	325,793	322,040
Held-to-maturity investments	15.	77,768	109,832
<b>Total Non-current assets</b>		<b>452,992</b>	<b>613,804</b>
<b>Total Assets</b>		<b>1,395,682</b>	<b>1,668,015</b>
<b>Liabilities</b>			
<b>Equity and Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21.	192,266	212,967
Provision for liabilities and charges	22.	97,134	95,752
Deferred Income	23.	60,215	32,641
Surplus to National Treasury	11(a).	-	147,557
Prior years' tax provision	31.	5,370	45,734
Building fund	26.	564,900	600,000
<b>Total Current liabilities</b>		<b>919,885</b>	<b>1,134,651</b>
<b>Non-current liabilities</b>			
Non-current provisions-Work in Progress	22b	-	90,018
<b>Total Non-current liabilities</b>		<b>-</b>	<b>90,018</b>
<b>Total liabilities</b>		<b>-</b>	<b>624,669</b>
<b>Equity/Funds</b>			
Capital fund	25.	27,886	27,886
General fund	24.	53,641	43,324
Staff Mortgage and Car loan fund	27.	394,270	372,137
<b>Total Equity/Funds</b>		<b>475,797</b>	<b>443,347</b>
<b>Total Net Assets and Liabilities</b>		<b>1,395,682</b>	<b>1,668,015</b>

# Investor Compensation Fund (ICF) Statement of Financial Position As at June 30, 2023

		June 2023	Prior Year Audited June 2022
ASSETS	Note	Shs'000	Shs'000
<b>Current assets</b>			
Fees receivable	18.	36,698	93,512
Cash and cash equivalents	18.	1,029	2,510
Investor Compensation Fund Investments Held-to-maturity	18.	1,248,896	575,490
<b>Total Current assets</b>		<b>1,286,623</b>	<b>671,513</b>
<b>Non-current assets</b>			
Investments in Listed Companies	18.	64,575	74,550
Investors' Compensation Fund's investments Held to maturity	18.	3,830,885	3,846,506
<b>Total Non-current assets</b>		<b>3,895,460</b>	<b>3,921,056</b>
<b>Total Assets</b>		<b>5,182,083</b>	<b>4,592,569</b>
<b>The Fund</b>	18.	<b>5,182,083</b>	<b>4,592,569</b>



# Statement of Changes in Net Assets For the Period Ended June 30, 2023

	Note	Capital fund Kshs'000	General fund Kshs'000	Staff Mortgage and Car loan fund Kshs'000	Total Kshs'000
<b>As at 1 July 2021</b>		27,886	356,166	-	384,052
(Deficit)/Surplus for the Period	-	-	206,852	-	206,852
90% Surplus to National Treasury	11.a		(147,557)	-	(147,557)
Transfer to staff mortgage & Car loan fund			(372,137)	372,137	-
<b>As at 30 June 2022</b>	-	27,886	43,324	372,137	443,347
<b>At 01 July 2022</b>	-	27,886	43,324	372,137	443,347
(Deficit)/Surplus for the Period	-	-	32,451	-	32,450
Transfer to staff mortgage & Car loan fund	-	-	(22,133)	22,133	-
<b>As at June 30, 2023</b>		<b>27,886</b>	<b>53,641</b>	<b>394,270</b>	<b>475,797</b>

# Capital Markets Authority (CMA) Statement of Cash Flows For The Year Ended June 30, 2023

	Note	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>Cashflows from Operating Activities</b>			
<b>Receipts</b>			
CMA Equity and Bond Fee Transaction fee levy, capitalisation fees, right issue fees, approval fees		803,324	1,034,291
Licenses Fees		30,361	26,071
Market Development Fees		8,868	9,063
Finance income		14,201	3,368
Other income		1,227	71,667
<b>Total Receipts</b>		<b>857,982</b>	<b>1,154,460</b>
<b>Payments</b>			
Use of goods and services		116,875	102,666
Employee costs		522,352	527,283
Board Expenses		28,796	24,738
Repairs and maintenance		2,083	722
Finance Costs		672	791
Rent Paid		32,938	32,712
Taxation Paid		10,072	11,124
Surplus Payment to National Treasury		182,657	165,880
Staff Loans		29,395	43,052
Other Payments		77,499	69,810
Transfer of ICF Fees		74,244	98,033
<b>Total Payments</b>		<b>1,077,581</b>	<b>1,076,811</b>
<b>Net cash flows from/(used in) operating activities</b>	36. a	<b>(219,599)</b>	<b>77,649</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(6,957)	(39,770)
Purchase of intangible assets		3,538	(3,538)
Proceeds from disposal of property and equipment		2,095	882
(Purchase)/sale of treasury bonds		32,064	18,845
(Purchase)/sale of treasury bills		157,880	(42,442)
<b>Net cash flows from/(used in) investing activities</b>		<b>188,620</b>	<b>(66,023)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(30,979)</b>	<b>11,626</b>
<b>Cash and cash equivalents at start of the year</b>		<b>71,792</b>	<b>60,166</b>
<b>Cash and cash equivalents at end of the year</b>	16	<b>40,812</b>	<b>71,792</b>

# Statement of Cash Flows For The Period Ended June 30, 2023

	Note	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Investment Income		505,042	488,042
Fines, penalties and levies		10,000	1,128
Other Income		150	-
Transaction fee Income		74,845	97,983
<b>Total receipts</b>		<b>590,037</b>	<b>587,154</b>
<b>Payments</b>			
ICF Payments		523	517
<b>Total Payments</b>		<b>523</b>	<b>517</b>
<b>Net cash flows from/(used in) operating activities</b>	36. b.	<b>589,514</b>	<b>586,637</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets		-	-
Proceeds from sale of PPE		-	-
Purchase of investments		55,704	(1,308,215)
Sale of Investments		(646,699)	721,603
<b>Net cash used in from investing activities</b>		<b>(590,995)</b>	<b>(586,612)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,481)</b>	<b>25</b>
<b>Cash and cash equivalents at start of the year</b>		<b>2,510</b>	<b>2,485</b>
<b>Cash and cash equivalents at end of the year</b>	18	<b>1,029</b>	<b>2,510</b>

# Statement of Comparison of Budget and Actual Amounts

	Original budget	Adjustments (Reallocations)	Adjustments (Reallocations)	Final Annual budget	Actual cummulative to date	Performance difference	% Utilization
	June 2023	June 2023	June 2023	June 2023	June 2023	June 2023	
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	
	a	b		C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>							
Fee income from Transaction fee -Equities	378,000	(168,934)	-	209,066	238,572	29,506	114%
Fee income from Transaction fee -bonds	21,352	-	-	21,352	19,955	(1,397)	93% a)
Application and Licensing fees	22,650	-	-	22,650	26,345	3,695	116% b)
Market development Fees	8,596	527	-	9,123	9,073	(50)	99%
Capitalization, rights & IPO's	42,500	(19,678)	-	22,822	11,411	(11,411)	50% c)
REITS approval Income	2,150	17,350	-	19,500	37,200	17,700	191% d)
Capitalisation and bond approvals	578,750	(78,176)	-	500,574	425,165	(75,409)	85% e)
Derivatives Fees	26	-	-	26	17	(9)	65% f)
<b>Fee based income</b>	<b>1,054,024</b>	<b>248,911</b>	<b>-</b>	<b>805,113</b>	<b>767,737</b>	<b>(37,376)</b>	<b>95%</b>
Finance income - external investments	80,379	(29,840)	-	50,539	77,819	27,280	154% g)
Other income	24,018	-	-	24,018	2,210	(21,808)	9% h)
<b>Total income</b>	<b>1,158,421</b>	<b>(278,751)</b>	<b>-</b>	<b>879,670</b>	<b>847,766</b>	<b>(31,904)</b>	<b>96%</b>
<b>Expenses</b>							
Personnel cost	630,308	(107,968)	-	522,340	535,593	(13,253)	103% a)
Rent and maintenance	43,948	-	(1,650)	42,298	40,008	2,290	95% b)
Equipment maintenance and stationery	68,917	(29,447)	850	40,320	40,724	(404)	101% c)
Telephone, postage and utilities	23,195	(5,731)	(2,002)	15,462	15,444	18	100%
Publicity and Advertising	36,000	(16,000)	(5,215)	14,785	13,288	1,497	90% d)
Medical scheme and insurance expenses	47,838	98	(2,721)	45,215	43,416	1,799	96% e)
Training and conferences (Staff Training & Development)	51,000	(20,000)	-	31,000	31,005	(5)	100%
Motor vehicle running expenses	7,112	(2,098)	-	5,014	4,463	551	89% f)
Subscriptions and IOSCO membership	8,689	(83)	1,080	9,686	8,654	1,032	89% g)
Authority board members' emoluments and allowance	30,000	-	3,721	33,721	33,416	305	99%
Professional & consultancy services	26,840	(13,420)	4,100	17,520	14,923	2,597	85% h)
Litigation/legal expenses	26,000	(13,000)	(3,500)	9,500	7,067	2,433	74% i)
Market Development & Islamic Finance	45,295	(25,290)	4,815	24,820	24,659	161	99%
Capital Markets Master Plan (CMMP)	32,290	(9,430)	(3,126)	19,734	15,639	4,095	79% j)
Investors' education and awareness programme	14,640	-	(1,352)	13,288	9,760	3,528	73% k)
Tribunal expenses	2,553	(2,000)	5,000	5,553	388	5,165	7% l)
Capital Expenditure	135,699	(106,284)	-	29,415	14,563	14,852	50%
Commitments in Budget not recognized-OPEX					8,748		0%
Commitments in Budget not recognized-CAPEX					19,998		0%
Staff Mortgages and Car loans (Net)					22,133		
<b>Total expenditure</b>	<b>1,230,324</b>	<b>(350,653)</b>	<b>-</b>	<b>879,671</b>	<b>881,755</b>	<b>-</b>	<b>1380%</b>
<b>Net Surplus/(Deficit)for the Period</b>	<b>71,903</b>			<b>-</b>	<b>(33,990)</b>	<b>-</b>	<b>-39%</b>
90% Surplus due to National Treasury					-		
<b>90% Surplus balance payable</b>					-		

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

## RECONCILIATION BETWEEN SURPLUS AS PER THE BUDGET AND SURPLUS AS PER THE STATEMENT OF FINANCIAL PERFORMANCE

A reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and the actual amounts in the Statement of Cash Flows for the Year Ended June 30, 2023 is presented below.

The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

DESCRIPTION	Original budget	Adjustments (Reallocations)	Adjustments (Reallocations)	Final Annual budget	Actual cumulative to date
Surplus under Statement of Financial Performance	-	-	-	-	32,451
Less: Surplus under the Statement of Budgeted and Actual Amounts	-	-	-	-	(33,990)
Difference					66,441

Explained by:

Surplus under the Statement of <b>Budgeted and Actual amounts</b>	-	-	-	-	(33,990)
Donor Funding- gifts and services-in-kind (Noncash item)	36,838	-	-	36,838	24,250
Depreciation and Amortization Expense (Noncash item)	71,830	(18,255)	-	53,575	(45,901)
Capital Expenditure	135,699	(106,284)	-	29,415	14,563
Commitments in Budget not recognized -OPEX	-	-	-	-	8,748
Commitments in Budget not recognized -CAPEX	-	-	-	-	19,998
Provision for doubtful debts	-	-	-	-	4,418
Reversal of Prior Year Provisions for Tax Penalties and interests					(40,365)
Surplus under Statement of Financial Performance	-	-	-	-	32,451

## RECONCILIATION BETWEEN BUDGET REVENUE AND EXPENDITURE AS PER APPROVED BUDGET

Total income above	1,158,421
Basis Differences: Donor Funding- gifts and services-in-kind (Noncash item)	36,838
Total Revenue in the Approved Budget	1,195,259
Total Expenditure above	1,094,625
Basis Differences: Depreciation and Amortization Expense (Noncash item)	71,830
Total Revenue in the Approved Budget	1,166,455

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

Notes on Significant variances between actual and budget. Given the end year tracking should be at 100%

## REVENUE

- a) Transaction fee income from NSE: The NSE Equities transactions fees performance was at 114% to budget, and fees from bond transactions performance was at 93%. Amidst the continued rising inflation across the globe and movement of foreign investors to safer havens, the trading in listed securities showed an improvement of the 14% to budget.
- b) Application and licensing fees: The annual performance was at 16% above budget. This was mostly due to increase in applications for new fund managers licensees.
- c) Capitalization, rights & Initial Public Offers (IPO's): The annual performance was 50% to the annual budget. Mainly due to lack of new issuance of rights issues and approvals for new listings.
- d) REITs approval income: The performance was at 191% to the budget. This is attributable to the authorization fee and approval fee respectively for offering memorandum for the ISIGNIS I-REIT among others. The respective REIT securities shall be a close ended REIT listed on the Restricted Sub Segment of the Main Investment Market Segment of the Nairobi Securities Exchange at Kshs 20.00 per unit. The total number of units available for listing are 415,917,312.
- e) Approval fees on the GOK (CBK) bonds: The performance was at 85% of annual budget as the government continued with the borrowing program. It is worth noting that that this revenue stream contributed 49% of the overall CMA annual revenue (CMA received Kshs 425.165 Million as Bond commission against an annual revenue of Kshs 872.015 million).
- f) Derivative fees: The level of uptake has remained subdued, though uptake is expected to increase with the developments happening in KOMEX (Kenya national Multicommodity exchange limited). The performance was at 65% to the annual budget.
- g) Interest income/finance income: This revenue stream's performance was 60% above annual budget due to income from investment in GoK Securities of funds earmarked for own premises not yet utilised. The Building Fund initially approved by the National Treasury at Kshs 600million was recalled, and the Authority will remit it through a phased approach (since the funds are already in Treasury bills of differing maturity dates between August 2023 and March 2024) but in the interim shall continue to recognize some income until maturity.
- h) Other Income: The revenue reflects earnings from asset disposals. A planned enhanced charge (1% of Fund value) of management fees to Investor Compensation Fund (ICF) has been included in the deferred income and will be recognized as revenue upon approval.

## EXPENDITURE

- a) Personnel costs: Annual costs were 103% to the annual budget which is slightly above the budget allocations. This has been occasioned by the slight increase in personnel related costs, such as changes in NSSF pension payments. It is however expected to be maintained within the budget provisioned for the 2023/2024 budget year.
- b) Rent and maintenance: The expenditure was at 95% utilization attributable to the ordinary rental costs, parking fees and coupled with repair works for office floor works that was done during the year.
- c) Equipment maintenance & stationery: The actual spend was at 101% to the budget and it is attributable to the annual licence costs for the ERP system amongst other subscriptions for ICT license software renewals. There were scheduled quarterly preventive maintenance of the servers and ICT equipment carried out throughout the financial year.

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

- d) Publicity and advertising expenses closed at 90% of the annual budget attributable to the activities carried out during the financial year including the online advertisements, sponsorships and tree planting corporate social responsibility initiatives as well as soundness report media briefing.
- e) Medical scheme and other Insurances: The utilization was at 96% of the annual budget inline with the continued sensitizations given to staff on choices of service providers that could give services at modest costs to ensure the allocated costs are not exceeded hence controlling of the medical expenses.
- f) Motor vehicle running expenses was at 89% to the annual budget. The underspent is mainly attributable to prudent utilization of office transport during the period.
- g) Subscriptions and IOSCO membership expenses was at 89% of annual budget utilization attributable to the membership subscription and the in-person meeting activities undertaken during the year. Post Covid, there has been an increase in in-person engagements and participation of member organizations though fewer engagements were undertaken.
- h) Professional and consultancy expenses was 85% of the annual budget. ISO Certification related consultancy and consultancy on the Public Offers and Disclosures (POLD) regulations were some of the consultancies carried out during the period. There were fewer consultancies undertaken than envisaged, for instance, the ISMS 27001:2021 implementation and Certification consultancy is envisaged to be undertaken in the new financial year.
- i) Litigation/legal expenses were at 74% to the budget. The earmarked commitments carried out included review of Capital Markets Licensing Regulations 2002 costs, Data Protection Act sensitization and provisions for the ongoing legal cases among others. The Authority managed costs savings through competitive procurement of legal services that included negotiations for the legal fees charged.
- j) Capital Markets Master Plan, (CMMP): The expense tracked at 79% of the annual budget. The Authority also ensured there was completion of the formulation of the 5-year Strategic Plan for Year 2023-2028 during the financial year. The costs in this line comprise of strategic planning consultancy and other related stakeholder and capacity building activities. The designing and printing of the Strategic Plan 2023-2028 will be carried out in the next financial year.
- k) Investor education expenses tracked at 73% of annual budget. This vote performed below the budget by 17%, however, there were some accelerated activities undertaken in the last quarter of the year including the Nakuru and Meru counties' outreach and resource persons initiatives and Mobile App social media boosting activities. A number of engagements were undertaken through the online platforms hence the costs savings.
- l) Capital Markets Appeals Tribunal: The Capital Markets Appeal Tribunal Year to Date (YTD) costs were at 7% as hearing of the pending tribunal matters were not undertaken because the Tribunal was fully re-constituted in June 2023 and minimal expenses were incurred.
- m) Provision for doubtful debts: Debts were provided as per the new guidelines stipulated by the International Public Sector Accounting Standards Board (IPSAS) Standards.
- n) Prior years' tax settlement: Relates to provisions of previous years tax penalties now reversed.

# Notes to the Financial Statements

## 1. General Information

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. 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 in accordance with PFM Act, the State Corporations Act and International Public Sector Accounting Standards(IPSAS). The accounting policies adopted have been consistently applied to all periods presented.

## 2. Statement of compliance and basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the periods presented.

## 3. Adoption of new and revised Standards

- i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2022

Standard	Impact
IPSAS 41: Financial Instruments	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p>• No significant impact is anticipated on adoption of this standard.</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. No significant impact is anticipated on adoption of the new standard.</p>



## Notes to the Financial Statements (Cont')

<b>Other improvements to IPSAS</b>	<b>Applicable: 1<sup>st</sup> January 2023:</b> <ul style="list-style-type: none"> <li>IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</li> </ul>
<b>IPSAS 43</b>	<b>Applicable 1<sup>st</sup> January 2025</b> The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. This will bring the Authority's lease of the premise into the statement of financial position (Balance Sheet)
<b>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</b>	<b>Applicable 1<sup>st</sup> January 2025</b> The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. No impact is expected.

### ii) Early adoption of standards

The Authority did not early – adopt any new or amended standards in the period.

## 4. Summary of significant accounting policies

### a) Revenue recognition

#### Revenue from non-exchange transactions

##### Fees and levies

The Authority recognizes revenues from fees and levies 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 Entity 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.

##### 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.

# Notes to the Financial Statements (Cont')

## Interest income

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

### a) Budget information

The original budget for FY2022/2023 was approved by The National Treasury and Economic Planning on 24<sup>th</sup> June 2022. Subsequent reallocations were made to the approved budget in accordance with approval from the Board Members and The National Treasury.

The Capital Markets Authority's budget is prepared on a cash basis hence a reconciliation between the actual comparable amounts and the amounts presented has been presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### b) Taxes/surplus due to The National Treasury

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.

### c) Property, plant and equipment

This includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant 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. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. 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:

	<b>Rate</b>
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.

### d) Leases

#### Finance leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as

## Notes to the Financial Statements (Cont')

to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life. 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 Leases

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 premises occupied expired on 30<sup>th</sup> June 2023 and was treated as an operating lease. A new lease contract for a period of six years to 30<sup>th</sup> June 2029 is in place, and in line with IPSAS, 43, will be recognized in the Statement of Financial Position with effect from 1<sup>st</sup> July 2023.

### e) 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.

### f) 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

## Notes to the Financial Statements (Cont')

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)

### **i. 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.

#### **a) 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.

#### **b) Contingent liabilities**

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

#### **c) Nature and purposes of reserves**

The Authority creates and maintains the following reserves;

- 1) Capital reserves- These signify initial equity capital contributed to start off the CMA by National Treasury.
- 2) General reserves-These are accumulated reserves from operations.

## Notes to the Financial Statements (Cont')

- 3) Building fund- These are approved funds for acquisition of own premises; and
- 4) Staff mortgage and Car Loan Fund which represents backup funds placed with lenders to assure low cost of staff loans in line with government policy to make them more affordable.

### d) 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.

### e) Employee benefits

#### Retirement benefit plans

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

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

### f) 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.

### g) 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.

### h) 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.

### i) Inventories

Inventories are stated at the lower of cost and net realizable 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. Net realizable value is the estimated selling price in the

## Notes to the Financial Statements (Cont')

ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

**a) 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 and comprise of members of the Board, CEO and Directors

**b) Comparative figures**

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

**c) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial year end with a significant impact on the financial statements for the year ended 30 June 2023.

### 5. Significant judgments and sources of estimation uncertainty

The preparation of the Authority's Annual Report and 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 Annual Report and 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) Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140. Key assumptions made a 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.

## Notes to the Financial Statements (Cont')

### ii. Impairment losses

Estimates are made in determining the impairment losses on receivables. Such estimates include the determination of the net realizable value or the recoverable amount of the asset.

### c) Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i. The condition of the asset based on the assessment of experts employed by the Entity.
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii. The nature of the processes in which the asset is deployed.
- iv. Availability of funding to replace the asset.
- v. Changes in the market in relation to the asset

### d) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

## 6. Revenue from non - exchange transactions

	June 2023 Shs'000	June 2022 Shs'000
<b>Fees income</b>		
Capitalization, rights and new issue fees	11,411	89,326
Approval for listing of Government securities	425,165	532,240
NSE - transaction fees	258,526	318,462
Application and licensing fees	63,545	26,071
Market development fees	9,073	8,863
Derivative fees	17	23
	<b>767,737</b>	<b>974,984</b>

The Authority charges fees on the following basis:

- a) Capitalization / rights issues at a rate of 0.25% of the value of the issue.
- b) Approval for listing of Government securities is charged at a rate of 0.075% of the amount raised.
- c) New issues / IPOs at a rate of 0.15% of the value of the issue.
- d) 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.
- e) Application for license at Kshs 2,500 while annual licensing fees are up to a maximum of Shs 250,000.
- f) 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.

## Notes to the Financial Statements (Cont')

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

### 7. Donor fund income

	June 2023 Shs'000	June 2022 Shs'000
Donor fund income	24,250	39,279

The Authority recognised support worth Kshs 24.25 million (2021:Kshs 39.28 million) in the year from deferred donor funded assets blade servers and video conferencing equipment.

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

	June 2023 Shs'000	June 2022 Shs'000
Interest income	77,819	79,458
Miscellaneous income	109	1,271
	77,928	80,729

### 9. (Loss)/Gain on sale of assets

Property Plant and Equipment	2,101	808
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### 10. Surplus

	Note	June 2023 Shs'000	June 2022 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	30,352	25,081
Amortisation of intangible assets	19	15,548	18,845
Authority board members' emoluments, allowances and other Board related expenses	26	33,416	24,738
Post employment benefits expense	10(b)	58,250	57,249
Provision on Trade and other receivables	13(b)	(4,417)	250
<b>b. Employee benefits expense</b>			
The following items are included in employee benefits expense:			
Gratuity Contributions		30,313	30,634
Defined contribution scheme		27,937	26,615
		<b>58,250</b>	<b>57,249</b>

The Authority operates an in-house defined contribution (DC) scheme for its employees. The investment of the scheme's assets is managed and administered by independent service providers on behalf of the Trustees.



## Notes to the Financial Statements (Cont')

The Authority makes gratuity provisions for its staff on long term contract between 2 -5 years that is payable upon successful completion of their term.

### 11 a. Transfer of Surplus to the National Treasury

In accordance with Section 219 (2) of the Public Financial Management Act 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. In line with this legal requirement CMA remitted Kshs 147.557 million.

The Surplus Remission has been computed as follows:

	June 2023 Kshs'000	June 2022 Kshs'000
Surplus/(Deficit) as Per the Budget Statement	(33,990)	179,924
Less: Staff Mortgages and Car loans (Net)	(22,133)	(15,972)
Adjusted Surplus	(56,123)	163,952
90% Surplus due to National Treasury	-	147,557
Instalment paid in the year	-	-
90% Surplus balance payable	-	<b>147,557</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.

Surplus Calculation has been done based on the Surplus as per the Statement of Budget Performance.

# Notes to the Financial Statements (Cont')

## 11 b. Surplus Remission Payable

	June 2023	June 2022
	Kshs'000	Kshs'000
Payable at the beginning of the year	147,557	165,880
Surplus payable for the year	-	147,557
Paid during the year	(147,557)	(165,880)
<b>Payable at end of the year</b>	<b>-</b>	<b>147,557</b>

## 12. Inventories

	June 2023	June 2022
	Shs'000	Shs'000
Consumables	1,716	1,753

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

	June 2023	June 2022
	Shs'000	Shs'000
Trade receivables	38,115	35,775
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(6,128)	(10,546)
Net trade receivables	31,987	25,229
Other receivables	57,226	7,817
<b>Trade and other receivables from non exchange transactions</b>	<b>89,213</b>	<b>33,046</b>

## 13b. Trade and other receivables from exchange transactions

	June 2023	June 2022
	Shs'000	Shs'000
Trade receivables	1,905	2,326
Less: Provision for impairment losses	-	-
Net trade receivables	1,905	2,326
Prepayments	14,815	12,068
<b>Trade and other receivables from exchange transactions</b>	<b>16,720</b>	<b>14,394</b>
<b>Total trade and other receivables from non exchange and exchange transactions</b>	<b>105,933</b>	<b>47,440</b>

## Notes to the Financial Statements (Cont')

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

	June 2023 Shs'000	June 2022 Shs'000
At 1 <sup>st</sup> July	10,546	5,346
Add: Provision made in the year		5,750
Less: Provision reversed on debt collection		(550)
<b>At 30<sup>th</sup> September/ June</b>	<b>10,546</b>	<b>10,546</b>

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

At 1 <sup>st</sup> July		-
Add: Additional provision	(4,417)	5,200
<b>At 30<sup>th</sup> September/June</b>	<b>(4,417)</b>	<b>5,200</b>

### 14. Staff loans and advances

	Current June 2023 Shs'000	Current June 2022 Shs'000	Non- current June 2023 Shs'000	Non- current June 2022 Shs'000	Total June 2023 Shs'000	Total Jun-22 Shs'000
Car loans	9,078	7,686	23,268	14,180	32,345	21,866
Other loans and advances	3,612	3,109	-	-	3,616	3,109
Staff mortgage back up funds*	59,400	42,411	302,526	307,860	361,925	350,271
	<b>72,088</b>	<b>53,206</b>	<b>325,793</b>	<b>322,040</b>	<b>397,886</b>	<b>375,246</b>

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

Mortgage back up accounts are:	<b>Shs'000</b>
HFC: Mortgage 3000013543 and Mortgage 2000094161	171,545
KCB Mortgage MM1509100194	190,380
<b>Total</b>	<b>361,925</b>

# Notes to the Financial Statements (Cont')

## 15. Held-to-maturity investments - government securities

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>Non-current</b>		
Treasury bonds		
Maturing after four years	25,100	25,100
Unamortised premium	-	
	25,100	25,100
Treasury bonds		
Maturing after one year	55,005	88,600
Unamortised (discount)/premium	(2,338)	(3,868)
	52,668	84,732
	77,768	109,832
<b>Current</b>		
Treasury bonds		
Maturing within one year	-	
Unamortised (discount)/premium	-	-
	-	-
Treasury bills	767,700	894,850
Unamortised discount	(45,561)	(14,831)
	722,139	880,019
	722,139	880,019
	799,907	989,851

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

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>Non- current</b>		
Held-to-maturity investments	77,768	109,832
<b>Current</b>		
Held-to-maturity investments	722,139	880,019

# Notes to the Financial Statements (Cont')

## 16. Cash and Cash Equivalent

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Current account	21,206	21,876
Cash in hand	140	140
On - call deposits	17,000	13,147
Call deposits account	2,466	36,629
	<b>40,812</b>	<b>71,792</b>

## 17a. Banks

			June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
	<b>Name of the Bank</b>	<b>Bank account no.</b>	<b>Account currency</b>	
	NCBA PLC	6580810018	Shs	12,034
	HF Bank	3000013543- 0	Shs	9,172
				21,206
				14,451
				7,425
				21,876

## 17b. Cash in hand

Cash in hand	Shs	140	140
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## 17c. Short term deposits

		Shs		
Fixed/Call Deposits	AA231819V7P1		17,000	13,147
	AA23130C1F8H/		2,466	36,629
Gratuity Fund Call Deposit	AA23130GMVWB			
			19,466	49,776
<b>Total cash in hand and bank</b>			<b>40,812</b>	<b>71,792</b>

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

Short-term bank deposits	19,466	49,776
Cash at bank and in hand	21,346	22,016
Investors Compensation Fund bank balance (Note 16) - (KCB)	1,029	2,510
	<b>41,841</b>	<b>74,302</b>

# Notes to the Financial Statements (Cont')

## 18. 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:

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
At beginning of the year	4,592,569	4,005,933
Nairobi Securities Exchange transactions fees	73,093	94,194
Interest on investments	560,761	491,155
Financial penalties	10,000	1,418
Withdrawals (Investor Claims)	(9,975)	(349)
Gain /(loss) in Investment in NSE	7,481	742
Management Fees	(51,824)	(500)
Bank Charges	(22)	(24)
<b>At end of the year</b>	<b>5,182,083</b>	<b>4,592,569</b>

## Notes to the Financial Statements (Cont')

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

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
<b>Non-current</b>		
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	52,325	62,300
	64,575	74,550
Treasury bonds		
Maturing after five years	2,791,150	3,201,150
Unamortised discount(premium)	31,375	35,907
	2,822,525	3,237,057
Maturing after one year	1,007,705	612,700
Unamortised discount	655	(3,251)
	1,008,360	609,449
	3,830,885	3,846,506
	3,895,460	3,921,056
<b>Current</b>		
Treasury bonds	20,000	50,000
Unamortised discount	-	107
	20,000	50,107
Treasury bills	1,292,450	544,900
Unamortised discount	(63,554)	(19,517)
	1,228,896	525,383
Fees receivable	36,698	93,512
Bank balance	1,029	2,510
	37,727	96,022
	1,286,623	671,513
	<b>5,182,083</b>	<b>4,592,569</b>

# Notes to the Financial Statements (Cont')

## 19. Property and Equipment

	Motor vehicles Kshs'000	Computers & Copiers Kshs'000	Office equipment Kshs'000	Furniture & fittings Kshs'000	Capital work-in- progress Kshs'000	Total Kshs'000
<b>Cost</b>						
As at June 2021	37,123	171,639	21,452	95,085		325,299
Additions	25,590	6,092	193		7,895	39,770
Disposals		(1,006)			-	(1,006)
Reversal	(3,571)	-	-			(3,571)
<b>At 30 June 2022</b>	<b>59,142</b>	<b>176,725</b>	<b>21,645</b>	<b>95,085</b>	<b>7,895</b>	<b>360,492</b>
Additions	-	13,725	465	372	289	15,798
Disposals	(7,177)	(11,058)	(368)	(414)		(19,017)
Reversal/ Transfers					(7,895)	(7,895)
<b>At June 30, 2023</b>	<b>51,965</b>	<b>179,393</b>	<b>21,743</b>	<b>95,043</b>	<b>289</b>	<b>349,378</b>
<b>Depreciation</b>						
As at June 2021	(32,178)	(130,339)	(20,664)	(86,457)		(269,638)
Depreciation	(5,456)	(16,826)	(323)	(2,478)	-	(25,083)
Accumulated depreciation reversed on disposal	3,571	933	-			4,504
<b>At June 30 2022</b>	<b>(34,063)</b>	<b>(146,232)</b>	<b>(20,987)</b>	<b>(88,935)</b>	<b>-</b>	<b>(290,217)</b>
Depreciation	(8,516)	(19,176)	(335)	(2,326)		(30,352)
Accumulated depreciation reversed on disposal	7,177	11,058	368	414		19,018
<b>At June 30, 2023</b>	<b>(35,402)</b>	<b>(154,350)</b>	<b>(20,954)</b>	<b>(90,846)</b>	<b>-</b>	<b>(301,552)</b>
<b>Net carrying amount</b>						
<b>At June 30, 2023</b>	<b>16,563</b>	<b>25,043</b>	<b>789</b>	<b>4,197</b>	<b>289</b>	<b>46,880</b>
<b>At June 30 2022</b>	<b>25,079</b>	<b>30,493</b>	<b>658</b>	<b>6,150</b>	<b>7,895</b>	<b>70,275</b>



# Notes to the Financial Statements (Cont')

## 20. Intangible assets

	Intangible Assets Shs'ooo
<b>Software costs</b>	
<b>Cost</b>	
<b>At 01 July 2021</b>	309,024
Additions / Reclassification	(14,813)
Work in progress	3,538
<b>At 01 July 2022</b>	<b>297,749</b>
Additions/ Transfers from WIP	(3,538)
Work in progress	-
Derecognition	(49,907)
Transfers from WIP/Derecognition (Capital Work-in-Progress Items)	(90,018)
<b>At June 30, 2023</b>	<b>154,286</b>
<b>Amortisation</b>	
<b>At 01 July 2021</b>	182,060
Amortisation	18,845
Reclassification	(14,813)
<b>At 01 July 2022</b>	<b>186,092</b>
Amortisation	15,548
Derecognition	(49,907)
<b>At June 30, 2023</b>	<b>151,734</b>
<b>Net book value</b>	
<b>At June 30, 2023</b>	<b>2,552</b>
<b>At June 30 2022</b>	<b>111,657</b>

# Notes to the Financial Statements (Cont')

## 21. Trade and other payables

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
Trade payables	3,848	4,706
Provisions	74,504	106,214
Gratuity obligations	67,257	37,759
Accruals	46,657	64,288
	<b>192,267</b>	<b>212,967</b>

Provisions	Leave benefits	Performance bonus	Total
	Kshs'000	Kshs'000	
At 01 July 2022	7,997	98,217	106,214
Additional provisions raised	9,108	24,103	33,211
Provision utilized		(56,924)	(56,924)
Provision reversed	(7,997)		(7,997)
At June 30, 2023	<b>9,108</b>	<b>65,396</b>	<b>74,504</b>

Accruals	Consultancies	Other Provisions	Total
	Kshs'000	Kshs'000	
At 01 July 2022	3,606	113,539	117,145
Additional accruals	858	21,420	22,278
Accruals realized	(3,606)	(89,576)	(93,182)
Accruals reversed			-
At June 30, 2023	<b>858</b>	<b>45,383</b>	<b>46,241</b>

## 22 (a). Provision for liabilities and charges

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
At 01 July 2022	95,752	92,965
Add: Additional provision	2,832	13,317
Less: Written back	(1,450)	(10,530)
At June 30, 2023	<b>97,134</b>	<b>95,752</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.

## Notes to the Financial Statements (Cont')

### 22. (b) Non current Provisions-Work in Progress (WIP)

Work in progress (WIP) in previous financial year relates to Supply, Installation and Commissioning of a Data Repository & Business Intelligence System and for the Review and Design Securities Market Surveillance System.

The donor support program contract through the FSSP ended on 30 June 2022, with no option of continuation in the subsequent year. With the stoppage of funding, the projects are not deemed to be completed in the foreseeable future, and management have applied prudence to derecognize the accrued WIP in the current financial year.

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
	-	90,018
	-	<b>90,018</b>

### 23. Deferred income

In line with the Authority's accounting policy, Kshs 8,392,000 of the donor funded income has been deferred for future periods. The amounts relate to the FSSP projects that were financed and capitalized previously.

Included in the deferred income is the Investor Compensation Fund (ICF) management fee payable to the Authority for the fund for Ksh51,823,580 based on the ICF Fund value.

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Opening balance	32,641	-
Recognized in the year	-	32,641
Management Fee due from ICF	51,824	-
	<b>60,215</b>	<b>32,641</b>

### 24. General fund

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Opening balance	43,324	356,166
Surplus/ (Deficit) for the Period/year	32,451	59,295
Transfer to Staff Mortgage & Car Loan fund	(22,133)	372,137)
<b>At June 30, 2023</b>	<b>53,642</b>	<b>43,324</b>

General fund represents accumulated surpluses over the years.

## Notes to the Financial Statements (Cont')

### 25. Capital fund

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>At June 30, 2023</b>	<b>27,886</b>	<b>27,886</b>

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

### 26. Building fund

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Opening balance	600,000	600,000
Transfer to The National Treasury	(35,100)	-
<b>At June 30, 2023</b>	<b>564,900</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 Ksh600million. The fund has since been restated as a current liability in the view of the full recall by the National Treasury.

Remittance has since commenced, and the balance will be remitted in the FY 2023/2024 when cash becomes available upon maturity of government securities where it is invested

### 27. Staff Mortgage and Car loan fund

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Opening balance	372,137	-
Appropriation from general fund (Note 23)	22,133	372,137
<b>At June 30, 2023</b>	<b>394,270</b>	<b>372,137</b>

# Notes to the Financial Statements (Cont')

## 28. Related Party Transactions

	June 2023 Shs'000	June 2022 Shs'000
<b>i) Board members of the Authority remuneration</b>		
Honoraria	-	160
Retainer	8,095	6,912
Sitting allowances	9,458	9,992
Training expenses	11,978	4,154
Others (medical, mileage, bonus)	3,885	3,520
	33,416	24,738
<b>ii) Key management compensation</b>		
Gross salaries	41,174	39,031
Pension-NSSF	13	10
Gratuity	9,296	9,322
	50,483	48,363

There were 6 members of senior management who served during the year (2021:5)

## 29. 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 are as follows:

	June 2023 Kshs'000	June 2022 Kshs'000
Capital expenditure contracted for	19,998	65,600
Recurrent expenditure contracted for	8,748	
	28,746	65,600

## Notes to the Financial Statements (Cont')

b. <u>Item description</u>	Capital Kshs'000	Recurrent Kshs'000	Total Kshs'000
Network access	12,706		12,706
Furniture	3,150		3,150
Computers & Printers	1,681		1,681
Software	2,461		2,461
Supply of Goods		1,174	1,174
Supply of Services		7,574	7,574
<b>Total</b>	<b>19,998</b>	<b>8,748</b>	<b>28,746</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 38,453,000 (2021: Kshs40,030,000).

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

	June 2023 Shs'000	June 2022 Shs'000
Not later than 1 year	38,453	40,030
Later than 1 year and not later than 5 years	139,631	108,544
	<b>178,084</b>	<b>148,574</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 31<sup>st</sup> January 2022, the International Public Sector Accounting Standards Board (IPSASB) issued a new standard IPSAS 43 on Leases. The standard has an effective date of 1<sup>st</sup> January 2025, and requires a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessees, IPSAS 43 accounting requirements 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. The Authority is considering an early adoption in the Financial year 2023/2024.

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.

### 30. Contingent liabilities

The Authority has no contingent liabilities in the financial year as all prior year tax penalties and interest (see note 31) for which waiver had been applied for with the Kenya Revenue Authority (KRA) have been fully recognized. More than 90% of the issues with KRA have been resolved with them and the previous provisions have since been reversed..

## Notes to the Financial Statements (Cont')

### 31. Prior years' tax settlement provision

These relate to interest and penalties imposed against principal taxes that had already been settled 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 had ensured 100% compliance with statutory obligations by cleaning up the CMA tax ledgers. The Authority has continuously engaged with KRA and 90% of the original provisions have been resolved, and reversal of the tax demands in I-tax and CMA ledger effected.

### 31. Prior years' tax settlement provision

These relate to interest and penalties imposed against principal taxes that had already been settled 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 had ensured 100% compliance with statutory obligations by cleaning up the CMA tax ledgers. The Authority has continuously engaged with KRA and 90% of the original provisions have been resolved, and reversal of the tax demands in I-tax and CMA ledger effected.

	June 2023 Shs'000	Jun-22 Shs'000
Penalties and interest provision B/F	45,734	45,734
Charge/ (Reversals) for the year	(40,364)	-
	<b>5,370</b>	<b>45,734</b>

### 32. Employee costs

	June 2023 Kshs'000	June 2022 Kshs'000
Consolidated pay, leave pay and passages	456,798	452,573
Staff uniform expenses	237	145
Staff welfare and other costs	20,308	17,317
Staff retirement benefits	58,250	57,249
	<b>535,593</b>	<b>527,283</b>

### 33. Depreciation and Amortization Expense

	June 2023 Kshs'000	June 2022 Kshs'000
Property, plant and equipment	30,353	25,081
Intangible assets	15,548	18,845
	<b>45,901</b>	<b>43,926</b>

## Notes to the Financial Statements (Cont')

### 34. Use of Goods and services

	June 2023 Kshs'000	June 2022 Kshs'000
Rent and maintenance	40,008	41,268
Telephone, postage and utilities	15,444	14,405
Publicity and Advertising	13,288	19,008
Medical scheme and insurance expenses	43,416	32,138
Training and conferences	31,005	44,497
Motor vehicle running expenses	4,463	3,929
Subscriptions and IOSCO membership	8,654	6,294
Professional and market development services	59,928	74,586
Auditor's remuneration	2,361	1,713
Investors' education and awareness programme	9,760	9,439
Tribunal expenses	388	713
Prior years' tax settlement	(40,365)	(4,160)
Provision for doubtful debts	(4,417)	5,200
	<b>183,932</b>	<b>249,030</b>

### 35. Repairs and Maintenance

	June 2023 Kshs'000	June 2022 Kshs'000
Internet Bandwidth & Web hosting	6,361	5,465
Software Licenses & Support	8,550	9,167
Other ICT Expenses	3,104	4,445
Printing Costs	281	71
Purchase of Stationery items	1,829	1,161
Toners & Computer Consumables	1,644	1,403
Equipment & Computer Maintenance	737	722
Maintenance of Office Furniture & Fittings	399	196
Annual Service Maint. Contracts	17,630	20,095
Other General Office costs	189	1,246
	<b>40,724</b>	<b>43,971</b>



## Notes to the Financial Statements (Cont')

### 36.a Cash Generated from Operations-CMA

		June 2023	Prior Year Audited June 2022
		Kshs'000	Kshs'000
<b>Cash flows from operating activities</b>			
Surplus for the year		32,451	206,852
<b>Adjustments for:</b>			
Tax expense		(40,364)	(4,260)
Depreciation of property and equipment	18	30,352	25,081
Amortisation of intangible assets	19	15,548	18,844
Deferred donor funded income	22	27,574	(20,356)
Gain on disposal of property and equipment	9	(2,095)	(809)
Interest income	8	(77,819)	(79,458)
<b>Operating Surplus before working capital changes</b>		<b>(14,352)</b>	<b>145,894</b>
Decrease/(increase) in:			
Inventories	12	37	33
Trade and other receivables	13	(58,493)	34,539
Staff loans and advances	14.	(22,635)	791
Increase/(decrease) in:			
Trade and other payables	21.	(20,700)	(12,783)
Provision for liabilities and charges	22.	1,382	2,788
Non current provisions		-	(7,191)
<b>Cash generated from operations</b>		<b>(114,761)</b>	<b>164,071</b>
Interest received	8	77,819	79,458
Surplus paid		(182,657)	(165,880)
<b>Net cash generated from operating activities</b>		<b>(219,599)</b>	<b>77,649</b>

## Notes to the Financial Statements (Cont')

### 36.b Cash Generated From Operations-ICF

	Note	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
<b>Cash flows from operating activities</b>			
Interest income	18	(560,761)	(491,155)
<b>Operating Surplus before working capital changes</b>		(560,761)	(491,155)
Decrease/(increase) in:			
Trade and other receivables		56,814	(5,379)
Increase/(decrease) in:			
ICF Fund		532,700	592,016
Provision for liabilities and charges			
<b>Cash generated from operations</b>		28,753	95,482
Interest received	18	560,761	491,155
Surplus paid		-	-
<b>Net cash generated from operating activities</b>		<b>589,514</b>	<b>586,637</b>

### 36.b Cash Generated From Operations-ICF

	Note	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
<b>Cash flows from operating activities</b>			
Interest income	18	(560,761)	(491,155)
<b>Operating Surplus before working capital changes</b>		(560,761)	(491,155)
Decrease/(increase) in:			
Trade and other receivables		56,814	(5,379)
Increase/(decrease) in:			
ICF Fund		532,700	592,016
Provision for liabilities and charges			
<b>Cash generated from operations</b>		28,753	95,482
Interest received	18	560,761	491,155
Surplus paid		-	-
<b>Net cash generated from operating activities</b>		<b>589,514</b>	<b>586,637</b>

# Notes to the Financial Statements (Cont')

## 37. 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 minimize 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.

	Fully performing	Past due but not impaired	Impaired	Total
At June 30, 2023	Shs'000	Shs'000	Shs'000	Shs'000
Held-to-maturity investments	799,907	-	-	799,907
Staff loans and advances/ fund	397,882	-	-	397,882
Trade receivables	33,892	-	-	33,892
Other receivables	14,815	-	-	14,815
Cash at bank, in hand and deposits	40,672	-	-	40,672
Maximum exposure to credit risk	1,287,168	-	-	1,287,168

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

	2023	2022
	Shs'000	Shs'000
Over 6 months	-	-

## Notes to the Financial Statements (Cont')

### 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 Kshs'000	Between 1-3 months Kshs'000	Between 3-12 months Kshs'000	Over 1 year Kshs'000	Total Kshs'000
<b>Year ended June 30, 2023</b>					
Trade payables	3,848				3,848
Other payables	36,338	5,804	4,515		46,657
Provision for liabilities and charges	(17,529)			92,032	74,504
Gratuity obligations	67,257				67,257
	89,915	5,804	4,515	92,032	192,267

### 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 2023 is reasonably possible. If the interest rates on the Authority's held-to-maturity investments at the year-end were to decrease/increase by this number of percentage points, with all other factors remaining constant, the surplus would be lower/higher by Kshs 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.

# Notes to the Financial Statements (Cont')

## 38. Related Party Disclosures

### Nature of related party relationships

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

### Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has not provided any guarantees to the Authority.

Other related parties include:

- i. The National Treasury
- ii. Other Financial Regulators
- iii. Other State Corporations and Semi-Autonomous Government Agencies
- iv. Board Of directors
- v. Key Management

	2023 Kshs	2022 Kshs
<b>Transactions with related parties</b>		
<b>a. Sales to related parties</b>		
Others (specify) Bond Approval fees	425,165	532,240
Salaries for seconded staff	3,829	5,338
<b>Total</b>	<b>428,994</b>	<b>537,578</b>
<b>b. Purchases from related parties</b>		
Purchases of electricity from KPLC	4,528	4,261
Training and conference fees paid to govt. Agencies	6,568	13,315
<b>Total</b>	<b>11,096</b>	<b>17,576</b>
<b>c. Grants /transfers from the government</b>		
Donations in kind- FSSP Consultancy payment.	-	11,733
<b>Total</b>	<b>-</b>	<b>11,733</b>

## 39. Events after the Reporting Period

There were no material adjusting and non- adjusting events after the reporting period.

## 40. Ultimate and Holding Entity

The Capital Markets Authority is a Semi- Autonomous Government Agency under the National Treasury. Its ultimate parent is the Government of Kenya.

## 41. Currency

The financial statements are presented in Kenya Shillings (Kshs).

# Appendices

## Appendix I: 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)
<p><b>During the previous year, the Authority Auditor’s Report was unmodified/unqualified. There were no issues for follow up</b></p>					

**Chief Executive Officer**



Date.....

24 August 2023

**Chairman of the Board**



Date.....

24 August 2023

## Appendices (Cont')

### Appendix li: Inter Entity Transfers

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/ Development/ Others	Total Amount - KES	Where Recorded/recognized				
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific
FSSP	See Appendix 3	Development	24,249,760	24,249,760	-	-	-	-
National Treasury	See Appendix 3	Others/ Reimbursement	3,828,973	3,828,973	-	-	-	-
<b>Total</b>			<b>28,078,733</b>	<b>28,078,733</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 were confirmed based on the projects' milestones. 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.

#### Senior Manager Accounting & Finance

##### Capital Markets Authority



Sign .....

#### KEY:

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

## Appendices (Cont')

### Appendix Iii: Recording of Transfers From Donors

	ENTITY NAME: CAPITAL MARKETS AUTHORITY			
	Break down of Transfers from Donors			
	FY 2022/2023			
a.	Reimbursements for Capacity building Technical Costs.			
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
b.	Other Payments- Reimbursement			
	Details of the Payment	Transaction Description	Amount (Kshs)	
	Reimbursements for National Treasury Seconded staff		1,908,387	2022/2023
	Reimbursements for Ministry of Trade-State Department of Investment Promotion		1,920,586	2022/2023
			<b>3,828,973</b>	
b(ii)	Donor funded Consultancies.		-	-
	Blade Server and Switches - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	7,195,128	2022/2023
	Video Conferencing RP100-55A and vMCU Suite	Contra-Donor Funded Consultancies and Donor Funding income	2,032,032	2022/2023
	Integration of Surveillance System with NSE/CDSC	Contra-Donor Funded Consultancies and Donor Funding income	2,396,820	2022/2023
	Business Central - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	10,027,788	2022/2023
	Vmware and VEEM Availability Suite	Contra-Donor Funded Consultancies and Donor Funding income	2,597,992	2022/2023
		<b>Total</b>	<b>24,249,760</b>	
		<b>GRAND TOTAL</b>	<b>28,078,733</b>	

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





# Regulatory Framework

## Legislative & Regulatory Developments

In accordance with section 11 (1) (a) of the Capital Markets Act, Cap 485A and section 3 of the Statutory Instruments Act, 2013 the Authority developed the following regulatory frameworks to support Kenya's growing capital markets during the 2022/2023 Financial Year.

These are: -

- i. The draft Capital Markets (Licensing Requirements) (General) Regulations 2023;
- ii. The draft Capital Markets (Take-Overs and Mergers) Regulations 2023;
- iii. The draft Capital Markets (Credit Rating Agencies) Regulations 2022;
- iv. The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) (Amendment) Regulations, 2023;
- v. The Capital Markets (Licensing Requirements) (General)(Amendment) Regulations 2023; and
- vi. The Capital Markets (Online Foreign Exchange Trading) (Amendment) Regulations 2023.

In this regard, the Authority continued to focus its attention on market dynamics, changing needs and stakeholder proposals by ensuring timely reviews and enactments of regulatory recommendations to support capital market development in line with the spirit of the Strategic Plan and Master Plan objectives. In addition, the unit has been supporting capital markets innovations through regulatory proposals to ensure a robust, facilitative, and responsive regulatory environment for different products with the potential to deepen the markets and or improve efficiency.

### 1. Draft Capital Markets Licensing Regulations 2023

The Authority overhauled the Capital Markets (Licensing Requirements) (General) Regulations, 2002. The Capital Markets Master Plan (CMMP) 2014-2023 underscores the need for sound, responsive regulation and legal frameworks that inspire confidence in the capital markets as a key building block for an innovative and facilitative legal and regulatory environment.

Section 11 (1) of the Capital Markets Act, mandates the Capital Markets Authority (CMA) to develop all aspects of the capital markets with particular emphasis on the removal of impediments to, and the creation of incentives for long- term investments in productive enterprises.

The draft Capital Markets (Licensing Requirements) (General) Regulations 2023 provide details on the requirements that must be complied with for a person to be eligible for the grant of a license under the Capital Markets to operate the business of an approved Securities Exchange, Over the Counter Platform, Investment Adviser, Investment Bank, Broker dealer, Stockbroker, Dealer, Intermediary Platform Service Provider, Fund Manager, Custodian, Trustee and Agent.

The Authority published a public notice in the newspapers requesting for comments from stakeholders and the public between 18 April and 18 May 2023. The comments received were reviewed and considered in the refinement of the Regulations. The draft regulations are pending gazettelement.

### 2. Draft Capital Markets (Take-Overs and Mergers) Regulations 2023

Kenya's takeover market has evolved dramatically over the past 21 years, while the applicable regulatory framework has remained substantially the same. As a result, the application of our existing rules to today's extraordinary transactions can often raise complex regulatory issues. Companies hence are hindered in undertaking take-overs and merger transactions in a timely and effective manner given the undue regulatory bottlenecks imposed by the over two decades old regulatory framework.

The draft Capital Markets (Take-Overs and Mergers) Regulations 2023 provide details on the take-over process and procedures and provides for the obligations of the offeror and the offeree in a take-over transaction. It also provides for the exemptions to a take-over. The draft regulations are pending gazettelement.

## Regulatory Framework (Cont')

### **3. Draft Capital Markets (Credit Rating Agencies) Regulations 2022**

The Authority reviewed the Capital Markets (Credit Rating Agency) Guidelines, 2001 in order to enhance best practices on the conduct of credit ratings in Kenya. The review is also aimed at complying with the requirements of the Statutory Instruments Act. The draft Capital Markets (Credit Rating Agencies) Regulations 2023 were developed pursuant to Section 12(1) (h) of the Capital Markets Act, Cap 485A of the Laws of Kenya. The draft Regulations provide for investor protection and increased level of oversight of credit rating agencies by the regulator.

A public notice on the draft Regulations was published on 16 August 2022 and the deadline for submission of comments from the public was 4 October 2022.

The draft Regulations are pending gazettelement.

### **4. Amendments to the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013**

The aim of the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) (Amendment) Regulations, 2023 is to allow many investors especially retail to benefit from regulated structures to protect their investments, especially in alternative asset-class markets. The amendments have reduced the minimum investment in a D-REIT from five million shillings to one hundred thousand shillings. The Regulations are awaiting gazettelement.

### **5. Amendments to the Capital Markets (Licensing Requirements) (General) Regulations 2002.**

The Capital Markets (Licensing Requirements) (General) (Amendment) Regulations 2023 seek to increase investors' confidence in the market by increasing the maximum compensation that an investor can receive from the Investor Compensation Fund from Ksh. 50,000 to Ksh. 200,000. This amendment also seeks to align the compensation to investors with other compensation regimes within Kenya. The Regulations are awaiting gazettelement.

### **6. Amendments to the Capital Markets (Online Foreign Exchange Trading) Regulations 2017**

The Capital Markets (Online Foreign Exchange Trading) (Amendment) Regulations 2023 seek to introduce an annual fee of 3% that an online forex broker (both dealing broker and non-dealing broker) will be required to pay based on the gross revenue including commissions and rebates from third party related service providers. The Regulations are awaiting gazettelement.

# Research & Analytics

## Kenya's GDP Growth Rate

The release of the Gross Domestic Product (GDP) by the Kenya National Bureau of Statistics (KNBS) indicates that the revised real GDP grew by 4.3 per cent in Q3.2022, where most sectors reported decelerated growth (i.e., the Agriculture, Forestry & Fishing, and Mining & Quarrying) due to significant growth reported in the same quarter three of 2021. Significant growth in Accommodation & Food Service activities, Wholesale and retail trade activities, Professional, Administrative & Support services, Education, Other services, and Financial & Insurance activities bolstered the overall growth in Q3.2022.

In the last quarter of 2022, KNBS reported a decreased growth in the real GDP of 3.7 per cent owing to decelerated growth in Information & Communication, Professional, Admin & Support Services, and Transport & Storage. Nonetheless, the growth was supported by improvement reported in Public Administration, Education, and Mining & Quarrying sectors. In the first quarter of 2023, KNBS reported a higher provisional real GDP growth rate of 5.3 per cent attributed to resurgence in agricultural activities owing to favorable rainfall conditions experienced throughout the first quarter of 2023, Accommodation and Food Service, Information and Communication Technology, Transportation and Storage, Financial and Insurance, and Wholesale and Retail Trade sectors. Finally, in the second quarter of 2023, the economy grew by 5.4 per cent primarily underpinned by rebound in the Agricultural Activities, Financial Insurance, Accommodation & Food Service, and Information & Communication.



**Significant growth in Accommodation & Food Service activities, Wholesale and retail trade activities, Professional, Administrative & Support services, Education, Other services, and Financial & Insurance activities bolstered the overall growth in Q3.2022.**

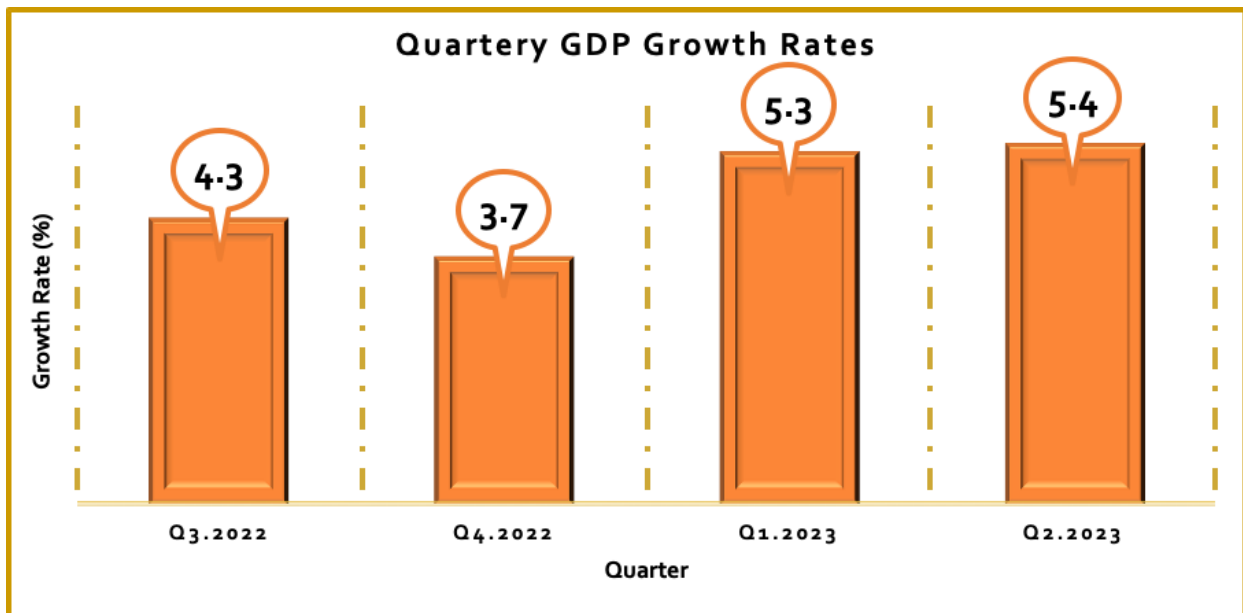


**5.3%**

**higher provisional real GDP growth rate attributed to resurgence in agricultural activities owing to favorable rainfall conditions**

## Research & Analytics (Cont')

Figure 1: GDP Growth Trend (Q3.2022-Q2.2023)



Source: KNBS

### Kenya Inflation Rate

According to the latest report from the Kenya National Bureau of Statistics, the Consumer Price Indices (CPI) and Inflation Rates for June 2023 show an overall inflation rate of 7.90 per cent, slightly lower than the 8.32 per cent recorded in July 2022. The end of period inflation was due to increases in essential commodities, including Food & Non-alcoholic Beverages, Housing, Water, Electricity, Gas, and other fuels, as well as Transport.

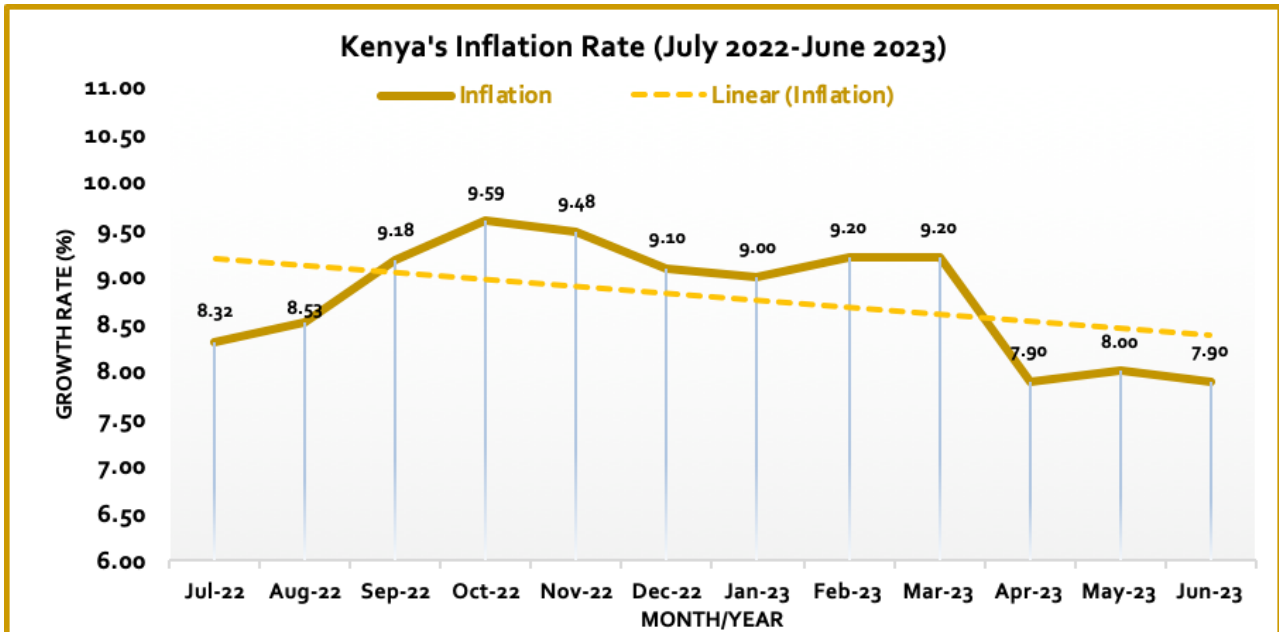


Inflation was due to increases in essential commodities, including Food & Non-alcoholic Beverages, Housing, Water, Electricity, Gas, and other fuels, as well as Transport.

<sup>4</sup> <https://www.knbs.or.ke/download/consumer-price-indices-and-inflation-rates-for-june-2023/>

## Research & Analytics (Cont')

Figure 2: Inflation Rates Trend for the year the period July 2022 –June 2023



Source: CBK/KNBS

### Kenya's Economy Outlook

According to the recently released East Africa Regional Economic Outlook 2023 report by African Development Bank Group (AFDB), Kenya was among countries that recorded highest growth of 5.5 per cent despite decline in the region's economic growth from 4.7 per cent in 2021 to 4.4 per cent in 2022. However, Kenya's GDP growth rate fell from 7.5 per cent in 2021 due to global growth slowdown, higher consumer prices, adverse weather conditions and mounting public debt. Kenya's real GDP is projected to grow at 5.6 per cent strengthening and accelerating the region's projected economic growth rate of 5.1 per cent and 5.8 per cent in 2023 and 2024, respectively.

According to the AFDB report, the Kenya's fiscal deficit in 2022 was higher than the regional average because of large public infrastructure projects and debt service obligations. In addition, the Kenya shilling against US dollar depreciated at rate of 7.5 per cent coupled with the Russia-Ukraine war that disrupted the global supply chains of edible oils, wheat, and fertilizer, raising their prices and Kenya's import bill on food resulting in lower net export.



Kenya was among countries that recorded highest growth of

**5.5%**

despite decline in the region's economic growth

## Research & Analytics (Cont')

### Primary Markets

#### Listing by Introduction

There were no listings by introduction during the Financial Year under review.

Table 1: Listings by Introduction (2006-June 2023)

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

### Treasury Bonds

During the 2022/2023 fiscal year, there were 35 Treasury bond issues comprising **16 re-opened** issues, **6 new issues**, **12 tap sales**, and **1 switch auction**. The government targeted **Ksh.807.80 billion** from the bonds issuance and received bids worth **Ksh.829.01 billion**, indicating bond performance rate of 102.63%. The Central Bank of Kenya accepted bids worth **Ksh.743.00billion**, an aggregated acceptance rate of 91.98%.



**102.63%**  
Bond  
performance  
rate

## Research & Analytics (Cont')

**Table 2: Issued/Re-opened Treasury Bonds (FY 2022/23)**

Date	BOND	Amt Issued	Amt Received	Amt Accepted	% AA/AI	% AR/AI	Type
Jul-22	Tap Sale (IFB1/2022/18)	20.00	6.42	6.42	32.1	32.1	Tap Sale
Jul-22	FXD2/2013/15	40.00	5.45	5.22	13.05	13.63	Re-opened
Jul-22	FXD2/2018/15		5.12	4.09	10.23	12.8	Re-opened
Aug-22	FXD1/2022/03	50.00	21.82	21.8	43.6	43.64	Re-opened
Aug-22	FXD2/2019/10		8.96	8.78	17.56	17.92	Re-opened
Aug-22	FXD1/2021/20		18.35	7.95	15.9	36.7	Re-opened
Sep-22	FXD1/2022/010	50.00	28.52	25.62	51.24	57.04	Re-opened
Sep-22	FXD1/2022/015		17.62	13.41	26.82	35.24	Re-opened
Oct-22	FXD1/2017/10	40.00	17.26	14.11	35.28	43.15	Re-opened
Oct-22	FXD1/2020/15		1.54	1.01	2.53	3.85	Re-opened
Oct-22	FXD1/2022/25	20.00	14.89	13.67	68.35	74.45	New
Nov-22	Tap Sale (IFB1/2022/14)	5.00	19.14	19.13	382.60	382.80	Tap Sale
Dec-22	Switch Auction	87.80	52.90	49.11	55.93	60.25	Switch Auction
Dec-22	FXD1/2008/20	40.00	17.32	17.27	43.16	43.31	Re-opened
Dec-22	FXD1/2022/25		13.24	7.07	17.67	33.10	Re-opened
Dec-22	Tap Sale (IFB1/2022/006)	20.00	10.81	10.81	54.06	54.07	Tap Sale
Jan-23	FXD1/2020/005	50.00	27.62	24.35	48.71	55.24	Re-opened
Jan-23	FXD1/2022/015		14.01	7.16	14.32	28.02	Re-opened
Jan-23	Tap Sale (FXD1/2020/005)	10.00	13.90	13.57	135.71	139.03	Tap Sale
Jan-23	Tap Sale (FXD1/2022/015)		4.12	4.06	40.56	41.19	Tap Sale
Feb-23	FXD1/2017/010	50.00	8.03	7.47	14.94	16.06	Re-opened
Feb-23	FXD1/2023/010		11.51	9.28	18.56	23.03	New

Source: CBK



## Research & Analytics (Cont')

Table 2: Issued/Re-opened Treasury Bonds (FY 2022/23)

Date	BOND	Amt Issued	Amt Received	Amt Accepted	% AA/AI	% AR/AI	Type
Feb-23	Tap sale (FXD1/2017/010)	10.00	8.86	8.59	85.94	88.56	Tap Sale
Feb-23	Tap sale (FXD1/2023/010)		3.61	3.61	36.07	36.08	Tap Sale
Mar-23	IFB1/2023/17	50.00	59.77	50.88	101.76	119.54	New
Mar-23	Tap Sale (IFB1/2023/17)	20.00	12.71	12.71	63.56	63.56	Tap Sale
Apr-23	FXD2/2018/10	20.00	3.57	3.36	16.80	17.85	Re-opened
Apr-23	Tap sale (IFB1/2023/17)	10.00	5.119	5.117	51.17	51.19	Tap Sale
Apr-23	FXD1/2022/03	30.00	7.33	1.76	5.86	24.43	Re-opened
May-23	FXD1/2023/003	20.00	20.74	20.29	101.47	103.72	New
May-23	Tap Sale (FXD1/2023/003)	10.00	10.60	10.60	106.02	106.03	Tap Sale
May-23	Tap Sale (FXD1/2023/003)	20.00	27.21	27.20	136.01	136.03	Tap Sale
Jun-23	IFB1/2023/007	60.00	220.52	213.40	355.67	367.53	New
Jun-23	Tap Sale (FXD1/2023/003)	15.00	18.56	18.55	123.68	123.73	Tap Sale
<b>FY 2022/23</b>	<b>Total</b>	<b>807.80</b>	<b>829.01</b>	<b>743.00</b>	<b>91.98%</b>	<b>102.63%</b>	<b>35</b>

Source: CBK

# Research & Analytics (Cont')

## Corporate Bonds

Table 3: Issued Corporate Bonds and Commercial Papers in Kenya as at March 2023

Issuer	Arrangers	Approved Amount (Ksh.Bn)	Issued Amount (Ksh.Bn)	Approval Date	Issue Date	Maturity Date	Outstanding (Ksh. Bn)
Eabl Fixed Medium Term Note – Second Tranche	ABSA Investment Bank	11.00	11.00	6-Aug-21	6-Oct-21	30-Oct-26	11.00
Real People Medium Term Note (RPBD. BD.19/04/21-0049-13.75 & RPBD. BD.03/08/20-0047-13.65)	NCBA Investment Bank	5.00	1.63	25-Jun-15	10-Aug-15	28-Feb-25	0.39
The Acorn Project: Drawdown 1- 12	Stanbic Bank	5.70	5.08	31-Jul-19	8-Nov-19	8-Nov-24	3.50
Chase Bank Fixed Medium-Term Note	Genghis Capital & NIC Capital	10.00	4.82	19-May-15	10-Jun-15	2-Jun-22	4.82
Centum Real Estate Limited	Private Wealth Capital Limited	4.00	2.96	13-Nov-20	31-Dec-20	31-Dec-23	2.02
Imperial Bank Multicurrency Medium Term Note	Dyer & Blair Investment Bank	2.00	2.00	6-Oct-14	13-Oct-15	21-Dec-20	2.00
Family Bank (Medium Term Note "Tranche 1" & Family-Flt	NCBA Investment Bank Limited and Genghis Capital	8.00	4.00	28-May-21	30-Jun-21	31-Dec-26	4.00
Kenya Mortgage Refinance Company	NCBA Investment Bank	10.50	1.40	10-Jan-22	4-Mar-22	23-Feb-29	1.26
<b>Total Outstanding Amount</b>							<b>29.00</b>

Source: CMA

## Research & Analytics (Cont')

### Right Issues

There were two right issues during the Financial year under review where TransCentury traded in rights during the third quarter of 2022 and re-opened trading in rights in the first quarter of 2023<sup>6</sup>.

**Table 4: Right Issues 2006-June 2023**

Company	Shares on Issue (Mn)	Date of Issue	Offer Price	Sum Raised Ksh. Mn	Subscription level
DTB	15.53	2006	50.00	2,305.81	297%
OLYMPIA	30.00	2007	14.00	428.40	102%
DTB	23.29	2007	70.00	2,902.06	178%
NIC BANK	16.48	2007	70.00	1,719.17	149%
HFCK	115.00	2008	20.00	2,369.00	103%
KCB	221.78	2008	25.00	8,122.02	146%
KCB	887.11	2010	17.00	12,500.00	83%
TPSEA	24.70	2010	48.00	1,185.69	135%
STANCHART	15.11	2010	165.45	2,499.84	161%
KPLC	488.63	2010	19.50	9,830.34	103%
KQ	1,477.17	2012	14.00	14,487.95	70%
DTB	24.46	2012	74.00	3,369.52	186%
NIC	98.72	2012	21.00	7,007.46	338%
CFC STANBIC	121.64	2012	33.00	4,495.72	112%
SCB	22.08	2012	145.00	8,272.93	258%
DTB	22.01	2014	165.00	3,631.65	440%
NIC BANK	42.66	2014	49.25	1,904.03	221%
UCHUMI	99.50	2014	9.00	579.12	184%
HFCK	116.67	2015	30.00	9,011.84	257%
LONGHORN	126.19	2016	4.20	533.00	101%
KENGEN	4,396.72	2016	6.55	28,798.54	92%
CROWN PAINTS	71.18	2021	10.00	809.59	90%
TRANSCENTURY	1876.01	2022	1.10	828.1	40.13%
<b>TOTAL</b>	<b>10,332.64</b>			<b>127,591.78</b>	

Source: NSE/CMA

<sup>5</sup>Centum Right Issue, 2022

<sup>6</sup>Centum Re-opened Right Issue, 2023

## Research & Analytics (Cont')

### Bonus Issues

There were no bonus issues during the Financial Year under review.

*Table 5: Bonus Issues 2013-June 2023*

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
Car & General (K)	Jan-2022	1:1

Source: NSE/CMA

## Research & Analytics (Cont')

### Share Buybacks

During the Financial Year under review, there was only one share buyback program where Centum announced the share buyback program in the last quarter of 2022 and commenced trading in the first quarter of 2023. Furthermore, the National Media Group announced buyback programme that will kickstart in the next Financial Year, July 3rd, 2023<sup>8</sup>.

### Stock Splits

There was no stock split during the Financial Year under review.

Table 6: Stock Splits 2006-June 2023

Company	Date (Month/Year)	Bonus Issue Ratio
Centum	Oct-06	10:1
Barclays	Nov-06	1:5
Sasini	Dec-06	5:1
CMC Holdings	Jan-07	10:1
KCB	Mar-07	10:1
Nation Media Group	Mar-08	2:1
Equity Bank	Feb-09	1:10
KenolKobil	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: NSE/CMA

### Secondary Markets

In the FY ended June 2023, the equity market capitalization declined significantly by 14.07 per cent to Ksh.1,666.29 billion from Ksh.1,939.21 billion recorded in the FY ended June 2022. Similarly, the NSE 20 share index, share traded, and equity turnover declined by 2.35 per cent, 7.50 per cent, and 18.37 per cent, respectively. In the Bond market, the bond turnover decreased by 23.81 per cent from Ksh.872.97 Billion reported at the end of FY 2021/22 to Ksh.665.15 Billion recorded at the end of FY 2022/23.

<sup>7</sup> Centum Share Buyback Program, 2023

<sup>8</sup> National Media Group Share Buyback program, 2023

## Research & Analytics (Cont')

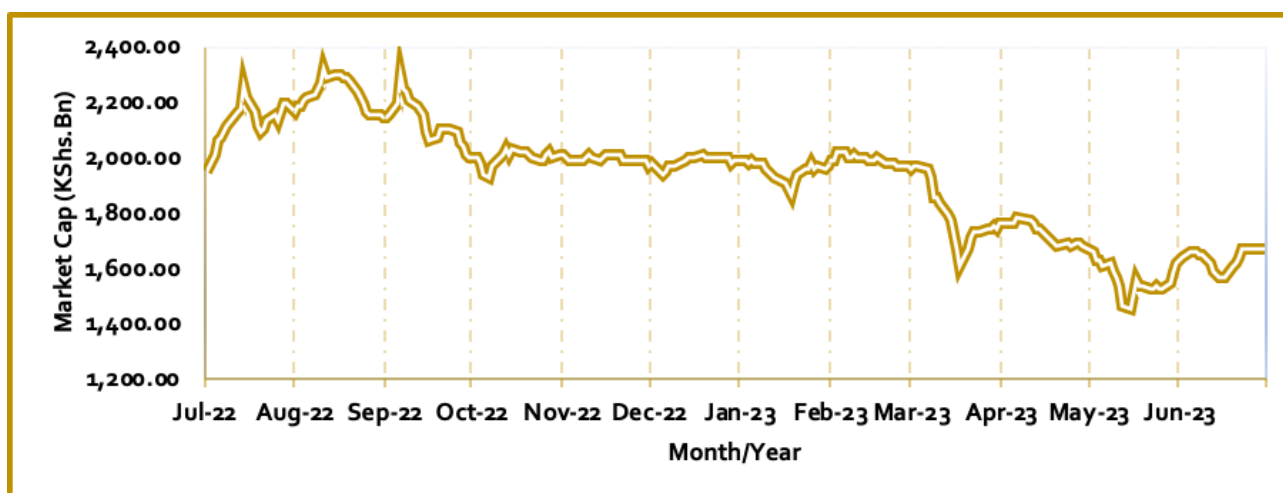
Table 7: Key Market Indicators statistics for FY 2022/23

Month/Year	Volume (Mn)	Equity Turnover (Ksh. Bn)	NSE20- Share Index	Market Capitalisation (Ksh. Bn)	Total Bond Turnover (Ksh. Bn)
<b>FY 2021/22</b>	<b>3,577</b>	<b>121.78</b>	<b>1,612.89</b>	<b>1,939.21</b>	<b>872.97</b>
July-22	264	8.00	1,701.31	2,198.26	61.86
August-22	208	5.34	1,751.20	2,142.12	68.36
September-22	351	9.39	1,717.68	2,000.82	66.74
October-22	242	6.02	1,677.76	2,006.85	56.68
November-22	228	6.50	1,637.55	1,970.63	53.62
December-22	165	4.94	1,676.10	1,986.08	47.97
January-23	333	7.81	1,657.32	1,961.63	44.70
February-23	170	4.61	1,646.56	1,962.73	47.15
March-23	584	32.40	1,622.05	1,756.26	70.66
April-23	199	4.22	1,578.88	1,676.09	37.32
May-23	355	6.09	1,546.83	1,614.55	64.34
June-23	211	4.08	1,574.92	1,666.29	45.74
<b>FY 2022/23</b>	<b>3,309</b>	<b>99.40</b>	<b>1,574.92</b>	<b>1,666.29</b>	<b>665.15</b>
<b>% Change</b>	<b>-7.50%</b>	<b>-18.37%</b>	<b>-2.35%</b>	<b>-14.07%</b>	<b>-23.81%</b>

Source: NSE

## Market Capitalization

Table 8: Trend in Equity Market Capitalization in the FY 2022/23

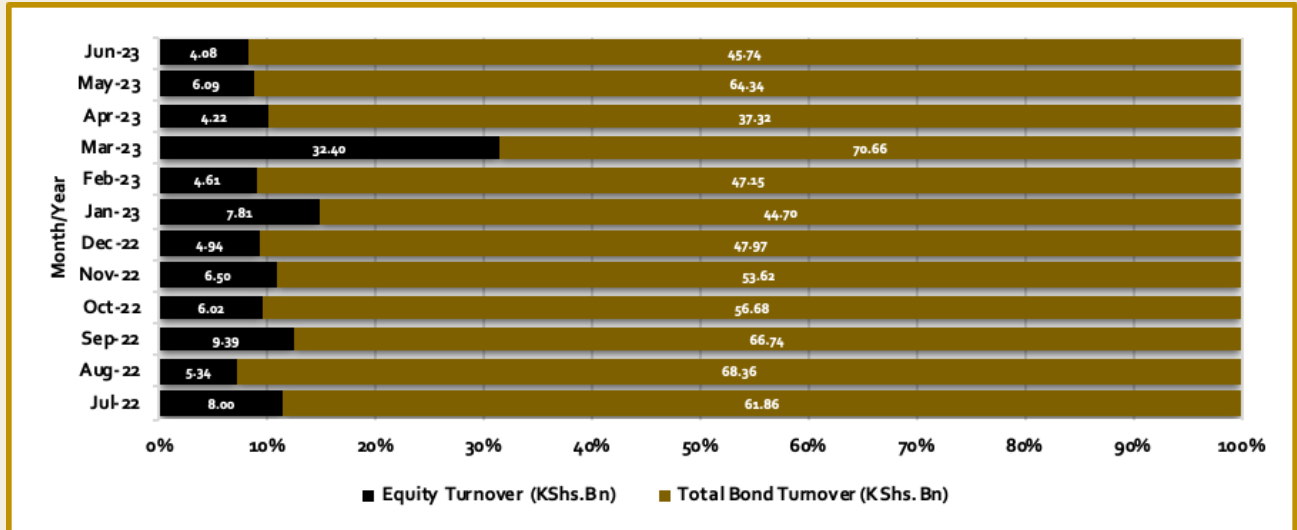


Source: NSE

# Research & Analytics (Cont')

## Equity and Bond Turnover

Figure 3 : Kenya's Bond and Equity Turnover during FY 2022/23

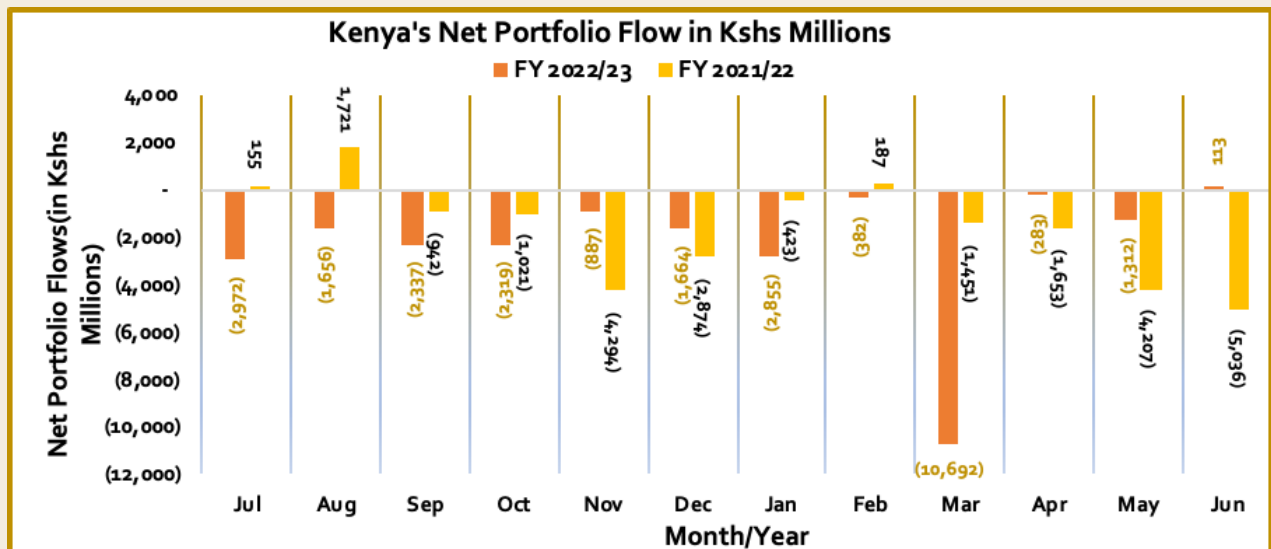


Source: CMA

## Foreign Investors Portfolio

The financial year ended June 2023 recorded a net equity inflow of Ksh.113 million and a net equity outflow of Ksh.27,360 million. This is compared to a net equity inflow of Ksh.2,063 million and a net equity outflow of Ksh.21,901 million in the previous financial year ended June 2022. Thus, FY 2022/23 saw a cumulative net equity outflow of Ksh.27,247 million from Ksh.19,838 million outflow recorded in FY 2021/22. The surge in the net equity outflow in FY 2022/23 is partly attributed to Diageo Kenya block purchase of EABL shares, significantly affecting net portfolio flow in March 2023. Additionally, unprecedented macroeconomic environment has also contributed to capital flight where foreign investors are preferring western bonds and equities as safe havens in times of global uncertainty.

Figure 4: Trend in Net Equity Portfolio flows in Kenya



Source: NSE

# Research & Analytics (Cont')

## Corporate Actions

Table 9: Corporate Actions within FY 2022/23

Company	Date	Corporate Action	Amount /Ratio
WILLIAMSON TEA	1-Jul-22	Final Dividend	Ksh. 20.00
KAPCHORUA TEA	1-Jul-22	First & Final Dividend	Ksh. 10.00
BAT KENYA PLC	20-Jul-22	Interim Dividend	Ksh. 5.00
CENTUM INVESTMENT	26-Jul-22	Final Dividend	Ksh. 0.59
EABL PLC	28-Jul-22	Final Dividend	Ksh. 7.25
NCBA GROUP PLC	25-Aug-22	Interim Dividend	Ksh. 2.00
ABSA BANK	26-Aug-22	Interim Dividend	Ksh. 0.20
B.O.C KENYA	29-Aug-22	Interim Dividend	Ksh. 1.60
JUBILEE HOLDINGS	30-Aug-22	Interim Dividend	Ksh. 1.00
CARBACID INVESTMENT	1-Nov-22	Final Dividend	Ksh. 1.70
KCB GROUP PLC	16-Nov-22	Interim Dividend	Ksh. 1.00
TRANSCENTURY	16-Nov-22	Rights Issue	5:1
STANDARD CHARTERED	23-Nov-22	Interim Dividend	Ksh. 6.00
KENGEN CO.PLC	30-Nov-22	First &Final Dividend	Ksh. 0.20
CAR & GENERAL	26-Jan-23	First &Final Dividend	Ksh. 0.80
EAST AFRICAN BREWERIES	27-Jan-23	Interim Dividend	Ksh. 3.75
B.A.T KENYA	17-Feb-23	Final Dividend	Ksh. 52.00
TRANSCENTURY	21-Feb-23	Re-opened Rights Issue	5:1
SAFARICOM	28-Feb-23	Interim Dividend	Ksh. 0.58
STANBIC HOLDINGS	9-Mar-23	Final Dividend	Ksh. 12.60
STANDARD CHARTERED BANK KENYA	14-Mar-23	Final Dividend	Ksh. 16.00
ABSA BANK KENYA	15-Mar-23	Final Dividend	Ksh. 1.15
KCB GROUP	16-Mar-23	Final Dividend	Ksh. 1.00
CO-OPERATIVE BANK OF KENYA	16-Mar-23	First & Final Dividend	Ksh. 1.50
CIC INSURANCE GROUP	22-Mar-23	Final Dividend	Ksh. 0.13
KAKUZI	22-Mar-23	First & Final Dividend	Ksh. 24.00
LIMURU TEA	27-Mar-23	Final Dividend	Ksh. 2.50
UMEME LIMITED	27-Mar-23	Final Dividend	Ushs. 63.9
KENYA RE INSURANCE CORPORATION	28-Mar-23	Final Dividend	Ksh. 0.20
DIAMOND TRUST BANK KENYA	28-Mar-23	First & Final Dividend	Ksh. 5.00
EQUITY GROUP HOLDINGS	28-Mar-23	First & Final Dividend	Ksh. 4.00
NCBA GROUP	29-Mar-23	Final Dividend	Ksh. 2.25
ILAM FAHARI I-REIT	29-Mar-23	First & Final Dividend	Ksh. 0.65
I&M GROUP	29-Mar-23	First & Final Dividend	Ksh. 2.25
BK GROUP	31-Mar-23	First & Final Dividend	Frw. 32.5
NAIROBI SECURITIES EXCHANGE	31-Mar-23	First & Final Dividend	Ksh. 0.20
NATION MEDIA GROUP	6-Apr-23	Final Dividend	Ksh. 1.50
JUBILEE HOLDINGS LIMITED	20-Apr-23	Special Dividend	Ksh. 3.00
JUBILEE HOLDINGS LIMITED	20-Apr-23	Final Dividend	Ksh. 8.00
TOTALENERGIES MARKETING KENYA	24-Apr-23	First & Final Dividend	Ksh. 1.31



## Research & Analytics (Cont')

Company	Date	Corporate Action	Amount /Ratio
CROWN PAINTS KENYA	27-Apr-23	Final Dividend	Ksh. 4.00
BAMBURI CEMENT	28-Apr-23	First & Final Dividend	Ksh. 0.75
BOC KENYA	2-May-23	Final Dividend	Ksh. 4.45
SAFARICOM	11-May-23	Final Dividend	Ksh. 0.62
SASINI PLC	11-May-23	Interim Dividend	Ksh. 1.00
WILLIAMSON TEA KENYA	29-Jun-23	Final Dividend	Ksh. 30.00
KAPCHORUA TEA KENYA	29-Jun-23	First & Final Dividend	Ksh. 25.00

Source: NSE

### Research Papers & Surveys

Every financial year, the Authority prepares and 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 department publishes quarterly capital market reports such as the capital markets Quarterly Statistical Bulletin.

During the 2022-23 Financial Year the department prepared the following research papers and strategic papers:

#### a) An analytical review of the 2021 finaccess survey on capital markets products and services

The Authority used data from the 2021 Finaccess survey across 47 counties to study the adoption of capital markets products. They compared these findings with other surveys on capital markets products uptake and investor education. The analysis revealed low participation in shares, bonds, and alternative products like REITs in both rural and urban areas. The paper recommends the Authority to segment existing and potential investors to tailor products and services accordingly. Additionally, the Authority should conduct awareness programs for recently introduced products like Real Estate Investment Trusts, Exchange Traded Funds, and derivatives. Embracing technology is also suggested to bridge the participation gap between rural and urban residents in the capital markets.

#### b) An analytical review of the capital markets Investor Compensation Fund

In the second quarter of 2022/23 Financial Year, the Authority conducted an analytical review of Investor Compensation Fund (ICF) with the objective of providing clarity on the sufficiency of the fund and poses scenarios and implications where the maximum investor compensation limit is above the current prescribed of Ksh.50,000. The paper begins by analysing investors data managed by market intermediaries in Kenya and later analysed the different proposed compensation limits. The paper found the amount in the investor compensation fund sufficient to cover investors in case of a market failure of an intermediary. Finally, the paper proposed increase in maximum compensation amount of Ksh.200,000 is also sustainable.

#### c) Data Management Strategy 2023-2028

The Authority formulated a data management strategy in third quarter of 2022/23 Financial Year. The strategy covered the Authority situational analysis, data governance, data policy, leveraging technology, and finally formulated the implementation road map. The roadmap proposes sensitization, capacity building, benchmarking, data model, appointment of data controller and processor, data repository, data governance framework, data champions, and the implementation of data analytics tool.

## People and Culture

The People and Culture (P&C) function plays a critical role in ensuring the Authority has the requisite quantity and quality of skills to effectively deliver its institutional mandate. The P&C function works in partnership with other departments to deliver innovative Recruitment, Learning and Development (L&D), Performance Management, Employee Wellness and Recognition and Reward solutions.

The Authority recognizes the challenges that Kenya faces due to youth unemployment. In this regard, CMA has been collaborating with the Public Service Commission (PSC) to provide internship opportunities to young graduates under the Public Service Internship Program (PSIP). The PSIP provides interns with work-based skills



**The Authority has an elaborate Performance Management System (PMS) that supports the effective evaluation of the work that our employees undertake to deliver CMA's mission-critical outcomes.**

to improve their employability over a 12-month period. During the year under review, the Authority hosted twelve (12) interns for on-the-job training on key areas of capital markets regulation.

A highly-productive workforce is a key lever in Kenya's socio-economic transformation agenda. During the year under review, CMA was nominated to participate in the pilot phase of the development of a Productivity Measurement Framework (PMF) for the Kenyan public sector under the auspices of the Salaries and Remuneration Commission (SRC). Through the pilot phase, the Authority was able to establish the core drivers of its institutional productivity.

The Authority has an elaborate Performance Management System (PMS) that supports the effective evaluation of the work that our employees undertake to deliver CMA's mission-critical outcomes.

The P&C function continued to oversee employee performance management by providing staff with support to set clear annual performance targets as well as undertake structured mid-year and full year reviews through the Annual Capability Review (ACR) tool. The ACR has three components designed to evaluate specific elements of an employee's work-related outcomes. These are the employee's workplan (based on the Job Description), the technical capabilities (which evaluate the extent to which an employee has delivered against the position's technical skill requirements as set out in the Staff Capability Framework – SCF) and Business Capabilities (which evaluate the extent to which the employee demonstrated alignment with CMA core values in delivering their work). The ACR also has a stretch target where staff set a special objective that focuses on delivering outstanding and innovative work-related outcomes. The final component of the ACR identifies an employee's L&D gaps and is used to support effective capability development programming.

CMA's L&D priorities are geared towards building the technical and soft skills of staff in order to meet the demands of changing business needs. During the year under review, the P&C function ensured the limited budgetary resources were optimized to support staff to develop core capabilities designed to meet CMA's priority business needs. In particular, resources were set aside to support staff training as part of Continuous Professional Development (CPD) for employees who are members of professional bodies such as the Law Society of Kenya (LSK), Institute of Certified Public Accountants of Kenya (ICPAK), Institute of Human Resources Management (IHRM), Institute of Certified Investment and Financial Analysts (ICIFA) amongst others. The Authority also supported staff to build their supervisory and management capacity through the supervisory skills development and senior management courses at the Kenya School of Government (KSG). The total L&D spend for the year was KShs 31 million compared to KShs 49 million the previous year.

The Authority also continued to invest in its Learning Management System (LMS) – CMA 24/7 – which now has cutting-edge content to support staff to learn at any time, wherever they are.

## People and Culture (Cont')

Effective employee communication in the workplace is important as it boosts employee morale, engagement, productivity and satisfaction. Communication also supports improved teamwork and collaboration. During the year under review, the P&C function continued to roll out innovative communications to ensure staff are adequately updated on critical organizational news and events. One of the key channels that the P&C function deployed to drive effective employee communications during the year was the monthly e-shot, JULISHA that featured topical P&C updates and news. The P&C function also supported the Office of the Chief Executive Officer (CEO) to plan and hold regular staff meetings aimed at communicating important organizational news.

The Authority is committed to supporting the overall wellbeing of staff through its Employee Wellness Program (EWP). The EWP provides a range of benefits to staff including confidential counselling as well as treatment and rehabilitation for those who require these services. During the year under review, the P&C function organized several events aimed at providing staff with general and mental health awareness. These events were facilitated by specialists in their respective fields. Another noteworthy initiative that the Authority continued to run to support staff wellness and empowerment is the flexi-time program that allows staff to enjoy flexible work routines.

An important part of overall employee wellness is taking time off to rest and rejuvenate. During the year under review, 88 per cent of staff closed the year with less than 15 days carried over from the previous leave period.

The CMA Medical Insurance provides both outpatient and inpatient services. The medical premiums for in-patient cover in the FY 2022/2023 were Ksh.12.2 million compared to KShs 11.6 million in the previous year. Outpatient expenses in FY 2022/2023 were KShs 22.7 million against KShs 20.4 million in the previous year.

The P&C function is responsible for initiating the review and/or development of Policies and Procedures to support effective management of human resources. During the year under review, the P&C function spearheaded the review of the Disability Mainstreaming Policy in order to align it with national guidelines. The new Policy was approved by the Board and continued to guide the Authority's workplace disability mainstreaming initiatives.

During the year, the Authority; staff turnover stood at 10.4 per cent compared to 6.5 per cent the previous year. The Authority, unfortunately, lost one employee through death during the year. The Authority is taking conscious efforts to retain talented staff through enhanced recognition and reward, job enrichment, flexible work programs and market-centered capability development.

And as part of its Diversity and Inclusion (D&I) initiatives during the year, CMA provided student attachments to six (6) Persons With Disabilities (PWDs) for a three-month period. The six were attached to various functions at CMA with the aim of helping them acquire work-based skills and experience.



**12.2M**

medical premiums  
for in-patient cover  
in the FY  
2022/2023



**22.7M**

medical premiums  
for out-patient cover  
in the FY  
2022/2023



**6**

Number of Students  
CMA provided  
attachments for. The six  
are Persons With  
Disabilities (PWDs)

## Spot Commodity Market

The Authority undertook a review of the Senate Coffee Bill, 2023, and submitted its remarks to the Coffee Subsector Reforms Implementation Standing Committee (CSRISC) for onward forwarding to Clerk of Senate for deliberations in April, 2023. Further, the June 2022 amendments to the Crops (Coffee) (General) Regulations 2019, gazetted by the Ministry of Agriculture were annulled in February 2023 by the National Assembly. This followed the Authority's successful engagement with the Parliamentary coffee caucus in November 2022 that sensitised parliamentarians on the need to nullify the amendments. The amendments had removed the coffee value chain from the regulatory mandate of CMA and County Governments. The annulment has reinstated the CMA mandate as regulator of the Coffee Exchange in line with the Capital Markets Act and paved the way for the Nairobi Coffee Exchange (NCE) admission and that of 12 CMA licensed coffee brokers.

During the review period, the Authority, participated in the first coffee conference (8th to 10th June 2023) coordinated by the office of the Deputy President at 3 steers hotel, Meru County. The conference that brought

together leaders, coffee stakeholders and coffee farmers from coffee growing counties discussed wide ranging coffee sector issues. The conference main agenda was to upscale coffee productivity and production as a cash crop through identification and implementation of key enablers in the entire coffee value chain. Earlier, in April 2023, the Authority also undertook a capacity building session for the National Treasury Public Debt Management Office where CMA highlighted the role of a Structured Commodity Trade in building Kenya's foreign currency (forex) reserves and as a source of the much-needed forex for external debts repayment. In the same month of April 2023, the Authority engaged the Commissioner (Ms. Kristin Johnson) of the United States Commodities and Futures Commission to discuss developments in Commodities and Derivatives Markets as well as coffee market reforms in Kenya. Besides sharing the USA experience in structured commodities trading, the Commissioner was elated to note that Kenya has operationalized the Warehouse Receipt System (WRS) and advised that the WRS is the foundation of Spot and Futures trading in commodities. The Commissioner promised to share contacts with links to technical and financial support through the USAID.



4th April 2023, the US CFTC (Commodity Futures Trading Commission) Commissioner Kristin N. Johnson (2nd from right) paid the CMA CEO a courtesy call.

## Spot Commodity Market (Cont')

From 6th -12th June 2023, the Authority participated in the Kenya Multi-Commodities Exchange Limited (KOMEX) rule book review and validation workshop at Nanyuki. This workshop was attended by more than 30 technical staff drawn from several government departments and agencies as well as the Nairobi Securities Exchange. The technical input was considered by the KOMEX Board and included in its revised rulebook resubmission to the Authority for review. Finally, in February 2023, the CMA board and the WRS Council Board attended a 4 day training by the Grain Business Institute (as subsidiary of the East Africa Grain Council) on International Structured Commodities Trading and Financing. The training involved a 3 day classroom training at Sawela Lodge in Naivasha and a one day exposure training at the Grain-Bulk Handlers facility in Nairobi.



Joint CMA Board and WRS Council and staff Group photo during the training on Structured Commodity Trading System



Group photo taken during the practical experiential learning visit at Grain Bulk Handlers Limited in Nairobi

# Capital Markets Fraud Investigations 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 of the Capital Market Authority on matters of investigation, coordination, and information sharing. The Unit has a two-way reporting mechanism, that is to the Chief

Executive Officer of the Capital Markets Authority and to the Director of Criminal Investigations.

## Crime Trends

During the financial year 2022/2023, there has been an increase in offences relating to carrying out businesses in Collective Investment Schemes and online trading without a license. Investigations are ongoing to arrest the situation.

Summary of Number Cases (2014-2023)

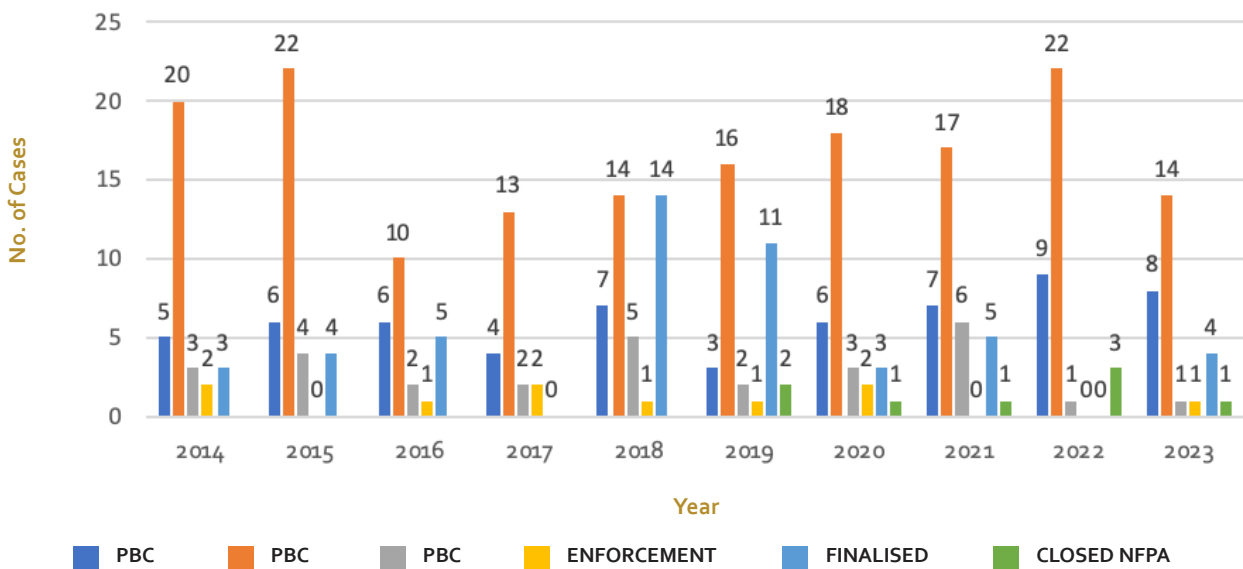
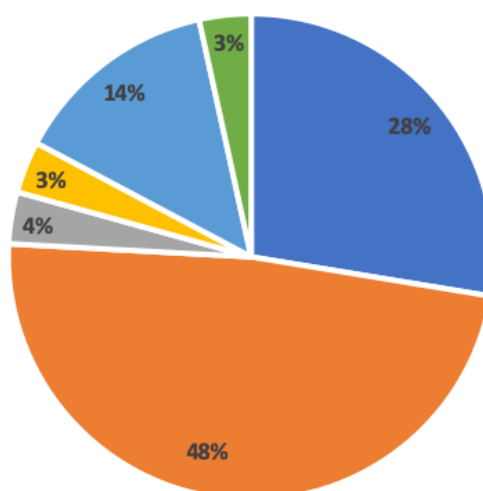


Figure 1: Summary of number of cases (July 2014 – June 2023)

Source: CMA

# Capital Markets Fraud Investigations Unit (Cont')

Summary of cases as at June 2023



■ PBC   
 ■ PUI   
 ■ PAKA   
 ■ ENFORCEMENT   
 ■ FINALISED   
 ■ CLOSED NFPA

Figure 2: Summary of cases as at June 2023

Source: CMA

Table 1: Summary of Current Cases (July 2014 – June 2023)

YEAR	PBC	PUI	PAKA	REFERRED TO DMO FOR ENFORCEMENT	TOTAL	DECREASE BY	INCREASE BY	FINALISED	CLOSED NFPA
2014	5	20	3	2	30	-	-	3	
2015	6	22	4	-	32	-	-	4	
2016	6	10	2	1	19	11		5	
2017	4	13	2	2	21		2	0	
2018	7	14	5	1	27	4		14	
2019	3	16	2	1	22		5	11	2
2020	6	18	3	2	29		7	3	1
2021	7	17	06	-	30	-	1	5	1
2022	9	22	1	-	32	-	5	-	3
2023	8	14	1	1	24	8	-	4	1
<b>Total</b>	<b>61</b>	<b>166</b>	<b>29</b>	<b>10</b>	<b>256</b>				

Source: CMA

## GLOSSARY

<b>PBC</b>	- Pending Before Court
<b>PUI</b>	- Pending Under Investigation
<b>PAKA</b>	- Pending Arrest of Known Accused
<b>ENFORCEMENT</b>	- Referred to Directorate of Market Operations for administrative Action.
<b>FINALIZED</b>	- The files that have been closed after judgement from court.
<b>NFPA</b>	- Files Closed No Further Police Action

# Corporate Affairs and International Relations

The Authority through the Corporate Affairs and International Relations function develops and implements communication strategies to ensure that the Authority's brand is appropriately positioned among all capital markets industry stakeholders. As such, the department supports units within the organization to achieve strategic outcomes in the Strategic Plan 2018-2023.



## Stakeholder Engagement

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

The Authority continues to leverage mutually beneficial media relationships to ensure that the corporate messages from the Authority are well received and shared with the diverse stakeholders. The Authority engaged journalists primarily by responding to their enquiries, disseminating announcements through press releases, organizing press briefings and one-on-one interviews with the Chief Executive Officer and staff.

Social media continues to be useful for communication as well as investor education and protection. The tools include Facebook, Twitter, LinkedIn, YouTube, Instagram and TikTok.



## Information Sharing

The Authority disseminated information and updates on a wide range of capital markets issues such as license approvals, regulatory guidance, corporate bonds, and other securities issuances as well as admissions and exits from the Regulatory Sandbox. Several reports have been published and circulated including the State of Corporate Governance Report, the Capital Markets Statistical Bulletin, and the Capital Markets Soundness Report.



## International Affairs

The Authority engaged its peer regulators around the world through the capital markets standard setting body - International Organization of Securities Commissions (IOSCO). The Authority participated in IOSCO's 48th Annual Meeting as well as its Africa Middle-East Regional Committee Annual Meeting, both of which took place from 13-16 June 2023. In the review period, the Authority hosted its colleagues from Capital Markets and Securities Authority, Tanzania in February 2023 and Namibia Financial Institutions Supervisory Authority (NAMFISA) in March 2023 respectively to strengthen our mutual regulation and supervision approaches.



## Corporate Social Investment and Sustainability

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital. On 26 May 2023, the Authority planted 1010 indigenous tree seedlings on a 2.5-acre space allocated by the Kenya Forest Service (KFS) in Ngong Forest. This is based on a long-standing partnership with KFS. This brings the total number of trees planted in Ngong Forest to 4,310. Tree planting is part of the Presidential directive implemented by Ministries, Departments and Agencies which seeks to grow 15 billion trees for restoration of 10.6 million hectares by 2032. In addition, the Authority contributed to Netfund's Kaptagat tree planting initiative through a donation of Kshs200,000.



# Market Deepening

The Authority is charged with the responsibility of initiating and implementing efforts and actions aimed at supporting market development which is one of the key mandates of the Authority. The Department oversees the creation of an enabling environment for stakeholders to access capital market products and services as a springboard to facilitating the development, diversification, and improved uptake of capital market products and services.

During the year under review, the following activities ranging from initiating strategic partnerships through signing and implementing, MoUs, conducting county level market-based financing advocacy engagements and coordinating stakeholder engagements among others, to improve product uptake, were executed.

## 1. Strategic Partnerships

As a way of leveraging stakeholder potential and contribution to growing the country's capital markets, the Market Deepening Department has been forging collaborative alliances with key institutions. To this end, the Department forged various partnerships during the 2022/23 financial year.

The partnerships have helped the Authority to improve its collaboration with relevant institutions and an opportunity to leverage on their capacity to support Product Development and Uptake. The Memoranda of Understanding signed by the Authority were with the Kenya Development Corporation (KDC) and the International Finance Corporation (IFC).

### 1.1. MOU with the Kenya Development Corporation (KDC)

On 27 September 2022, the Capital Markets Authority (CMA) and the Kenya Development Corporation (KDC) signed a Memorandum of Understanding committing to jointly collaborate in, product development, research, capacity building and policy and regulation. This was also informed by the need to support MSMEs to utilize the capital markets as a preferable avenue to raise capital to enable them to thrive. The partnership is anticipated to enhance MSME readiness and diversify avenues of financing, while addressing the challenges that face MSME expansion strategies. The MOU aims to boost MSME financing through capital markets, in line with the Bottom-up Economic Transformation Agenda.

### 1.2. MOU with International Finance Corporation (IFC)

On 21 June 2023, the International Finance Corporation (IFC) and the Capital Markets Authority signed an MoU in the form of a mutual project services agreement, with the aim of socializing Green Social and Sustainability bonds into the Kenyan Capital Markets. The two institutions agreed to collaborate on the execution of workshops, trainings, and seminars to support the implementation of the Project Services Agreement. This is part of the effort to support the development of sustainable finance in Kenya, while encouraging the uptake of financial instruments in green finance. The initiative will see CMA and IFC partner in a Green Bond conference in the FY2023/24 that will bring stakeholders together with the aim of enhancing product uptake as far as ESGs are concerned. The conference will be funded by IFC as part of the MOU.

## 2. Stakeholder Engagements

Stakeholder engagement is a core activity in the Market Deepening department. As part of its mandate to improve the uptake of capital markets products & services, during the period, the Authority undertook targeted stakeholder engagements including; the third Annual National SME Forum, the Capital Markets Real Estate Investment Trusts (REITs) Conference, the Kenya Association of Manufacturers (KAM) Changamka Festival, Council of Governors engagement, County projects green bonds assessment, the Capital Markets Structured Finance Workshop on Exchange Traded Funds (ETFs), the Kenya National REITs workshop, the Islamic Finance workshop and the third Capital Markets Consultative Forum (CMCF).

### 2.1. The Third Annual National SME Forum

On 10 November 2022, the Authority executed the 3rd Annual National Capital Markets SME Forum themed 'Promoting Sustainability of SMEs through Innovative Capital Markets financing options' bringing together capital markets intermediaries, development partners and MSMEs from across the country. The forum highlighted the role, areas of convergence and opportunities for SMEs as well as an overview of the current SMEs challenges, opportunities, and proposed solutions from an industry perspective.

## Market Deepening (Cont')



The Capital Markets Authority Board, Micro, Small Enterprise Authority CEO, and the panelists during the 3rd National SME Forum

### 2.2 The Capital Markets Real Estate Investment Trusts (REITs) Conference

To encourage the uptake of Real Estate Investment Trusts, the Authority hosted the Capital Markets Conference on Real Estate Investment Trusts (REITs) on 30 November 2022 bringing together stakeholders from both the demand and supply sides, Government Agencies, Financial Sector Regulators and potential issuers with vested interest in this product.

The forum tackled:

- a. Kenya's REITs journey, the challenges, risks, opportunities, and outlook for 2023
- b. REITs issuance process in Kenya – Notable points
- c. Kenya's REITs Market – Current initiatives and the future of REITs Association of Kenya (RAK).
- d. Affordable Housing Projects from a Developer's perspective – what the experience has been like.
- e. Progress made/challenges faced since the previous REITs Forum



The Board of Capital Markets Authority and participants during the Capital Markets REITs Conference

## Market Deepening (Cont')

The Capital Markets Authority and REITs Association of Kenya forged a partnership that is in the process of developing a REITs toolkit to demystify the REITs process for potential issuers. The checklist makes it easier for potential issuers to understand the steps they need to take before the approval of a REIT for issuance, as well as the key stakeholders for a successful issuance, including but not limited to Trustees and Transaction advisors.

### 2.3. Participation at the Kenya Association of Manufacturers (KAM) Changamka Shopping Festival

As part of enhancing its strategic alliances and partnerships and to implement MOUs with strategic partners, the Authority participated as an exhibitor at the 5th Manufacturing Summit and Expo- Changamka Shopping Festival 2022 organized by the Kenya Association of Manufacturers in collaboration with the Ministry of Industrialization, Trade & Investments on 1-5 November 2022, and 1-4 December 2022, in Nairobi and Kisumu counties respectively. The event provided a platform to interact with manufacturers across all sectors on the available capital raising opportunities within the capital markets. The platform also allowed an opportunity to interact with investors to promote awareness of investible opportunities within capital markets and address their concerns on the challenges they have encountered in investing in the capital markets.



Mr. Luke Ombara, Director Policy & Market Development, providing insights on the investment opportunities available by the capital markets during the KAM Kisumu exhibition.

### 2.4. The Government's Affordable Housing Agenda

To roll out the Government's Affordable Housing Agenda, on 24 October 2022, the President chaired a meeting at State House bringing together the Pension Industry, Capital Markets Industry, Insurance firms, Saccos, Cooperatives & Islamic Finance Institutions to chart the course of action with respect to how the affordable housing plan could be supported by financial sector players. The Authority was in attendance represented by the Chief Executive Officer, Mr. Wyckliffe Shamiah.

## Market Deepening (Cont')



The Government's Affordable Housing Agenda group photo



Key stakeholders including Mr. Wyckliffe Shamiah, Chief Executive Officer, CMA at State House during the meeting on affordable housing chaired by the President.

### 2.5. The Kenya National REITS Workshop

On February 27, 2023, the Authority held an engagement with the Association of Pension Trustees & Administrators of Kenya and other stakeholders within the industry on the formation of the Kenya National REITs (KNR). The KNR umbrella is anticipated to host REITs in Kenya and facilitate the utilization of REITs as an avenue to fund affordable housing and real estate projects in Kenya. The affordable housing programme, including infrastructure, will be executed under the Sanduku Investment Initiative. KNR will register all REITs to develop affordable housing and infrastructure through Special Purpose Vehicles. KNR has been conceptualized as an accreditation body for REITs and service providers within the REITs value chain and to ensure the investment grade REITs are structured for immediate investor uptake. KNR will also be the focal point for engagement with policymakers. Using REITs for affordable housing is expected to enhance liquidity and offer investors good returns.

## Market Deepening (Cont')

### 2.6 Islamic Finance Stakeholder Workshop

The Authority hosted the Islamic Finance Stakeholder Workshop on 1 April 2023 themed 'Achieving Financial Inclusion through Islamic Finance and Islamic Capital Markets'. The forum brought together stakeholders within the capital markets industry, Islamic Finance experts and scholars, Government Agencies, financial sector regulators and stakeholders with interest in this asset class. The forum intended to evaluate progress in entrenching this mechanism of financing as an alternative form of financing in Kenya and provided an ideal forum to share views on how to push uptake of this financing alternative.

The workshop generated interest in the Islamic products space and stakeholders in general. The Authority has continued with its engagement with stakeholders, an effort that is anticipated to support more issuances in FY2023/24.

### 2.7 The Capital Markets Structured Finance Workshop on Exchange Traded Funds (ETFs)

Given the rising demand for the ETFs in Kenya and the need to broaden the understanding of this product, on May 25, 2023, the Authority hosted a forum for stakeholders in the Exchange Traded Funds Market. The forum presented an opportunity to deepen awareness on ETFs, evaluate the uptake of ETFs in Kenya and explore ways of improving it. The forum themed '**Demystifying Exchange Traded Funds (ETFs) and Kenya's Experience: Key Observations 2023**' brought together stakeholders interested in understanding the mechanism of investment of this product as well as experts particularly the only issuer the market has listed so far. Interest in this product continues to grow and the future is promising for Exchange Traded Funds.

### 2.8. The Third Annual Capital Markets Consultative Forum (CMCF III)

The Authority's Board and Management hosted the third Industry Capital Markets Consultative Forum (CMCF III) on Tuesday 20th June 2023, bringing the entire capital markets system on a single platform to deliberate on the performance of the market. The forum themed "**Revitalizing Kenya's Capital Markets - the Challenges, Opportunities and Outlook**" aimed to provide feedback with regards to the implementation of recommendations made during the Second Consultative Forum whilst identifying new challenges and exploring new opportunities within the capital markets ecosystem.

A comprehensive board paper highlighting the key recommendations, action points and way forward was developed for continuous implementation, monitoring, and updating.

This annual event has generated the interest of stakeholders as a forum for discussing the gains and the challenges experienced during the preceding period. This has given the Authority an opportunity to engage with stakeholders and implement any matters agreed upon during the financial year, before the next CMCF. This has enhanced stakeholder relationships with the Authority, even as the Authority seeks to facilitate improved uptake.

## County Green Bond Assessments

To improve and deepen the green bond market the Authority partnered with Financial Sector Deepening Kenya (FSDK), Augusto and Company, Adaptation Consortium and the Nairobi Securities Exchange to conduct county green bond assessments on viable assets and projects within the counties. The institutions undertook engagements in Nairobi County (13 January 2023) Embu (24-27 January 2023), Kisumu (7-10 February 2023), Taita Taveta (14-17 February 2023), Kirinyaga (21-24 March 2023) and Wajir (15 May 2023) Counties.

The project assessed the potential for projects within those counties to access and apply to the bond market for the development of green activities and consisted of the following activities:

- a. Economic and fiscal assessment looked at the county fiscal performance (historical and projected), strengths, challenges, and ability to take on (additional) debt including the consideration of potential revenue generation sources.
- b. Credit risk assessment aimed at estimating the county government's relative likelihood of defaulting on its obligations from the listing.
- c. Green asset and activity assessment reviewing the availability of green investment opportunities in the selected counties.
- d. Green finance capability assessment reviewing the county government skills and ability to manage green financial instruments (with a focus on green bonds) and related projects.

## Market Deepening (Cont')

Additionally, to encourage the utilization of green instruments, the Authority partnered with IFC to execute the below training sessions on Green, Social & Sustainability Bonds

- i. The Climate Bonds Initiative Deep Dive in GSS Bonds Issuance Process sessions targeting stakeholders (corporates) with an interest in issuing green bonds on 24-25 January 2023.
- ii. The Climate Bonds Initiative Deep Dive in GSS Bonds Issuance Process sessions targeting stakeholders (corporates) with an interest in issuing green bonds on 14-15 March 2023.
- iii. The Authority participated as a panelist during the webinar on Encouraging Green and Sustainable Bond Issuances in Emerging Markets: Focus on the Real Sector in Kenya on 8 March 2023.

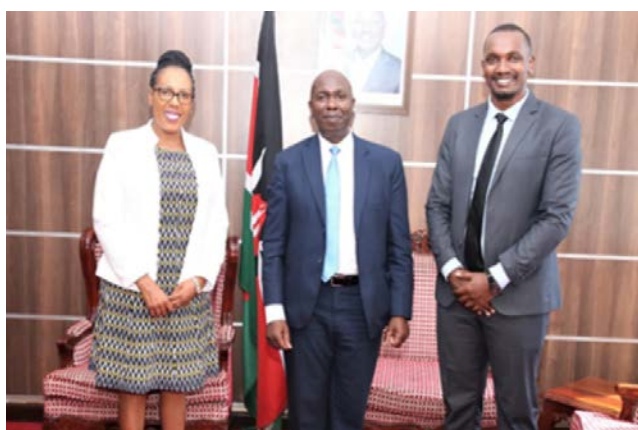
The potential of County Green Capital Markets instruments cannot be overstated. During the period engagements with counties generated interest to take up green bonds for development. This has especially been the case with county water companies and related water conservation and distribution entities. Validation of the green aspects of the proposed projects is anticipated to continue into FY2023/24.

### 2.9. Sponsorship of Golf Tournaments

To encourage participation of High-Net-Worth investors in the capital markets, on 9-10 July 2022, the Authority sponsored the Muthaiga Ladies open golf tournament and partnered with the Royal Nairobi Golf Club to host the 2022 Captain's Prize Golf tournament between 25-26 November 2022. The Authority invited key industry stakeholders such as Fund Managers Association, CDSC, NSE, VAAL Real Estate, ACORN Holdings who participated as players in the Golf Tournament.

### 2.10 The Council of Governors Engagement

As part of the efforts to encourage county financing through the capital markets, on 9 May 2023, the Authority held a consultative meeting with the Council of Governors on the opportunities for county financing within capital markets at the Council's offices. Following the meeting, the Authority committed to explore partnerships with the Council of Governors given the critical role the Council can play in providing avenues for the Authority to engage with Counties. Subsequent forums with the Council's Finance Committee are expected to pitch the opportunities availed by the capital markets that Counties can consider utilizing to support the realization of their development agenda.



From left Ms. Mary Mwiti, CEO Council of Governors, Middle: Mr. Wyckliffe Shamiah CEO, Capital Markets Authority and Mr. Harun Ngeno of Council of Governors Trade & Industry Committee; Far right: Mr. Wyckliffe Shamiah presenting before the Council's members.

## Market Deepening (Cont')

### 2.11. Privatization of State-Owned Enterprises

The Government has been keen to divest from some state-owned enterprises with an aim of enhancing their productivity and profitability, attracting foreign investments and creating employment opportunities for Kenyans. To this end, the Authority has been having engagements with the other Government Agencies to realize the privatization of state-owned enterprises. On 23 and 26 September 2022, representatives from the Authority, the Nairobi Securities Exchange and the Privatization Commission met to discuss avenues of bringing capital market-supported privatization process back on track.

The Authority is waiting for the privatisation process to be clarified and ratified by the Government. This will bring vibrancy into the market at a time when Government support is needed to reactivate the industry due to the bear run since last year.

### 3. Notable Market Transactions

- Approval for Local Authorities Pension Trust (Lap Trust) to establish and list Imara Income Real Estate Investment Trust (Lap Trust Imara I-REIT);
- Approval for Kuza Asset Management Limited to register Kuza Asset Management Unit Trust Scheme comprising four sub-funds namely: Kuza Fixed Income Fund; Kuza Money Market Fund (KES); Kuza

Money Market Fund (USD); and Kuza Momentum Fund.

- Registration of Enwealth Capital Unit Trust Scheme, comprising of Enwealth Balanced Fund, Enwealth Equity Fund and Enwealth Money Market Fund.
- Consent to register Etica Trust Fund comprising of Etica Money Market Fund, Etica Fixed Income Fund, Etica Wealth Fund and Etica Shariah Fund; and
- Approval for Old Mutual Investment Group Limited to register Faulu Money Market Fund and Old Mutual Dollar Money Market Fund.
- Approval of sale of additional shares of East African Breweries shares by Diageo at a purchase price of Ksh.22.7 Billion.

### 3.1. The Listing of the Laptrust Imara I-Reit

On 22 March 2023, Kenya's oldest pension scheme, the Local Authorities Pension Trust (LAPTRUST) listed the first Income- Real Estate Investment Trust (I-REIT) by a pension fund at the Nairobi Securities Exchange (NSE) in a ceremony officiated by the President of the Republic of Kenya, His Excellency Dr. William Samoei Ruto, C.G.H, Dubbed the 'LAPTRUST Imara I-REIT', the listing of the Income REIT marked an important milestone for the LAPTRUST scheme and the Kenyan capital markets as it will provide investors with a unique opportunity to invest in a diversified portfolio of income-generating real estate assets.



President William Ruto signing the visitor's book at the NSE. Looking on is the NSE Chairman, Mr. Kiprono Kittony (Left) and Laptrust Managing Director, Mr. Hosea Kill

## Market Deepening (Cont')

### 3.2 Block Trade of EABL Shares

In March 2023, the Authority approved the sale of additional shares of East African Breweries by Diageo at a purchase price of Ksh.22.7 billion. The sale saw a record high equity turnover at the NSE of Ksh.32.27 billion in the month of March 2023. The sale was considered to be a block trade, given that it was more than 15 percent of the shares issued. The sale was done in two phases, with both phases posting an oversubscription.

Under the changes announced in February, the NSE indicated that block trades would constitute sales whose value exceeds Ksh.3 billion in value and five percent or more of a listed company's total issued shares, subject to a maximum of 24.99 percent.

#### 1.1. Treasury Bond Market Vibrancy

The financial year saw majority of Kenyans invest in the Treasury bond market as part of short and long-term investment. Treasury bonds in the Kenyan market have fixed interest rates which attract investors looking for medium-to-long-term investment in the financial bond market.

In addition, the Government occasionally issues tax-exempt

infrastructure bonds, which raised the attractiveness of bonds of this nature and deepened the country's bond market.

#### 1.2. Improved Trading of Exchange Traded Funds

The Capital Markets Authority operationalized the Exchange Traded Funds Policy Guidance Note in October 2015 establishing the regulatory framework for the introduction of ETFs in Kenya. This move opened an opportunity for domestic as well as international investors to enjoy the benefits associated with ETFs, which include the ability to diversify exposure through a single instrument made up of a portfolio of securities and guided by regular reporting, improved liquidity, transparency, tax efficiency and lower costs than conventional mutual funds.

In February 2017, the Authority granted approval to Absa Bank Limited to list the first Exchange Traded Fund (ETF) in Kenya. Subsequently, ETF units were listed through a secondary listing on the Nairobi Securities Exchange (NSE), at a price of Ksh. 1,205 per unit price of ETF units. The per unit price has since increased to about Ksh. 2,500 (June 2023) per unit, a 117% price gain, with the number of available units increasing significantly.



# 32.7Bn

Equity turnover in the month of March



The financial year saw majority of Kenyans invest in the Treasury bond market as part of short and long-term investment.

# Ksh.

# 1,205

per unit price of ETF units.



# Approvals, Analysis, and Issuer Governance

## 1. Introduction

The Approvals, Analysis, and Issuer Governance function (AAIG) plays a critical role in ensuring that the Authority meets its objectives of protection of investor interests, ensuring that the capital markets are fair, efficient, and transparent as well as reduction of systemic risk. The function contributes to these objectives in reviewing applications of issuance of securities and licensing processes, monitoring the financial performance of regulated entities, and assessing compliance of both licensed entities and issuers of securities with the applicable corporate governance regulatory frameworks.

## 2. Financial Analysis and Reporting

As the watchdog of the capital markets, the Authority continues to monitor listed companies and market intermediaries' compliance with financial resource requirements as stipulated in the various capital markets Regulations and Guidelines. The monitoring includes checking licensed entities compliance with liquid capital, shareholders' funds, and client accounts requirements. The function also reviews collective investments schemes compliance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 and Circular No.8 of 2020 on Performance Measurement and Reporting. The division also monitors half year unaudited and full year audited financial performance of all licensees and issuers of securities to the public; corporate bond returns by issuers of debt securities; use of proceeds by issuers of securities to the public among other financial information.

## Key Highlights

**1. Corporate Bonds:** As of 30 June 2023, there were eight (8) outstanding corporate bonds, out of which 6 are active. The total outstanding amount, excluding Imperial Bank and Chase Bank Bonds, was Ksh. 22.18 billion. The largest proportion of this amount was held by fund managers, representing 68%, whereas the remaining 32% was distributed among the banks, investment companies, insurance companies, and retail investors.

**2. Assets Under Management by Collective Investment Schemes (CIS) and Non-CIS:** There are 35 approved Collective Investment Schemes, out of which 25 are active. In the period ended 30 June, 2023, assets under management grew by 20.7% from Ksh. 145.77 billion reported on 30 June 2022, compared to Ksh. 175.97 billion

on 30 June 2023. Non-CIS funds amounted to Ksh. 2.21 trillion.

3. On 9 to 10 May 2023, the Authority conducted a sensitization workshop for fund managers on Performance Measurement and Reporting, the International Standard Industrial Classification and Monetary and Financial Statistics scheduled measurement and reporting.

4. In the full year ended December 31, 2022, licensees; fund managers, investment banks, investment advisors, stockbrokers, and online forex brokers registered an increase in the total income compared to a similar period in 2021. The total income increased by 4% from Kshs 12.3 billion in FY2021 to Kshs 12.8 billion in FY2022.

5. Additionally, in FY2022 the licensees; fund managers, investment banks, investment advisors, stockbrokers, and online forex brokers, reported total profits amounting to Kshs 1.3 billion, compared to Kshs 2.7 billion reported in FY2021. This performance was largely impacted by the depressed market conditions and the Russia-Ukraine war.

6. In the FY 2022, all issuers of securities to the public reported profits save for twelve (12) reported losses.

7. In the FY 2022, twelve (12) companies issued profit warnings as highlighted below:

- a. Bamburi Cement Plc
- b. Centum Investment Company Plc
- c. Crown Paints Kenya Plc
- d. Eveready East Africa Plc
- e. Flame Tree Group Plc
- f. Kenya Power & Lighting Plc
- g. Kenya Airways Plc
- h. Longhorn Publishers Plc
- i. Standard Group Plc
- j. Unga Group Plc
- k. Sameer Africa Plc
- l. Nairobi Securities Exchange Plc

## 2) Licensing

The Authority continues to support the ongoing reforms in the coffee sub-sector. In this financial year, the Authority granted full coffee broker licences to Kinya Coffee Marketing Agency Limited, Alliance Berries Limited, and Bungoma Union Marketing Agency Limited. The Authority also granted conditional licenses to the following brokers: Meru South Coffee Marketing Company Limited and Baringo Kawa Brokerage Company

# Approvals, Analysis, and Issuer Governance (Cont')

Limited. This brings the number of licensed farmers' coffee cooperative unions owned coffee brokerage companies to twelve (12).

In accordance with the Capital Markets (Coffee Exchange) Regulations, 2020 (hereinafter referred to as Coffee Exchange Regulations), the Authority granted the Nairobi Coffee Exchange (the NCE) an in-principle approval to operate as a coffee exchange. This in principle approval was further extended to 31 December 2023 to allow time for full compliance with the Coffee Exchange Regulations.

To continue supporting these reforms, the Authority engaged the relevant stakeholders in the coffee value chain to sensitize them on the role and mandate of the Authority under the Coffee Exchange Regulations, 2020 as well as communicate the regulatory responsibilities to those who obtain these licences.

Notably, the Authority honoured an invitation extended by the Tharaka Nithi County Government to attend the Tharaka Nithi County Coffee Cooperative Forum held on 21 June 2023, which was a one-day forum for the leaders of all cooperative societies in the County to further support and promote the coffee agenda at the County Level. At the forum, the Authority sensitized the Coffee Cooperative Society leadership on the following matters:

- a. Roles and responsibilities of licensed coffee broker companies;
- b. The Role of the Capital Markets Authority as per the Crops (Coffee) General Regulation and the Capital Markets (Coffee Exchange) Regulations 2020; and
- c. The status of the conditional license issued to Meru South Coffee Marketing Company Limited together with the outstanding issues that the company was required to address.



## Coffee Brokers

1. Kinya Coffee Marketing Agency Limited
2. Alliance Berries Limited
3. Bungoma Union Marketing Agency Limited
4. Kiambu Coffee Marketing Company Limited



## Fund Manager Licence

1. Lofty-Corban Investments Limited
2. CPF Asset Managers Limited
3. Spearhead Africa Asset Management Limited
4. ALA Capital Limited
5. Waanzilishi Capital Limited
6. Star Capital Management Limited
7. Investcent Partners Limited
8. Etica Capital Limited
9. Mayfair Asset Managers Limited



## Non-Dealing Online Foreign Exchange Broker License

1. Ingot Africa Limited
2. Admirals KE Limited



## Investment Advisors

1. Salus Wealth Management Limited and
2. Vedman Capital Limited



## Investment Bank

1. Pergamon Financial Services Limited
2. GulfCap Investment Bank Limited



## Authorized Securities Dealer

1. Private Wealth Capital Limited



## Authorized Depository

1. Diamond Trust Bank Kenya Limited



## Stockbroker

1. SPK Investments Services Limited

# Approvals, Analysis, and Issuer Governance (Cont')

In the year, we witnessed the uptake of twenty-two new licences. A breakdown on the approved licenses under various license categories is as below:

## Review of proposed Kenya National Multi Commodities Exchange Rulebook

The Authority also participated in the review and validation of the Kenya National Multi Commodities Exchange (KOMEX) Rulebook. The key highlight of the process was different presentations on the background and mandate of KOMEX in the commodities value chain which is to provide for transparent and fair trading of commodities and to provide for ease in price discovery, among others. There were also presentations from different stakeholders including the Warehouse Receipt System Council, County Governments, Posta Kenya, National Cereals and Produce Board, Ministry of ICT, Ministry of Trade among others. The review process was further finalized by validation of the Rulebook by the Board of Directors of KOMEX chaired by the Principal Secretary in the Ministry of Trade.

## Hosting Chief Executive Officers of Licensed Coffee Brokers

On 26 June 2023, the Authority hosted the Chief Executive Officers of the licensed Coffee Brokers at its premises. The agenda was to discuss their compliance obligations and expected market conduct having been granted coffee broker licences.

## 3. Approval of issuances of fixed income and equities securities in the year

### a) Approvals of fixed income securities

On 31 March 2023 the Authority approved supplemental offering memorandum for the Acorn Student Accommodation I-REIT (ASA I-REIT) and Acorn Student Accommodation I-REIT (ASA D-REIT) to raise Ksh. 3,504,770,000 and Ksh. 1,499,761,714, respectively.

The Authority approved the Medium-Term Green Note (MTN) Programme by Acorn Project (Two) Limited Liability Partnership of Ksh. 5 billion in July 2019 and an upsizing of Ksh. 700 million in May 2021 totaling to Ksh. 5.7 billion which will mature in November 2024.

The bond has had twelve (12) drawdowns whereby a total of Ksh. 5.082 billion out of Ksh. 5.7 billion programme has been drawn down so far.

### b) Approvals of Equities Securities

The Authority granted the following approvals for the financial year 2022-2023 namely;

1. Approval granted to Nation Media Group Plc on share buyback of up to 10% of its paid share capital on June 5, 2023. The listed company acquired up to 19,029,516 ordinary shares.
2. Approval issued to Nairobi Securities Exchange PLC to issue 387,401 additional shares to the Nairobi Securities Exchange PLC Employee Share Ownership Plan on August 30, 2022.

### c) Approvals of Corporate Actions

The Authority approved several corporate actions during the financial year 2022-2023 including the following:

1. Shareholder's Circular by KCB Group PLC in relation to proposed acquisition by KCB Group of Trust Merchant Bank (TMB). KCB Bank acquired 85% shares of TMB Bank. TMB Bank is a commercial bank in the DRC regulated by the Banque Centrale du Congo, the Central Bank of the Democratic Republic of Congo (BCC) with its headquarters in Lubumbashi. The market share of TMB in DRC, based on total assets, was about 11% as of June 2021.
2. As of 30 September 2021, TMB had 109 branches spread across DRC and a representative office in Belgium to receive clients and partners in Belgium.
3. Approval granted to Diageo Kenya PLC Limited for an application for exemption from the requirement to make a takeover offer in relation to the proposed acquisition of up to 118,394,897 additional ordinary shares in East African Breweries PLC. The tender offer price was Kes. 192 per ordinary share the tender was successfully completed and effectively Diageo Kenya Plc now owns 65% of EABL.
4. Approval granted to TransCentury PLC on supplementary prospectus for re-opened Rights Issue. The rights issue was able to raise a grand total of Kes. 828,108,110.
5. Shareholders Circular by TransCentury PLC in relation to conversion of shareholders loan into ordinary shares a mode of payment for rights allotted under a rights issue.

# Approvals, Analysis, and Issuer Governance (Cont')

## d) Registration of Collective Investment Schemes

The Authority registered seven (7) collective investment schemes in the year namely;

1. Registration of Jubilee Unit Trust Collective Investment Scheme
2. Registration of the Gen Africa Fixed Income Fund.
3. Registration of Kuza Asset Management Unit Trust Scheme
4. Registration of Enwealth Unit Trust Scheme
5. Registration of Etica Unit Trust Scheme
6. Registration of Britam Special Fixed Income Fund
7. Registration of Faulu Money Market Fund and Old Mutual Dollar Money Market Fund.

## e) Authorization of Real Estate Investment Trust (REIT)

The Authority authorized one I-REIT in the financial year 2022-2023 namely;

1. Laptrust Imara Income Real Estate Investment (Laptrust Imara I-REIT). The offer size was Kes. 6,924,628,260. This REIT was promoted by Local Authorities' Pension Trust (Laptrust).

## 4. ISSUER GOVERNANCE

### a) The Stewardship Code for Institutional Investors Signatories

To promote the widespread adoption of the Stewardship Code for Institutional Investors (Asset Owners and Asset Managers), the Authority has been actively engaging with various institutional investors, urging them to embrace, adopt and implement the Code's principles.

These efforts yielded positive results, with several fund managers showing keen interest in becoming signatories to the Code. During the financial year, a record of eight institutional investors, predominantly asset managers, have taken the initiative to become the inaugural signatories of the Stewardship Code for Institutional Investors. By pledging their commitment, these signatories have undertaken to adhere to the Code's principles, which emphasize the need for active oversight of assets through meaningful engagement with listed companies. The list of all institutional investors that have become signatories to the Code will be uploaded on the Authority's website.

Through this proactive approach, the Authority aims to cultivate a culture of responsible stewardship within the investment industry, promoting transparency, accountability and active engagement between institutional investors and the investee companies. The Stewardship Code aims to create a more responsible, engaged, and accountable investment community which can lead to better performing companies and a more sustainable and resilient financial system.

### b) ESG Awareness and Sensitization Session

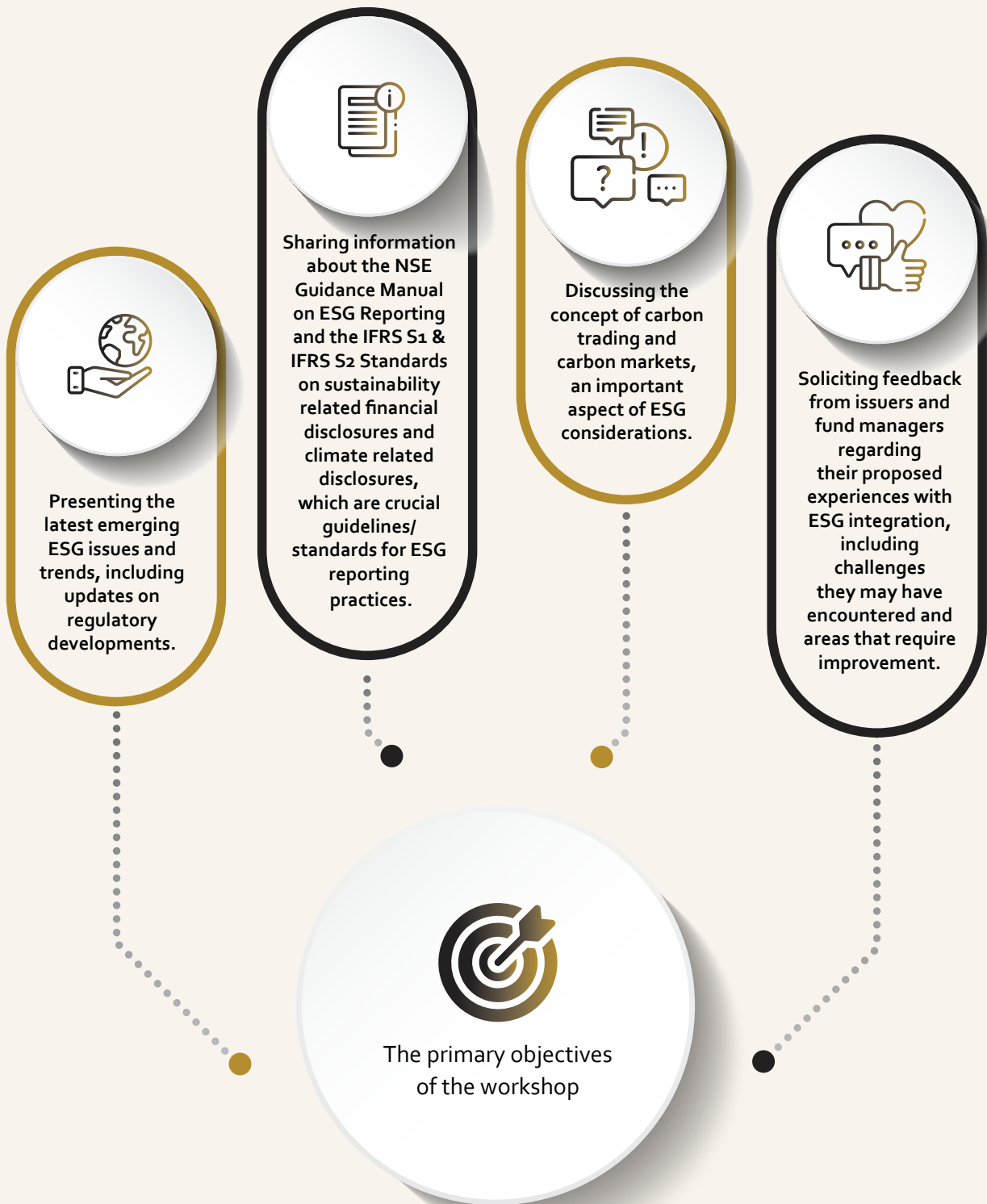
To enhance the understanding of emerging ESG (Environmental, Social and Governance) trends among issuers and institutional investors, the Authority organized and hosted a focused ESG awareness and sensitization session on March 28, 2023, specifically targeting fund managers and issuers of securities to the public in Kenya.

The session featured industry experts and representatives from the CFA Institute, Fund Managers Association (FMA) and ESG experts and practitioners noting that some issuers and fund managers were already leading the way in sustainability practices and reporting. This ensured that the participants received valuable insights, perspectives, and knowledge from those with practical experience in the field.

The session garnered significant interest, with a total of 89 participants representing approximately 56 companies attending. This diverse gathering allowed for rich discussions, exchange of ideas and a comprehensive understanding of ESG-related matters within the Kenyan investment landscape.

By organizing such targeted awareness sessions, the Authority is taking proactive steps to encourage ESG adoption and implementation within the country's capital markets sector. This initiative is likely to foster more responsible and sustainable practices among issuers and institutional investors, ultimately contributing to a greener and socially conscious financial ecosystem in Kenya.

# Approvals, Analysis, and Issuer Governance (Cont')



## Approvals, Analysis, and Issuer Governance (Cont')

### c) Assessment of Corporate Governance Practices by Issuers & Publication of the 5th Edition of the State of Corporate Governance Report

Assessment of reporting templates received from issuers during the period was undertaken and customized feedback shared with each assessed issuer on the state of its application of the Code of Corporate Governance Practices for Issuers of Securities to the Public.

The Authority then published the 5th Edition of the State of Corporate Governance Report in December 2022. The annual publication outlines CMA's independent assessment of how companies listed on the Nairobi Securities Exchange (NSE) and issuers of corporate bonds are applying the principles and recommendations contained in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (CG Code).

The overall weighted score improved from 70.15% (Good Rating) in 2020/2021 to 72.27% (Good Rating) in 2021/2022 due to the increased uptake of legal audits and governance audits by issuers among other factors. Issuers have further shown a leadership practice by publishing the auditors' opinions as part of their annual reports and inviting the governance auditors to give their opinions during the AGMs as well as increased transparency and disclosure of policies by the various issuers.

Issuers had an average leadership rating on three principles: Commitment to Good Corporate Governance, Rights of Shareholders and Accountability, Risk Management, and Internal Control.

The principle of commitment to good corporate governance had the best score of 76.8%.

The rest of the principles were rated 'Good' with Transparency and Disclosure, Board Operations and Control and Stakeholder Relations scoring 72.50%, 70.32% and 70.27% respectively. The Ethics and Social Responsibility principle had the least score at 69.48%.

### d) Capacity building program for Capital Markets and Securities Authority (CMSA) of Tanzania and Dar-es-salaam Securities Exchange (DSE) Tanzania

In collaboration with Worldwide Fund for Nature (WWF) Kenya, the Authority offered technical assistance for a comprehensive two-day capacity building program focused on the issuance and regulation of capital markets products that address environmental and social impact. The workshop saw active participation from representatives of Capital Market and Securities Authority (Tanzania), Dar es salaam Stock Exchange (DSE) and the Ministry of Finance Tanzania.

**e) IFC Machine Learning ESG Analyst (MALENA):** The Authority is collaborating with IFC to onboard MALENA and enhance the Authority's ESG assessment process to promote good corporate governance and sustainability practices of the issuers of securities to the public in Kenya. MALENA consolidates unstructured ESG information via machine learning which is then translated into actionable ESG insights.



In collaboration with Worldwide Fund for Nature (WWF) Kenya, the Authority offered technical assistance for a comprehensive two-day capacity building program focused on the issuance and regulation of capital markets products that address environmental and social impact.

## Education, Awareness and Certification

Enhancing investor awareness is key towards influencing knowledge, attitude and uptake of the various capital markets products and services. During the review period, the Authority focused on a collaborative approach with strategic partners targeting the various stakeholders such as the public, county institutions, youth, women groups, professionals, organized entities, industry associations, and market intermediaries. This made significant progress by utilizing the CMA App and 'Dosikaa App' for local engagement, strengthening the resource persons programme, introducing edutainment competitions, enhancing virtual open day events, and expanding presence on social media platforms. Furthermore,

our programmes complimented the Government's priorities and focusing more on supporting grassroots retail investors through a 'bottoms up' approach.

During this year, a total of 52 initiatives were carried out. These initiatives encompassed 25% online forums and 65% physical forums that included targeted structured forums in counties like Narok, Kisii, Trans Nzoia, Uasin Gishu, and Meru. Additionally, radio campaigns constituted 10%, concentrating on Narok, Kisii, Trans Nzoia and Meru Counties, while a nationwide broadcast on national radio covered all 47 counties.



# 52

Initiatives

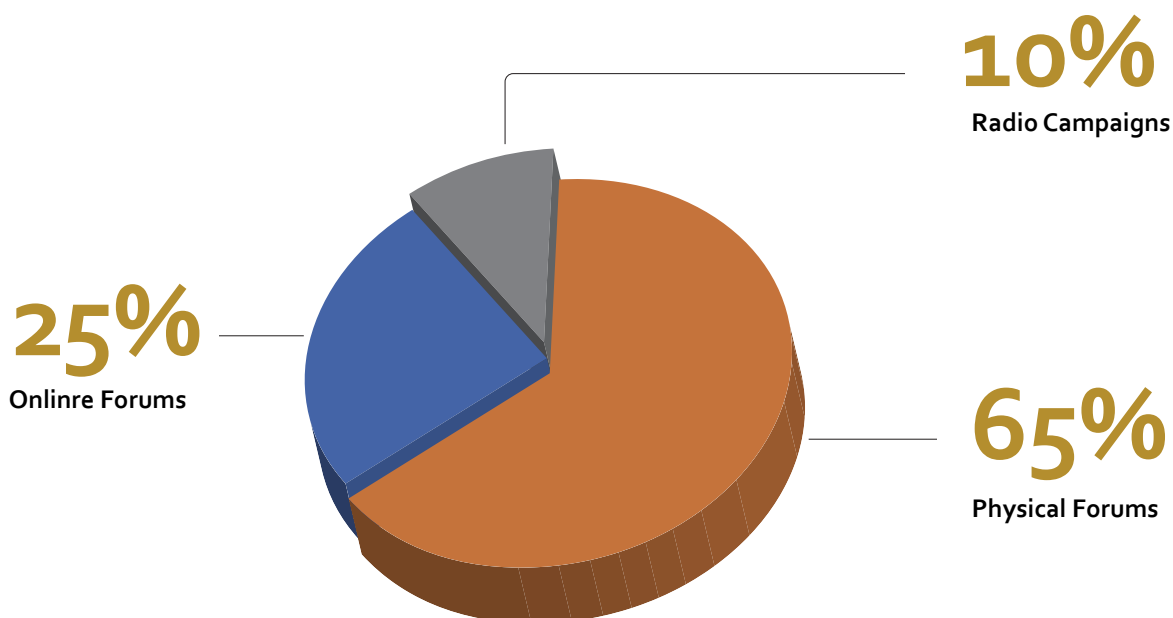
# 25%

online forums

# 65%

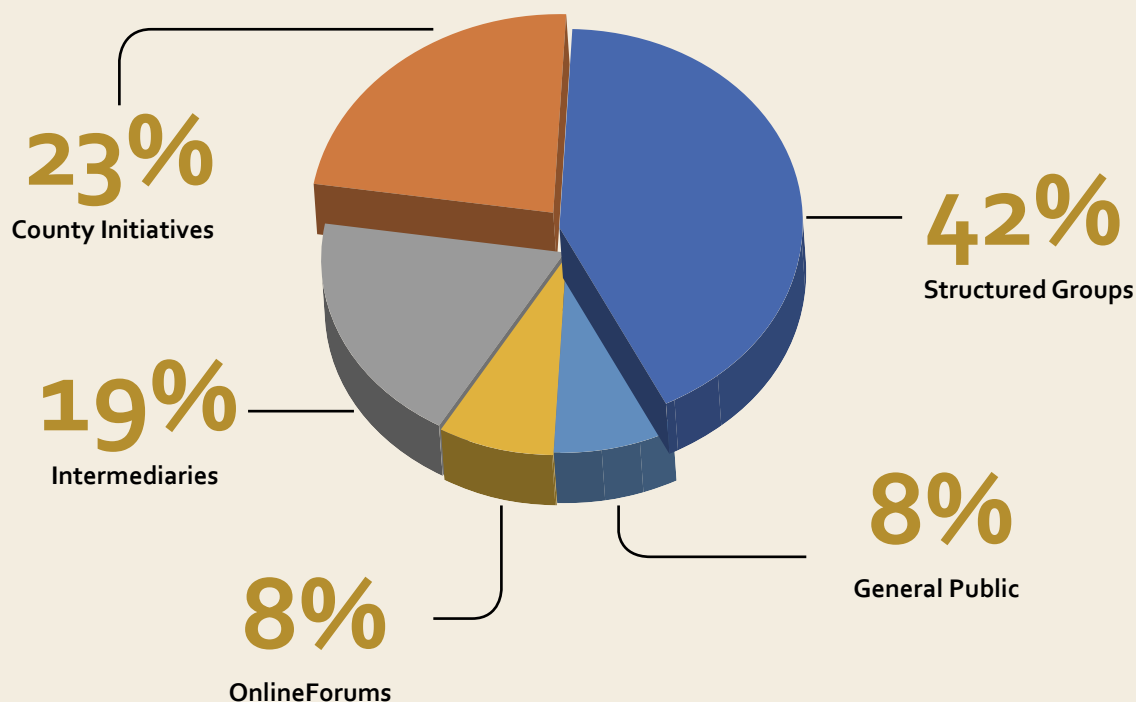
physical forums

The chart below summarizes the key delivery channels utilized in the financial year.



## Education, Awareness and Certification (Cont')

The chart summarizes the target groups in the financial year.



In an effort to bolster education and promote awareness regarding capital market products and services, as well as to ensure investor protection, the Authority collaborated with market intermediaries, strategic industry associations, institutions, and governmental agencies. A variety of key initiatives were accomplished as outlined below:

- a. Partnered with the Kenya Association of Stockbrokers and Investment Banks (KASIB), the Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC) and successfully launched a retail trading app dubbed 'Dosikaa App' targeting 'Boda Boda' riders and other segments for sensitization forums to inform potential investors about the app's opportunities.
- b. Collaborated with the Chartered Institute for Securities and Investment (CISI) and the Institute of Certified Investment and Financial Analysts (ICIFA) to advance Continuous Professional Development (CPD) and the Securities Industry Certification programme aimed at strengthening the skills of capital markets professionals and bolster the industry's human resource capacity.
- c. During the 2022/2023 financial year, the department actively monitored the uptake of Industry Certification and Continuous Professional Development Programmes (CPD). During the year, 167 market practitioners had logged in their CPD points with ICIFA while 162 had logged in with CISI by 30 June 2023. On the certification front, 251 market practitioners undertook the Certification Programme resulting in a total of 4,384 market practitioners having been certified since the inception of the industry certification program in 2015. Additionally, the Authority conducted an in-house CISI training programme for CMA staff from 12-16 June 2023. As part of the training, the participants took the IISI exam (Level one) where 94% of the candidates successfully passed the exams.
- d. On the diaspora front, the Authority partnered with the Kenya Diaspora Alliance during the Financial Literacy and Investments webinar for Kenya's diaspora themed "Safe Secure Investments in Kenya".
- e. Collaboration with Masinde Muliro University Student Association whose objective is to create awareness and delivery of capital markets, as well as financial literacy amongst university students.



## Education, Awareness and Certification (Cont')

- f. Partnership with financial sector regulators including Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Sacco Societies Regulatory Authority (SASRA) and Retirement Benefits Authority (RBA) towards supporting awareness programs and share the best practices and resources to enhance the overall impact of awareness initiatives.
- g. Collaborated with regional and international organizations such as AMERC and EASRA to provide support such as knowledge sharing, global insights on investor education, networking and overall improvement of investor education programs.
- h. Partnered with the Kenya National Chamber of Commerce and Industry with key leaders from SACCOs, Community Based Organizations, educational institutions, and investment groups.
- i. Partnered with a local radio stations to boost outreach efforts. Executed campaigns aimed at increasing awareness about investor protection, capital market products, and services.
- j. Financial literacy partnership with the Kenya Institute of Curriculum Development (KICD) by piloting financial literacy orientation course for junior secondary school (JSS) teachers in 4 regions out of 8 in Kenya: Central, Eastern, Rift Valley and Nyanza. The programme targeted five counties namely; Uasin Gishu, Kiambu, Laikipia, Makueni and Siaya. The impact of the pilot program was evidenced by the content and delivery approach destined to inculcate a culture of saving and investments in the long term.

Key initiatives and outreach strategies included:

### a. County Initiatives and Vernacular Radio campaigns to promote awareness.

The Authority organized a total of twelve County outreach initiatives, which involved conducting personalized one-on-one interactions with leaders from selected Savings and Credit Co-operative Societies (Saccos), Community Based Organizations (CBOs), learning institutions, and Investment Groups. These leaders were designated to serve as ambassadors in Narok, Kisii, Trans Nzoia, Uasin Gishu and Meru Counties. Furthermore, The Authority launched targeted campaigns on vernacular radio stations to effectively reach and connect with the Kisii, Maasai and Meru communities respectively.

### b. Diaspora Initiatives

The Authority organized a series of various Diaspora forums over the period under review. The forums aimed to engage Kenyan nationals abroad and stakeholders within the country, highlighting their economic contributions through remittances. The fora promoted investment opportunities, knowledge transfer and skill enhancement to leverage the expertise of Kenyan nationals abroad. The forums also fostered networking and collaboration, creating a supportive diaspora community for collective contributions to the nation's growth. Additionally, the forums served as platforms for cultural exchange, preserving Kenyan identity, and enabled the diaspora community to advocate for more diaspora-friendly policies and regulations. In addition, the Authority actively participated in the Kenya Diaspora Homecoming Convention, providing a platform to engage with members of the diaspora community.

Additionally, a task force, which includes representation from CMA, was formed to interrogate methods for channeling investments from the Diaspora into Kenya's financial markets. To facilitate this, the Authority increased its engagement in international events and organized two quarterly webinars in collaboration with the Ministry of Foreign and Diaspora Affairs, involving the Diaspora community in these efforts.

### c. Youth Forums

Given that the youth form the largest part of Kenya's population, the Authority continued to focus most of its awareness programmes on this constituent with a goal of inculcating a culture of intensive savings and investments at a young age. The Authority organized a series of webinars over the year that covered the importance of investing when young, the capital markets investment opportunities available for the youth, leveraging on the CMA App, investment tips and investor protection.

### d. Structured/Professional Forums and Exhibitions

Collaboration with different partners to introduce less commonly explored financial products such as Islamic finance, derivatives, and securities lending and borrowing is one of the strategies that

## Education, Awareness and Certification (Cont')

CMA implemented. A total of twenty-two (22) Structured/Professional forums and exhibitions were organized, specifically directed towards intermediaries, structured groups and various professionals. These initiatives were centered on educating stakeholders about investing in different capital market products, ensuring investor protection, and advancing market development efforts. Notable among these initiatives are the Mobile App Launch and county engagement activities. In addition, CMA also conducted six (6) online initiatives that specifically targeted professionals, members of the diaspora, youth and the public.



Seated (right), Mr. Konrad Afande, (center), the Vice Chancellor-Prof. Solomon Shibairo, (far left), the Dean SOBE, Prof. Robert Egesa together with the Participants pose for a group photo after the courtesy call.

### e) National and Global Campaigns

The Authority participated in the World Investor Week (WIW), 2022 which was observed from 3 to 9 October 2022. WIW is a week-long global campaign spearheaded by the International Organization of Securities Commissions (IOSCO) to raise awareness about the importance of investor education and protection messages worldwide and highlighted various initiatives of securities regulators. During the WIW, CMA leveraged technology and launched a FinTok competition aimed at encouraging the public to participate in creating short edutainment videos of key messages on Investor Resilience, Protection and Sustainable Finance. The Fintok Competition was concluded with an award ceremony in December 2022, where the Authority awarded the top three winners by facilitating the purchase of shares and Unit Trusts through the winners chosen stockbrokers. The prize amounts for buying shares or investing in unit trusts were Ksh. 50,000 for the

Grand Winner, Ksh. 30,000 for the First Runners-Up, and Ksh. 10,000 for the Second Runners-Up. The winning video clips were shared on the Authority's social media platforms.

### f) Capital Markets Resource Persons Programme

The outsourcing initiative is intended to identify and leverage resource persons in all the forty-seven Counties in Kenya, to conduct investor education over a period of twenty-four months on a part time basis at an agreed stipend. To this end, CMA recruited and trained thirty candidates as a pilot phase, from fourteen counties. The candidates will be responsible for conducting investor education speaking engagements at the grass-root level, targeting various groups such as counties, the youth and professional organizations.

## Education, Awareness and Certification (Cont')

### g) Financial Literacy Initiative

CMA collaborated with the Kenya Institute of Curriculum Development (KICD) by providing technical assistance alongside other financial regulators by participating in a pilot financial literacy orientation course for junior secondary school (JSS) teachers. This program took place in four out of eight regions in Kenya: Central, Eastern, Rift Valley, and Nyanza, focusing on five counties—Uasin Gishu, Kiambu, Laikipia, Makueni, and Siaya. Following the completion of monitoring and evaluation in these counties in July, resources will continue to be allocated towards the implementation of the Competency-Based Curriculum (CBC).

### h) Technology and Innovation

The Authority created a Mobile App accessible on Google Play Store for IOS and Android users. The launch of the App took place during a workshop for Bodaboda operators in Meru on 21 June 2023. The event was a hybrid one, with staff from the Authority participating in the launch via Zoom. By 30 June 2023, the App had 7,761 users up from 4,500 users by end of March 2023. In addition, the Authority hosted a Virtual Capital Markets Open Day on 17 May 2023, focused on the theme "Understanding and Creating Wealth through the Capital Markets." The event aimed to reach the public, with a specific focus on youth, women, professionals and investment group members across the country. The event registered 1,151 participants and an average of over 200 attendees participated throughout the day with an significant increase in queries on capital markets thereafter destined to drive uptake.

During the Open Day, various market intermediaries showcased their products and services and engaged attendees through personalized interactive sessions in concurrent break-out rooms. Participants had the opportunity to interact with capital market intermediaries and stakeholders, gaining valuable insights into capital market products and investment opportunities. The event offered relevant information to assist participants in making well-informed decisions when participating in the capital markets. It received a positive response, with 1,151 registered participants and an average of over 200 active attendees throughout the day.

During the period, the Authority also developed two E-newsletters disseminated to more than 35,000 stakeholders. The E-newsletters provided information and updates on capital markets, targeting local, diaspora, international stakeholders and CMA staff. The key focus of the issues was investor protection aimed at boosting investor confidence within the industry as well as feature articles on pertinent topics such as capital markets' role in supporting climate change, opportunities for the diaspora and wealth creation for the youth among others.

### i) Social Media

As part of a significant endeavour, the department aired six videos focusing on awareness and investor protection which received additional promotion on various social media platforms, targeting diverse audience, including youth, women, retirees, professional groups, potential issuers and the public. The use of social media campaigns is expected to further enhance direct access to trading, capitalizing on the high mobile phone penetration and internet usage in Kenya. Notably, the paid campaigns on Facebook reached an impressive audience of over 4 million, while the outreach on Twitter extended to an impressive 7.4 million individuals.

We leveraged more on YouTube and TikTok among other platforms and development and posting of Vlogs, infographics, animations, and short educational messages on social media. This resulted in 5,800 new followers up from 3, 973 which is 46% increase between 1 July 2022 and 30 June 2023. Twitter followers stood at 36,875 compared to 31, 075 which is a 19% increase from the previous reporting period. With respect to Facebook, there were 54,944 followers registered at the end of the financial year compared to 54,587 during the previous reporting period. The posts had a cumulative reach of 1.1 million people (generic reach) and 6.4 million people (paid reach).

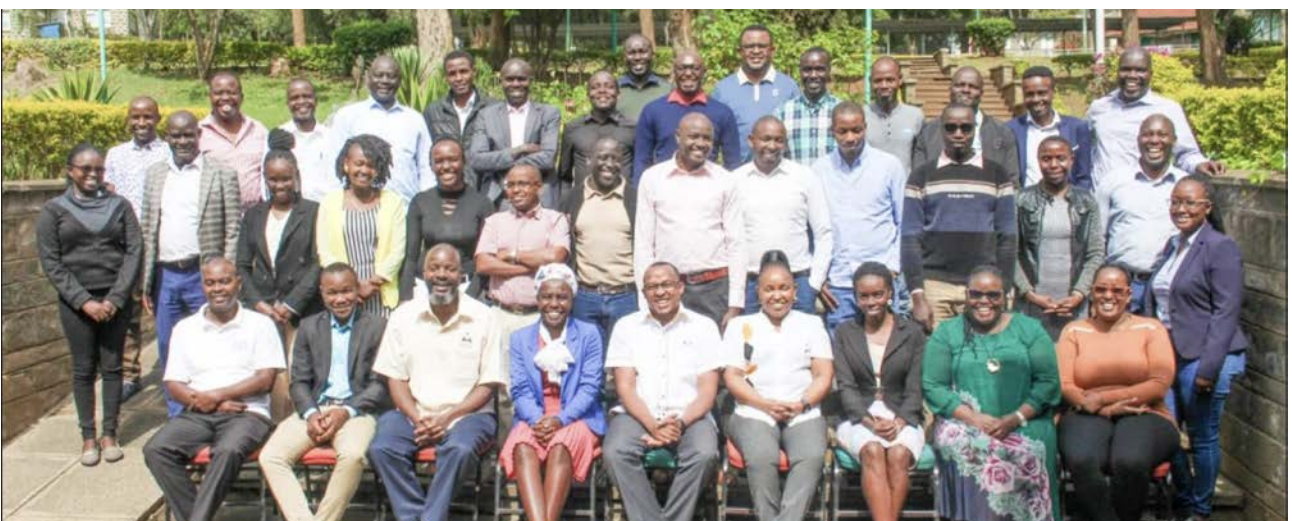
## Education, Awareness and Certification (Cont')



Daystar University team led by CMA Board Member, Prof. Michael Bowen (seated right) during a meeting with the Education, Awareness and Certification team to discuss areas of collaboration between the University and CMA on 14 June 2023 at CMA Offices.



A group photo of members of the Financial and Investment Student Association-University of Nairobi and the EACD team during an educational visit to the Authority on 11 November 2022



A group photo of the Capital Markets Resource Persons during a training held in Nakuru County on 30 June 2023 for newly contracted resource persons to facilitate public awareness at the grassroots in 14 counties as a pilot phase.



As we reflect on the past year, it is evident that the commitment to technological innovation and strategic advancement has positioned the Authority at the forefront of the ever-evolving digital landscape. The 2022-2023 financial year was marked by significant achievements, milestones, and notable contributions from the ICT department. In the face of global challenges, the Authority navigated a dynamic environment with resilience and adaptability, leveraging technology to enhance operational efficiency and deliver on its strategic objectives.



It is in this regard that the Authority internally developed, launched, and published the mobile app known as the CMA Kenya App which was achieved through collaboration between ICT and the Education, Awareness and Certification department. The CMA Kenya mobile application provides relevant information about Capital Markets. The main objective of the app is to enable access to capital markets products and services and provide information in an interactive nature with an edutainment element to users of the application. The development of the CMA Kenya App was based on the Ionic framework technology which allows for a hybrid application development so that the App can be deployed on the Android and IOS platforms.



In compliance with the Data Protection Act, 2019, the Authority appointed a Data Protection Officer (DPO) and a Data protection steering committee. Their purpose was to review the Data Protection Act, 2019 and the Data Protection regulations, 2021 to determine the requirements for compliance with the Act, analyse the requirements for registration with the Office of the Data Protection Commissioner (ODPC), determine the personal and sensitive data that is processed by the Authority and ensure mainstreaming and sensitization to all staff with regard to data protection. The committee undertook capacity building to better understand the Act and the ensuing regulations, to develop the Data Protection policy, conduct the Data Protection Impact Assessment (DPIA) and develop the personal data matrix. The Authority registered tremendous progress

towards compliance with the provisions of the Data Protection Act, 2019.



To further enhance governance and provide leadership in the realization of technological strategic objectives, the Authority onboarded the Director, Technology, Research and Knowledge Management (DTKRM). Through his leadership, the Authority established the software innovation centre with the purpose of providing innovative, scalable, and cost-effective solutions in a sustainable manner, marking a strategic shift from heavy reliance on externally provided solutions.

Further, to address ICT governance areas that required policy change, the department embarked on the development of respective policy and frameworks. These included the Data Management Strategy which is a long-term plan that defines the technology architecture, processes, and people required to manage the Authority's data assets by integrating technological tools, data architecture, data layers, and analytical processes for data insights, the ICT governance policy whose purpose is to inform and align decision making for ICT planning, policy and operations in order to meet business objectives, ascertain that risks are managed appropriately and verify that resources are being used responsibly and strategically and the Cloud Computing Policy to establish guidelines, procedures, and best practices for the adoption and use of cloud computing services within the Authority. This will ensure that CMA leverages cloud technologies effectively while addressing potential risks and maintaining compliance with relevant requirements.



To improve the dissemination of information, the Authority revitalized the corporate website. The design, structure and content underwent a comprehensive overhaul to optimize information search and retrieval. The purpose was to ensure that the website is optimized to remain current, relevant, content rich, easy to access and use by all stakeholders with all the linkages working seamlessly. Search Engine Optimization (SEO) was enhanced to ensure that when the public and relevant stakeholders searching for Capital Markets

## ICT (Cont')

information in Kenya, the website appears among the topmost results. The new website underwent rigorous testing and reviews with various iterations with the outcome being ease of information access and efficient dissemination of relevant data.



As part of the business continuity plan the Authority has established a disaster recovery site as a secondary hosting site. ICT conducted seamless failover and failback tests of the critical systems and data from the primary to the secondary site. The failover was conducted over a period of five (5) days in each of the quarters in the financial year. The objective was to determine the availability, effectiveness, and capacity of our Disaster Recovery infrastructure to allow business operations to continue running uninterrupted.

# Strategy, Risk and Projects



The Strategy, Risk and Projects department oversees the development and implementation of the Authority's Strategic plans, project management, monitoring the organization's performance while recommending areas of improvement, ensures the organization remains sound by managing its risks and making sure that CMA remains compliant with ISO 9001:2015 standards.

## A. Review of the Authority's Performance

The financial year marked the conclusion of the Authority's 2018-2023 strategic plan. The plan's objectives included:

1. Develop and maintain a strong, adaptable policy and regulatory framework for efficient capital market growth.
2. Promote the creation, diversification, and use of capital market products and services.
3. Establish robust market infrastructure, institutions, and operations.
4. Utilize technology to enhance efficiency in the capital market value chain.
5. Enhance the efficiency and effectiveness of the Capital Markets Authority.
6. Strengthen the strategic impact of the Capital Markets Authority.

The Authority largely achieved its strategic objectives, attributing its success to factors such as better investor protection, improved service delivery, operational efficiency, product diversification, increased focus on education and engagement, and support for innovation. However, the anticipated results were affected by low uptake in certain asset classes, mainly due to the economic downturn, leading to reduced market activity. Challenges related to the slow implementation of commodities market reforms, lengthy legislation development process, infrastructure enhancement, and challenges in county financing initiatives.



Despite these challenges, the Authority effectively implemented a comprehensive performance and risk management framework and introduced impactful measures to address adverse developments and reasonably attain strategic goals. One of these measures was the creation of a Short-Term Recovery Strategy,

designed to mitigate the socio-economic impacts of the Covid-19 pandemic and ensure sustainable market growth. Notable initiatives for market recovery included introducing measures to boost liquidity like intra-day trading, securities lending, and borrowing, short selling, margin trading, and eliminating pre-funding and pre-validation requirements. Moreover, the Authority facilitated the establishment of over the-counter and derivative markets and initiated reforms to overhaul and enhance policy and regulatory frameworks, aiming to broaden market access for local and international participants, thereby fostering expansion. Additionally, the Authority promoted the use of digital technology through a regulatory sandbox, enabling retail investors to access the market as well as advancing digital compliance, education, and awareness efforts.

## B. Projects Implemented

The department was also able to manage the development of the 2023-2028 CMA Strategic Plan. The Authority engaged Stan Consulting Group to support the development of CMA's sixth Strategic Plan for the period 2023-2028. The objective of the consultancy was to facilitate the development of the Strategic Plan by taking into consideration the achievements, challenges, key success factors, and lessons learned during the implementation of the 2018 – 2023 Strategic Plan.

## C. Implementation of the Capital Market Master Plan (CMMP)

To support the successful execution of the role of the capital markets in national economic growth, CMA in partnership with key stakeholders in the Kenyan capital markets developed the Capital Market Master Plan (2014-2023) to set down the strategic direction for the Kenyan capital market, over 10 years. The objectives set out in the Master Plan were formulated with a view to ensure the following key results:

1. Build on recent market reforms to address regulatory and institutional constraints to strengthen market infrastructure, intermediation, oversight, and governance standards.
2. Stimulate innovation to broaden product and service offerings, deepen market participation and liquidity, and drive transformative economic development;
3. Streamline and augment funding for developmental projects under Vision 2030, and

## Strategy, Risk and Projects (Cont')

- provide alternative financing sources for the implementation of devolution;
4. Establish the Kenyan capital markets as a centre of excellence and as a gateway for regional and international capital flows; and,
  5. Reinforce the development of Nairobi as an International Financial Centre and in the medium term, pursue the elevation of Kenya's ranking from Frontier Market to Emerging Market status, as classified by globally recognized Morgan Stanley Corporation International indices.

The financial year marked the conclusion of the 2014-2023 CMMP. The initial plan comprised 109 activities after which a comprehensive review was undertaken in 2021. Of the original activities, 59 were completed, 35 were ongoing and 15 were pending. Below are some notable achievements during the pre-review period (2014-2021):

1. Implementation of a facilitative environment to support the rollout of Real Estate Investment Trusts (REITS) and Asset-Backed Securities (ABS) through tax neutrality measures.
2. Removal of the provision in the Companies Act, 2015 on capping foreign ownership at 70% and the requirement for the local boards of directors for locally registered branches of foreign entities in all circumstances or at a minimum.
3. Launch of the derivatives market.
4. Strengthening of measures to maintain financial market stability in Kenya through continued implementation of Risk Based Supervision (RBS).
5. Expanding CMA's mandate to regulate spot commodities markets.
6. Gazettement of the Code of Corporate Governance for issuers of securities in 2016 as well as Stewardship codes for institutional investors in 2017.
7. Enactment of the Warehouse Receipt System Act 2019.
8. Operationalization of the Capital Markets Regulatory Sandbox framework.
9. Issuance of a mobile phone-based Treasury retail savings Bond, that is, the M-Akiba Bond to support financial inclusion and promotion of a savings culture.
10. Establishment of the Financial Law Review Panel (FLRP) comprising sixteen (16) leading domestic and international financial market lawyers and practitioners in March 2019.

11. Publication of Policy Guidance Notes on Asset-Backed Securities, Exchange Traded Funds, Green Bonds, and GDR/Ns.
12. Approval of Issuance of East Africa's First Green Bond in August 2019.
13. Admission of CMA as an Associate Member of the Islamic Financial Services Board (IFSB) in December 2016.
14. Implementation of tax neutrality measures to facilitate the introduction of Islamic Capital Markets Products such as Sukuks.
15. Reduction of Nairobi Securities Exchange (NSE) platform access fees from Kshs250 million to Kshs25 million.
16. Demutualization and self-listing of the NSE.
17. Development of the Growth Enterprise Market segment (GEMs) and launch of the IBUKA programme.
18. Launch of the sponsored Direct Market Access (DMA).
19. Rolling out of a market practitioners certification program.
20. Integration of the securities settlement payment system with the Central Bank National Payments System.

In 2021, the CMMP underwent a comprehensive review occasioned by changes in market dynamics and the significant disruptions brought about by the COVID-19 pandemic. Some of the initial activities were rendered redundant while new ones were introduced. The revised plan was launched on 01 July 2022, and identified 79 activities for implementation. In this regard, 33 activities were to be completed by June 2023 and 46 are to be completed post 2023. By June 2023, out of the 33 actions, 23 actions were completed, 9 were partially completed and 1 was declared redundant, representing a 73% implementation level. The notable achievements during the period were:

1. Roll out of screen-based Securities Lending and Borrowing (SLB) model by the Central Depository and Settlement Corporation (CDSC) for the equities market and modernization of its systems to support SLB.
2. Automation of Contract note generation for retail clients through the deployment of online trading systems.
3. Gazettement of the Capital Markets (Investment



## Strategy, Risk and Projects (Cont')

Based Crowdfunding) Regulations 2022, which aim to provide SMEs an alternative access to funding in the capital markets.

4. Gazettement of the Capital Markets (Whistle-blower) Regulations, 2022.
5. Gazettement of the Capital Markets (commodity markets) Regulations 2020 and the Capital Markets (coffee exchange) Regulations 2019.
6. Review of several pieces of legislation including, but not limited to, Collective Investment Schemes, Public Offers, Listings, Disclosures, and Licensing.
7. Launch of the NSE Unquoted Securities Platform in 2020 to facilitate OTC trading in equities.
8. Launch of Intra-day trading to enhance market liquidity.
9. Operationalization of the upgraded CBK Clearing Settlement and Depository (CSD) for government bonds.

Key implementation challenges included the lengthy process of instituting policy and legal reforms, changing market dynamics leading to de-prioritization of some activities, a multi-sectoral/agency implementation framework, resource constraints as well and uncertainty with the fiscal incentive framework.

Going forward, the remaining activities will be incorporated into the Authority's strategic planning framework and implemented through a collaborative framework with relevant institutions.

### D. Major Risks Identified in the ERM

The Authority has put 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.



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

#### 1. Unfavourable fiscal and operating environment delaying business decisions on uptake of capital markets products and services.

To address this, the Authority is facilitating county level engagements, hosting annual capital markets consultative forums and stakeholder workshops with Council of Governors on market-based financing options, and sponsoring tournaments targeting stakeholders from the demand and supply side.

#### 2. The promulgation of new legislation proposing to remove CMA from regulating the coffee and tea auctions. The Authority is proactively engaging stakeholders to ensure protection of CMA mandate.

#### 3. Insufficient Human Resources to deliver CMA's mandate.

To ensure delivery of services the Authority will recruit, albeit temporarily, to meet staff shortfalls and keep staff motivated and engaged.

#### 4. Inadequate financial resources.

The Authority will pursue approval to levy commensurate administration fees on the Investor Compensation Fund (ICF) to mitigate loss of building fund that was called up by the parent ministry and also, ensure budgets are duly approved.

#### 5. ICT service downtime resulting from power outages from the building.

A power audit was initiated to address the risk of business disruption.

#### 6. Inadequate oversight of the coffee trading process at the Nairobi Coffee Exchange.

To address this, the Authority will develop a system link to allow real time surveillance of the market and finalize trading rules to govern market conduct.

#### 7. Financial distress of licensed and listed companies.

The Authority will review and analyse financial statements of issuers, market intermediaries to check compliance with financial resource requirements, IFRS, continuous reporting obligations and prepare relevant reports.

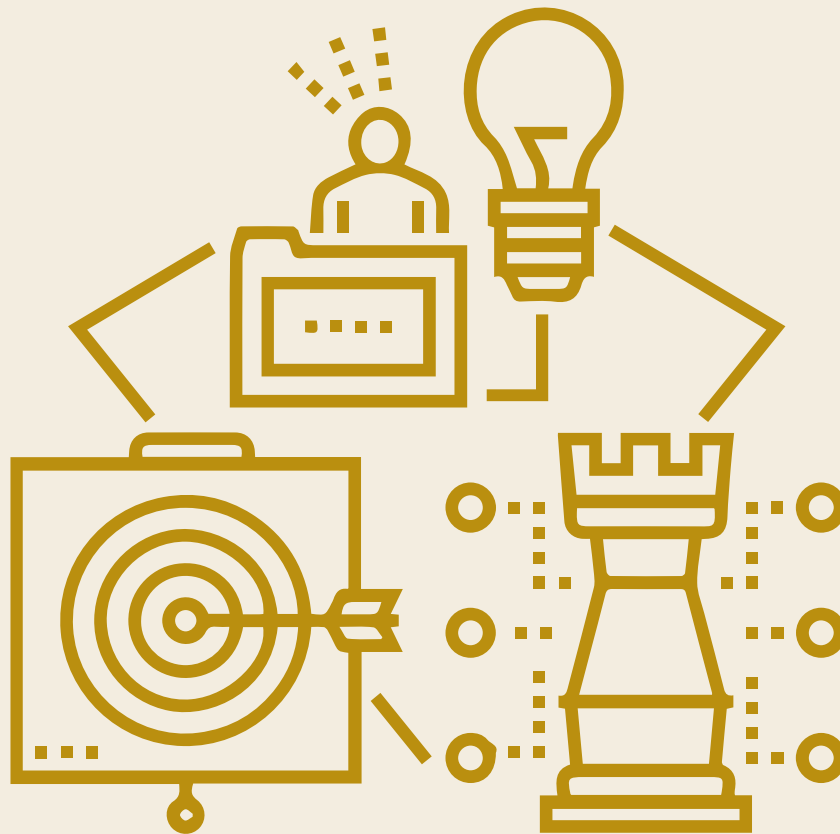
## Strategy, Risk and Projects (Cont')

**8. Suboptimal use of the RBSS system in the licensing and approval process and in undertaking financial analysis.**

A reporting template will be developed for issuers as well as work closely with service providers to provide information needed to develop the system. Stress testing for Stockbrokers and investment banks will also be undertaken.

**9. Litigation against CMA enforcement processes and unfavourable court decisions.**

The Authority will implement a comprehensive strategy to detect and deter illegal/unregulated activities in the market.



## Summary of the Cases where Enforcement Action was taken by the Authority in 2022/ 2023 Financial Year

LICENSEE/PERSON	BREACH	ENFORCEMENT ACTION TAKEN
<p>7 former directors of Chase Bank Limited (In Liquidation) CBKL</p> <p>Former Chief Executive Officer of Chase Bank Limited (In Liquidation) CBKL.</p>	<ul style="list-style-type: none"> <li>Preparation and publication of false and misleading financial statements for the period ended December 31 2014 which were part of the CBKL Information Memorandum (IM) for the Medium Term Note (MTN) issued in 2015 contrary to the provision of Section 30D(1), 30GA and 34(a) &amp; (b) of the capital Markets Act</li> <li>Failure to disclose material information to the MTN investor relating to payment of Kshs1 billion bonus contrary to the provision of Section 34(b) of the Capital Markets Act as read together with Regulation 12(1) of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulation 2002.</li> </ul>	<p>An aggregate financial penalty of Kshs 21 million was imposed.</p>
<p>The External Auditor and Reporting Accountants of Chase Bank Kenya Limited (In Liquidation)</p>	<ul style="list-style-type: none"> <li>Failure to undertake reasonable due diligence leading to overstatement of cash and balance in the CBKL published Information Memorandum (IM)</li> <li>Failure to undertake reasonable due diligence to confirm legal ownership of the investments purportedly acquired by CBKL under the Musharakkh financing model leading to misstatement of the investments in the CBKL published IM.</li> <li>Leading to misrepresentation and misclassification in the Bank's financial statement for the period ended December 31 2014 contrary to the <b>Section 30D(1), 30GA and 34(a) &amp; (b) of the capital Markets Act.</b></li> </ul>	<p>The External Auditor and Reporting Accountants paid a financial penalty of Kshs10 million to the Investor Compensation Fund (ICF).</p>

# Regulatory Sandbox

The Authority operationalized the Capital Markets Regulatory Sandbox in 2019, guided by the Regulatory Sandbox Policy Guidance Note. The Regulatory Sandbox is a tailored regulatory environment that allows for live testing of innovative capital markets related products, solutions, and services with the potential to deepen and develop the capital markets prior to launching into the mass market. A sandbox is a place for testing innovative ideas with relaxed regulation.

Over the past four years, the Authority has received and admitted for testing, several fintech innovations that aim to deepen and widen the product scope in the capital markets.

The Authority continued to receive applications for admission to the CMA Regulatory Sandbox in line with its objective to implement initiatives to stimulate



**The Regulatory Sandbox is a tailored regulatory environment that allows for live testing of innovative capital markets related products, solutions, and services with the potential to deepen and develop the capital markets prior to launching into the mass market.**

and support the responsible growth of FinTech and innovation within Kenya's capital markets. This is done by leveraging technology to enhance the capital market value chain through the Sandbox framework. While doing this, the Authority is alive to the new developments not only in the sector but also in other sectors directly impacting innovation.

The following are key developments in the CMA Regulatory sandbox in the financial year 2022/2023.

## A. APPLICATIONS, ADMISSIONS AND EXITS

### i. Applications

The Authority received 23 applications for admission into the CMA Regulatory sandbox.

These applications had a significant bias towards crypto-related innovations, and tokenization of real estate.

Upon reviewing the submitted applications, it was observed that many of them were from firms seeking to operate as Virtual Asset Service Providers (VASPs). These encompassed applications from entities seeking to operate as crypto asset-exchanges, wallet service providers, custodians, and platforms for blockchain-based issuance and secondary trading of securities. These applications were, however, held in abeyance pending adoption of a sector-wide policy position as directed by the National Treasury and Economic Planning.

Further, the Authority received applications that sought to test the use of blockchain technology to support fractional investment and secondary trading of real estate security tokens, commonly referred to as tokenization of real estate. While reviewing, it was important for the Authority to understand the nature of these applications and establish whether they were devoid of use of crypto currencies. The Authority reviewed these applications against the relevant frameworks, in consultation with other financial regulators through the Joint Financial Sector Regulators Forum (JFSRF) and is considering them for approval.

### ii. Exits

In the year under review, the following firms successfully tested their innovations and rolled out their products/solutions to the mass market.

#### a. Ndovu Wealth Limited (Previously known as Waanzilishi Capital Limited)

On 12 October 2022, the Authority granted a 'No Objection' to Waanzilishi Capital Limited to roll out a robo-advisory solution to the mass market upon its successful testing in the Regulatory Sandbox. Through the robo-advisory platform, investors will have access to collective investment schemes approved and registered by the Authority, Treasury Bills & Bonds and Exchange Traded Funds listed on offshore stock exchanges. Through the Ndovu app, investors will create profiles to aid in determining their risk profiles and investment goals. The robo-advisor will then use the information and inbuilt algorithms to recommend a portfolio of suitable investments to the investor.

## Regulatory Sandbox (Cont')

### b. Acorn Investment Management Limited (Vuka's Investment Platform)

On 29 December 2022, the Authority granted a 'No Objection' to Acorn Investment Management Limited to roll out a retail investor aggregator platform named 'Vuka' to the mass market upon its successful testing in the Regulatory Sandbox. The innovation aims to mobilize retail investor participation in the Acorn I-REIT while enhancing financial literacy by providing a platform through which investors can buy and sell units among themselves.

This will also help them learn about trading in the capital markets. The innovation is expected to provide liquidity for retail investors in response to the illiquid nature of real estate investments.

### B. NEW TRENDS

#### i. Fintech, Innovation and Climate Change.

The Authority witnessed a growing interest from Fintech startups focused on climate change and carbon credits innovation. As the world grapples with the pressing challenges of climate change, there is growing demand for sustainable solutions and technologies that can contribute to reducing carbon emissions and promoting environmental conservation. FinTech's are at the forefront of developing innovative platforms and tools to facilitate carbon trading, emissions tracking, and sustainable financing options. These startups recognize the potential of the Regulatory Sandbox to provide them with a controlled environment to test and refine their cutting-edge solutions. By being admitted into the Sandbox, these FinTech's can collaborate closely with the regulatory authorities to ensure compliance with environmental standards and establish frameworks for sustainable finance. The Authority acknowledges the critical role of FinTech's in addressing climate change and sees the Regulatory Sandbox as an ideal platform

to nurture these transformative ventures, which will have a far-reaching impact on the financial industry's contribution to mitigating climate change.

### C. ACHIEVEMENTS AND CHALLENGES

To date the CMA Sandbox ecosystem has achieved the following outcomes:

- a. Since its inception in 2019, the Sandbox has admitted seventeen (17) companies and successfully exited fourteen (14) companies.
- b. Developed a framework for online Collective Investment Schemes (CIS) platform operators-aggregators and distributors that informed the inclusion of the Intermediary Service Platform providers licensed under the Capital Markets (Collective Investment Schemes) Regulations, 2023
- c. Enhanced transparency and financial inclusion. Innovative products such as one pioneered by Innova have facilitated remote access of licensee reports by regulators hence promoting transparency in the long run.
- d. Development of evidence-based regulations particularly the Capital Markets Investment- Based Crowdfunding Regulations of 2022, which provide a framework for regulating crowdfunding in Kenya. The Regulations draws its breath from the experience of supervision of the testing of crowdfunding in the Sandbox.

Some of the challenges faced during the period include:

- a. Lengthy period to enact laws or regulations for firms graduating from the sandbox.
- b. Cross cutting innovations across various subsectors within the financial ecosystem,
- c. Lack of a national policy on Kenya's position on crypto related innovations.

## Pictorial



Immediate former Board Chairman Nicholas Nesbitt & CEO Wyckliffe Shamiah during a discussion with Nairobi City County Governor H.E. Johnson Sakaja and his deputy Hon. Njoroge Muchiri on 13/01/2023



During the listing of LAPTRUST Imara I-REIT at the NSE, a ceremony officiated by President Dr. William Ruto and attended by the Authority's board Chairman, Mr. Ugas S Mohamed (2<sup>nd</sup> Right) on 22/03/2023

## Pictorial (Cont')



CEO FCPA Wyckliffe Shamiah with members of the Namibia Financial Institutions Supervisory Authority (NAMFISA) during a study visit to the Authority on 13/03/2023



IFC Executives and CEO FCPA Wyckliffe Shamiah during a visit to the Authority on 13/03/2023

## Pictorial (Cont')



The Capital Markets Authority CEO, Mr. Wyckliffe Shamiah (left), presents a gift to the Nigeria's Securities and Exchange Commission Director General Mr. Lamido Yuguda, during SEC Nigeria's visit to the CMA offices on 22 August, 2022.



The Capital Markets Authority CEO, Mr. Wyckliffe Shamiah flanked by senior management, presents a gift to the Ghana's Securities and Exchange Commission Director General Rev. Daniel Ogbarmey Tetteh, during a visit to the CMA offices on 22 August, 2022.



## Pictorial (Cont')



The Chairman Mr. Ugas S Mohamed and CEO of CMA FCPA Wyckliffe Shamiah, accompanied by the board chairs of NSE, CDSC and KASIB flag off the roll out of Dosikaa App



CMA Team pose for photo during the fund managers sensitization workshop.



Fund Managers and CMA Team pose for for photo during the fund managers sensitization workshop.

# NOTES

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**CAPITAL**  
MARKETS AUTHORITY

*Promoting the Integrity and Growth of the Capital Markets*

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