



SECURITIES EXCHANGE CHECKLIST AND SELF-REGULATORY ORGANISATION

Compliance with License Requirements

Part IV of The Capital Markets Act, Part II and the Fourth Schedule of the Capital Markets (Licensing Requirements) (General) Regulations 2023 and the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations 2011

Securities Exchange means a market, derivatives exchange, securities organization or other place at which securities are offered for sale, purchase or exchange, including any clearing or settlement, with or without novation, or transfer services connected therewith.

	Requirement	Met Y/N/NA	Comment
1.	Duly completed application Form (Form 1 set out in the First Schedule)		
2.	Certified copy of the Certificate of incorporation		
3.	Certified Copy of CR12 and Beneficial Ownership document from Business Registration Services		
4.	Certified Copy of Articles and Memorandum of Association (<i>with objects that authorize the company to carry out the business for which the license is sought</i>)		
5.	Audited financial statements for the preceding two years where applicable, and unaudited financial statements for the period of the accounting year ending not earlier than six months prior to the date of application.		
6.	Evidence that it is demutualized so that ownership and rights to trade are separate.		
7.	Evidence of Paid-Up capital of One Billion Shillings which shall always be unimpaired and shall not be advanced to the directors or associates of the Securities Exchange		
8.	Shareholders' funds of Kshs. 1 billion (paid up share capital and reserves)		

9.	Financial projections for 3 years		
10.	Financial year (January 1 st to 31 st December)		
11.	Proposed membership of the Securities Exchange consisting of licensees of the Authority with rights to trade at an approved securities exchange		
12.	Details of staff: 12.1 Details and qualifications, experience, and expertise of the following: i. the chief executive, and ii. key staff including; Chief Investment Officer, Chief Finance Officer, Risk management officer, Internal Auditor, Chief Technology Officer, Chief Dealer and Compliance Officer, that must be relevant to effectively manage or operate the business of an investment bank 12.2 Please note the requirement for the chief financial officer, risk management officer, compliance officer and internal audit functions as per the Corporate Governance Regulations. 12.3 The internal auditor and chief financial officer must be members of ICPAK and the internal auditor must not be the compliance officer)		
13.	A Company Secretary (Disclose the name of an individual and their ICPSK Number)		
14.	Particulars of the proposed Operating and IT system		
15.	A business plan shall include- b) A full explanation of the capital markets-related business, its		

	background (including its legal structure and creation) and what it is intending to do. c) The company's target market and clientele i.e., whether a firm has identified a specific business opportunity or customer base. Further the firm should identify and acknowledge the existing competition. d) The business model to be adopted by the company. Disclosure on how it will earn revenue whether by charging agency commission, management fee, profit sharing etc. and disclosure of how revenue is earned whether per transaction, per annum, percentage of transaction etc. e) The company's short- and long-term objectives Any long-term strategy and expansion plans. f) A clear view of the company's target market, key customers, distribution, products and pricing. g) The expected customer experience of the business from day one. h) Details of the company's intended investment strategies, fee and remuneration policies, governance framework (including the organizational structure) and key personnel i) The experience of the company's principals to undertake the proposed regulated activities it plans to conduct. j) The employment background, experience and relevant qualifications of all staff who will be performing significant influence-controlled		
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	functions and how this will help them with their role. k) Financial projections (income statement and statement of financial position) for three years, (these can be sent separately with the financial statements) including working capital requirements which should include the supporting rationale behind the key line items projected and a demonstration of when the business is expected to break even. l) Any other activity that the company may engage in, that reasonably could have a material impact on net capital within the first twelve months of business operations. N/B (This can however be sent separately with the financial statements). m) An analysis of any key third party relationships n) Exit arrangements in case the company wishes to discontinue business. Disclosure of how clients will be refunded and transfer of assets etc. o) The company's marketing strategy. p) Details of any outsourcing plans or other key operational matters. q) An analysis of key risks and mitigation strategies. Corporate governance structure with disclosures on shareholding and details of ultimate beneficial shareholders.		
16.	Rules which contains provisions in compliance with the Act on the – a) admission to the listing, suspension or delisting of securities by the securities		

	exchange, through a procedure prescribed by the Authority. b) the conditions governing dealing in securities by its trading participants so as to ensure protection of the rights of investors; c) prompt disclosure, in a manner that is fair to all investors, of material information of a price sensitive nature and information likely to affect the price of a security including fees on management contracts, to enable appraisal of an issue by investors; d) protection of investors against abuse of confidential information, misleading information, fraud, deceit, and other adverse practices in the issuing and trading of securities; e) prohibition of market manipulation in any form; f) investigation into trading in securities and financial transactions of trading participants and for conducting surprise checks on such trading participants; g) suspension of trading of any security for the protection of investors or for the conduct of orderly and fair trading; h) the conduct of securities trading by trading participants and the manner in which information relating to transactions is to be maintained and reported to other trading participants and customers of the securities exchange; i) segregation from other business accounts of trading participants, of customers funds and securities;		
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	j) Dispute resolution mechanisms and provision for appeal to the Authority by trading participants, investors and listed companies; k) proper safe keeping of securities in the custody of the security exchange l) carrying out of the business of the securities exchange with due regard to interest of the investing public; m) trading rights on a securities exchange. n) registration with the securities exchange of full members, associate members, their representatives, authorized clerks and dealers; o) conduct of trading participants, their representatives, authorized clerks and dealers; p) responsibility of trading participants for the actions of their employees and agents in their dealings with the public; q) The tenure for the chairperson which shall be three years, renewable once; r) The tenure of the chief executive officer which shall not exceed five years renewable once. s) A board of directors comprising of the chief executive of the securities exchange and at least one third independent and non-executive directors; t) a maximum of two members of the g of directors who shall be elected from among the trading participants to represent the trading participants; u) the independent and non-executive directors appointed under subparagraph (b) shall be persons who		
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	have knowledge and experience in investments, public service and corporate governance and shall represent the interests of investors and the public interest; v) director or a shareholder of a trading participant shall not be a director or hold beneficial interest either directly or indirectly in more than one trading participant of a securities exchange unless the trading participant has been exempted by the Authority on the basis of evidence of adequate internal controls to address conflict of interest. Provided that prior to making the appointment the securities exchange shall submit the names of the persons proposed to be appointed as directors to the Authority for confirmation that the Authority has no objection to the proposed appointments; w) two members of the board shall be elected by the shareholders of the securities exchange from nominees of companies listed on the securities exchange to represent the listed companies; and x) any other matter that may be required by the Authority for the proper conduct of exchange business.		
17.	Evidence that the directors have undergone relevant training on corporate governance (provided that the market intermediary shall ensure that any person appointed as a director undergoes the training within six months of appointment).		

18.	Details of the following: i. Board of Directors which should comprise of: ii. A minimum of 3 directors a third of whom must be natural persons. iii. At least one third should be independent and non-executive. iv. Not more than one third of the Directors are close relations of any director. A director should not hold more than two directorships in market intermediaries unless they are subsidiaries or holding companies.		
19.	The Chairman of the Board must be a Non-Executive Director or Independent and Non-Executive Director		
20.	Fees Schedule to be approved by the Authority as per Section 20(6) of the Capital Markets Act.		
21.	A trading system to be adopted by a securities Exchange shall be approved by the Authority before such a system is implemented; Submit details of the trading system which should provide for: a) a trading facility at which all bids to purchase and offers to sell are exposed to each other and at which members of the public are granted an opportunity to access live trading information, b) a transparent and efficient pricing mechanism which: i. displays the best offer and bid prices; ii. provides for matching;		

	iii. displays the highest and lowest prices, the latest transactions as well as the volume of securities traded; iv. has an audit trail and trace back mechanism for all transactions; v. has sufficient internal controls and security measures to ensure that only authorized persons have access; vi. provides for integration with the Authority, a central depository system, trading participants and data providers ; and vii. maintains records of all transactions and retrieves such records as may be necessary.		
22.	Has the necessary infrastructure including office space, equipment, and staff to effectively discharge its activities.		
23.	Adequate risk management framework		
24.	Complaints handling procedure		
25.	Declaration by the persons authorized as prescribed under form 1 in the first schedule		
26.	Details of the proposed independent external auditor		
27.	Details of premises		
28.	Data protection policy in line with the Data Protection Act 2019		
29.	Note to provide: i. Anti-Money Laundering policy, ii. Know your client procedures, and iii. Counter financing of terrorism that are compliant with the AML/CFT Legal framework.		
30.	Submission of a board charter that: i. confirms the Board's responsibility for		

	adoption of strategic plans, monitoring operational performance, the determination of policies and processes that ensure the intermediary's risk management and internal controls; ii. reserves specific powers to itself and delegates other matters to the management of a market intermediary iii. provides a code of conduct that addresses conflict of interest relating to directors and management which shall be regularly reviewed and updated as necessary iv. Identifies the key risk areas that require regular monitoring		
31.	Clear separation of roles and responsibilities of the chairman and chief executive		
32.	Have a policy for appointment of employees		
33.	Have a risk management framework in place		
34.	Two (2) letters of business reference		
35.	One (1) letter of bank reference.		
36.	Fit and Probity Assessment Documents for directors, key personnel and substantial shareholders: a) Duly completed Fit and Proper form b) Up to date Curriculum Vitae, including updated email addresses of former employers and referees c) Copy of Police Clearance Certificate issued within the last twelve months d) Copy of National Identity Card /		

	Passport Biodata Page e) Passport-sized Photograph f) Clearance Certificate from Credit Reference Bureau		
37.	Proof of Payment of Application Fees of Kshs. 100,000 (Receipt from E-citizen)		
38.	Submission of a complete application through E-Citizen and delivery of physical application at the Authority's Offices		

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ⁱ The checklists issued by the Capital Markets Authority Kenya (CMA) are intended to provide clarity and assistance in navigating regulatory requirements. However, it is important to note that these checklists are not intended to serve as a substitute for reading and comprehending the regulations themselves. Individuals and entities subject to regulatory oversight should familiarize themselves with the applicable laws, rules, and regulations, and seek appropriate legal or professional advice as needed. The checklists provided by the Capital Markets Authority are meant to supplement, not replace, a thorough understanding of regulatory obligations.