

## COMMERCIAL PAPERS

### 1. DOCUMENTS IN SUPPORT OF APPLICATION

Requirement	
1.	Information Memorandum
2.	Certificate of Incorporation of Applicant
3.	Memorandum and Articles of Association of Applicant
4.	Board of Directors Resolution authorizing issue of commercial paper
5.	Reporting Accountants' report
6.	Audited financial statements / annual reports for the last three financial years <i>NOTE: The latest audited financial statements to be less than 4 months old from the proposed date of offer. (The Authority may require latest management accounts and/or limited review and the applicant shall be advised accordingly if this is the case)</i>

**SECOND SCHEDULE (r.7(1)(c): ELIGIBILITY REQUIREMENTS FOR PUBLIC OFFERING OF FIXED INCOME SECURITIES AND LISTING ON THE FIXED INCOME SECURITIES MARKET SEGMENT.**

REQUIREMENT	CRITERIA	Met: Y, N or N/A	COMMENTS
<b>Incorporation with limited liability</b>	<ul style="list-style-type: none"> <li>▪ The issuer to be listed shall be a public company registered under the Companies Act (Cap 486) or any other body corporate established or incorporated in Kenya under the provision of any written law.</li> <li>▪ Issuers of commercial paper may be private companies.</li> </ul>		
<b>Size: Share Capital and Net Assets of Issuer</b>	<p>The issuer shall have a minimum authorized, issued and fully paid up share capital of Kshs. 50 million and net assets of Kshs. 100 million before the public offering of the securities.</p>		
<b>Listing and transferability of securities</b>	<ul style="list-style-type: none"> <li>▪ All fixed income securities except for commercial papers shall be listed and shall be freely transferable and not subject to any restrictions on marketability or pre-emptive rights.</li> <li>▪ Commercial papers are not transferable or to be listed at a securities exchange.</li> </ul>		
<b>Availability and reliability of financial records</b>	<ul style="list-style-type: none"> <li>▪ The issuer other than the Government of Kenya issuing Treasury Bonds or other Government securities, must have published audited financial statements complying with IFRS for an accounting period ending on a date not more than three months prior to the proposed date of the offer.</li> <li>▪ Where not more than nine months have elapsed since the end of the financial year to which the last published annual accounts relate, the issuer shall prepare an interim audited financial statement covering at least the first six months following the end of that financial year which must be included in or appended to the prospectus.</li> <li>▪ In the case of issuers whose securities are listed at a securities exchange in Kenya but where not more than six months have elapsed since the end of the financial year, un-audited financial statements covering the period preceding the six months must be included in or appended to the prospectus.</li> <li>▪ The financial soundness of the issuer shall not be in any doubt and the issuer must have prepared financial statements for the latest accounting period on a going concern basis and the audit report must not contain any emphasis of matter or qualification in this regard.</li> <li>▪ At the date of the application, the issuer must not be in breach of any of its loan covenants particularly in regard to the maximum debt capacity.</li> </ul>		
<b>Directors and</b>	<ul style="list-style-type: none"> <li>▪ As at the date of the application and for a period of at least two years prior to the</li> </ul>		

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<b>senior management</b>	<p>date of the application, no director of the issuer shall have -</p> <ul style="list-style-type: none"> <li>- any petition under bankruptcy laws pending or threatened against the director (for individuals), or any winding-up petition pending or threatened against it (for corporate bodies);</li> <li>- any criminal proceedings in which the director was convicted of fraud or any criminal offence, or be named subject of pending criminal proceeding, or any other offence or action either within or outside Kenya; or</li> <li>- been the subject of any ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibits such director from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity.</li> </ul> <ul style="list-style-type: none"> <li>▪ The issuer must have suitable senior management with relevant experience for at least one year prior to the listing, none of whom shall have committed any serious offence that may be considered inappropriate for the management of a listed company.</li> <li>▪ At least one third of the issuer's board of directors shall be non-executive directors.</li> </ul>		
<b>Certificate of comfort</b>	<ul style="list-style-type: none"> <li>▪ If the issuer is licenced to operate as a bank or an insurance company the issuer must obtain a certificate of no objection from the relevant regulator.</li> <li>▪ Where there is a guarantor and in the event that the guarantor is a bank or insurance company licensed to operate in Kenya, the consent (except where the guarantor is an offshore bank or insurance company not subject to regulation of the Central Bank of Kenya or Commissioner of Insurance) of the Central Bank of Kenya or the Commissioner or Insurance as the case may be, will be required.</li> <li>▪ Where there is a guarantor, the guarantor shall provide the Authority with a financial capability statement duly certified by its auditors.</li> </ul>		
<b>Profitable historic track record and future prospects</b>	<p>The issuer must have declared positive profits after tax attributable to shareholders in at least two of the last three financial periods preceding the application for the issue.</p>		
<b>Guarantee requirements</b>	<ul style="list-style-type: none"> <li>▪ Where the issuer does not satisfy the requirements it may seek a credit enhancement to have the securities it seeks to issue guaranteed, or where the issuer is not willing to be subjected to the disclosure requirements it may have the securities it seeks to issue guaranteed.</li> <li>▪ The guarantor may only be a bank or an insurance company or any other institution</li> </ul>		

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	with necessary financial capacity acceptable to the Authority and a copy of the guarantee document shall be subject to approval of and be submitted to the Authority with the information memorandum.		
<b>Debt ratios</b>	<ul style="list-style-type: none"> <li>▪ Total indebtedness, including the new issue of fixed income securities shall not exceed 400% of the company's net worth (or gearing ratio of 4:1) as at the latest balance sheet.</li> <li>▪ The funds from operations to total debt for the three trading periods preceding the issue shall be maintained at a weighted average of 40% or more.</li> <li>▪ The conditions as provided must be maintained as long as the fixed income securities remain outstanding.</li> </ul>		
<b>Size of the issue</b>	<ul style="list-style-type: none"> <li>▪ The minimum size of the issue shall be Kshs. 50 million.</li> <li>▪ The minimum issue lot size shall be: <ul style="list-style-type: none"> <li>(i) Kshs. 100,000 for corporate bonds and preference shares or such higher amount as may be required by the Authority; and</li> <li>(ii) Kshs. 1,000,000 for commercial paper.</li> </ul> </li> </ul>		
<b>Minimum size for listing</b>	For an issuer to maintain listing of its fixed income security, the minimum size of the fixed income security listed shall be Kshs. 50,000,000, except in the case of redemption.		
<b>Renewal date</b>	Every issuer of commercial paper shall apply for renewal at least three months before the expiry of the approved period of twelve months from the date of approval.		

**Corporate Governance requirements as per the Capital Markets Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya, 2002**

REQUIREMENTS	MET Y/N	COMMENT
Identify reasons for non-compliance, where the company is not fully compliant, and indicate steps on how to comply.		
Have an effective board to offer strategic guidance, lead the company and be accountable to shareholders.		
Board to establish relevant committees to perform specific mandates.		
Board to specifically establish an audit and nominating committee.		
Board composes of a balance of executive and non-executive directors (including at least one third independent and non-executive directors of diverse skills or expertise (should be disclosed in the annual report).		
Every person, save for a corporate director, who is a director of a listed company shall not hold such position in more than five public listed companies at any one time		
Clear separation of roles and responsibilities of the chairman and chief executive.		
Every person who is a Chairperson of a public listed company shall not hold such position in more than two public listed companies at any one time		
The Board should appoint a nominating committee consisting mainly of independent and non-executive directors who will consider candidates for directorship proposed by the chief executive and shareholders.		
Establishment of an audit committee of at least three independent		

and non-executive directors by the board who shall report to it.		
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