



## **HOW INVESTORS ARE PROTECTED IN KENYA'S CAPITAL MARKETS**

As a rule of thumb those who save more become wealthier because foregoing consumption today allows one to invest in the future. Recently, we've seen an increase in both foreign and local investors in the country. Many Kenyans work tirelessly to save and invest the little they can wherever possible and would not want to lose their hard-earned savings to crimes committed within the capital markets. Recent data shows, that there is an increase in investments in the financial sector by different kinds of consumers consequently regulations are required to safeguard all Investors, depositors and borrowers. It is therefore imperative that the systems instilled not only safeguard investments but also the investors confidence against market malpractices.

The Capital Markets Authority has a department solely responsible for education and awareness which includes investor protection. The department creates awareness, educates and disseminates information to the public on various aspects of capital markets as well as investor protection. We believe an informed investor is a protected investor. This is because they are able to make informed decisions based on the information provided on what products in the capital markets to invest in. Moreover, an investor should do their due diligence before investing. CMA also undertakes county initiatives in which we reach out to potential investors. We conduct one on one forums which target select group leaders who act as Ambassadors in their various communities. By doing this, we not only increase uptake on pooled funds by retail and institutional investors, but we also educate them on various products in the market that they could be interested in. In addition, the youth are empowered by educating them on financial literacy to instill a culture of saving as well as sensitizing them on investment opportunities within the capital markets.

Furthermore, CMA has leveraged technology in order to disseminate information on capital markets to the public. This assists in tremendously improving the number of investors that we reach out to. These include; online forums, webinars, infographics, among a few. This aims to inform potential investors on what products can suite them and their needs through investor education and awareness programs. It is committed to ensuring that market intermediaries leverage technology to enhance their operations, develop new products and investment, collaborating where possible, building a culture of innovation, and developing the skills needed; all while mitigating the potential risks these may introduce for resilience and cybersecurity. With respect to intermediaries, the Authority has a mandate to license institutions intending to carry on the business of a stockbroker, dealer, investment bank, fund manager, investment adviser, and authorized depository. This ensures all market intermediaries meet the requirements prior to being licensed as well as prevents investors from getting involved with institutions that are not being regulated by the authority. As a regulator,

it is obliged to protect consumers from possible market abuses. Licensing players therefore aims at ensuring that only those firms which have the requisite financial and technical capacity to effectively carry out the business are authorized to do so.

The Authority formulates regulations within the capital markets industry. This demands that we operate within a regulatory framework that market intermediaries need to adhere to in the course of offering their services. CMA has strived to deepen and broaden the capital markets by developing a regulatory framework that facilitates the development of new financial products and institutions through research and ensuring fairness and orderliness in the capital markets industry. An example would be the Public Offers Listing and Disclosures Act which provides guiding principles, aimed at establishing fair, efficient and transparent capital markets by encouraging and promoting timely and accurate disclosure of information to investors. This enables an investor to be aware of the logistics of the company before investing. They also provide for promoting investor protection and improved investor confidence in the capital markets amongst other guiding principles.

As part of its objective of ensuring investor protection, the Authority ensures that investors' complaints against market intermediaries are adequately addressed. It has established an anonymous reporting portal. The portal is accessible through the organization's website which allow whistle blowers to share anonymous but verifiable evidence to complement and support CMA's investigation and enforcement efforts. In addition to that, we also have a walk-in policy where the public can visit our office to report any malpractices in the capital markets. In the event that the issue is not resolved, our Frauds Investigations Unit takes over. Its purpose is to consolidate the investigations of all securities related fraud cases under one roof, detection, prevention, and apprehension of offenders perpetrating fraud within the Securities market. The Unit has a dual reporting system and is accountable to the Chief Executive Officer of the Authority and the Director of Criminal Investigations. As another safeguard, the Investor Compensation fund was established for purposes of granting compensation to investors who suffer pecuniary loss resulting from the failure of a licensed stockbroker or dealer, to meet his contractual obligations and paying beneficiaries from collected unclaimed dividends when they resurface. As a final safeguard, we often send out sms messages and issue warnings with respect to persons dealing in unregulated products or unlicensed entities.

**Education, Awareness and Certification Department staff**

**Capital Markets Authority**