

# INVESTOR AWARENESS FORUM



Investor Protection Issue #1

April 2022

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**Mr. Wyckliffe Shamiah, FCPA, Chief Executive Officer**  
Capital Markets Authority

## Welcome message

Welcome to the first edition of the Investor Awareness Forum which is aimed at providing information and updates on capital markets targeting Local, Diaspora, International and CMA staff. This issue focuses on Investor protection which is one of the key areas of focus for the industry given that an informed investor is a protected investor.

In addition to various initiatives pertaining to investor protection, the Authority is committed to re-energizing its key focus areas. This will include measures to catalyze activity in private equity and debt capital by making the asset class more accessible to asset managers, retirement schemes and the general investor base for the benefit of investors and the businesses; and leveraging Environment, Social and Governance principles to attract green capital, with emphasis on the development of a green taxonomy for Kenya beyond climate finance to natural capital conservation.

The Authority is also committed to facilitating access to investment for retail and institutional investors leveraging mobile and other on-line technology; and significant increase in utilization of capital markets and listings by Small and Medium Enterprises (SMEs) through introduction of tailored corporate governance requirements for family-owned businesses, streamlining market segment listing requirements and increasing awareness of the benefits of listings to potential issuers.

Happy reading !!

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## Local Snapshot of Current Investor Protection Issues



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### Unregulated products

There has been several reports recently of investors losing large amounts of money in investment schemes that are unregulated. While many of these products may appear genuine, most of them are fraudulent investments set up with the sole intention of defrauding innocent and unsuspecting investors. It is in this regard that the Authority has been conducting an aggressive campaign both on print and electronic media with respect to educating the public on the issue of unregulated products. Main activities in unregulated capital markets industry include High Yield investment products, Ponzi and Pyramid schemes.

- Ponzi Schemes – Ponzi schemes require a constant flow of new money to survive. When it becomes hard to recruit new investors, or when large numbers of existing investors cash out, these schemes tend to collapse.
- Pyramid Schemes – A pyramid scheme is an investment fraud in which new participants' fees are typically used to pay money to existing participants for recruiting new members. Pyramid scheme organizers may pitch the scheme as a business opportunity such as a multi-level marketing (MLM) program.
- High-Yield Investment Programs – are unregistered investments typically run by unlicensed individuals. Investors are promised incredible returns at little or no risk to the investor.



### How CMA ensures investor protection

- ✓ Formulation of regulations within the capital markets industry.
- ✓ Dissemination of information to the public on various aspects of capital markets.
- ✓ Licensing of market intermediaries.
- ✓ Continuous supervision of the licensed intermediaries.
- ✓ Investigate and take enforcement actions against market violations.
- ✓ Frequent issuance of alerts on the Authority's social media pages & website to caution investors and act as reminders on the need to stay keen to avoid being defrauded.
- ✓ Occasional sessions/webinars on investor protection .
- ✓ In addition to setting up a Fraud Investigations Unit, the Authority has created avenues for complaints reporting and whistle blowing by the public in the event of market violations.

The Capital Markets Authority (CMA) has completed the review of the Capital Market Master Plan (CMMP, 2014-2023), with the support of FSD Africa. The blueprint was developed in close collaboration with capital markets industry stakeholders with the aim of mobilizing savings and stimulating investments to the levels necessary to realize the Vision 2030 aspirations. Investor protection is a key component in support of the CMMP blueprint on development.

The initiative is to realign it to emerging priorities following COVID-19 economic disruptions, changes in local and global environment and disruptions occasioned by technological developments in the capital markets. The additional elements are designed to ensure it achieves maximum developmental impact to transform Kenya into the heart of African capital markets".

## Global Snapshot of Current Investor Protection Issues



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The Board of the International Organization of Securities Commissions (IOSCO) published a set of good practices related to the use of global supervisory colleges in securities markets, with the aim of increasing cooperation and information-sharing among securities regulators.

In addition, the IOSCO Board published a Consultation Report to assist its members in adapting their regulatory and enforcement approaches to meet the challenges posed by recent technological developments and the rapidly evolving digitalisation and online activities.



Financial Industry Regulatory Authority (FINRA) orders Aegis Capital Corp to pay \$1.7 Million in restitution to customers whose accounts were excessively and unsuitably traded; Two supervisors fined, suspended for failing to respond to red flags; representatives sanctioned.



The Financial Conduct Authority (FCA - UK) is about to ease and speed with which people can make high-risk investments by proposing a significant strengthening of its rules on how the high-risk financial products are marketed. This is a central element of the FCA's publication in September 2021, which aims to give consumers the number of people who are investing in high-risk products that are not aligned to their needs.



The Financial Sector Conduct Authority (FSCA) warns the public to be cautious and vigilant when receiving correspondence from Secure FX Trading (Secure FX) soliciting investments. Secure FX solicits investment in Bitcoin and in turn promises high returns to clients.

# Pictorials



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The Inaugural Pooled Funds Industry Webinar held in September 2021 that cut across all the various financial sectors that touched on avenues for increased participation in Collective Investment Schemes and investor protection issues. The forum was a prelude to World Investor Week 2021 that focuses on investor protection and awareness of products.



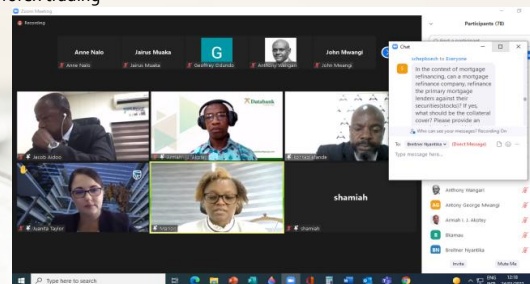
The Kenya Diaspora Homecoming Convention held in December 2021 where Caroline Mbachio and Univer Kireger represented the Authority on investor protection issues



Mr. Abubakar Hassan, Director Market Operations, CMA talks to Ms. Rina Hicks on investor protection during the MoneyWise podcast in October 2021



Mr. Peter Onyango, CMA's Principal Specialist Risk & Stress Testing, interviewed at Citizen TV 'Business Now' on matters online forex trading



The Capital Markets Soundness Report panelists on Securitization and Securities Lending and Borrowing held on January 25, 2022 where investor protection was also of key focus



## CMA seeks to reach Grass Root Investors



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The Counties are a backbone of our economy destined to prosper economically through financial empowerment and knowledge. In this regard and in addition to webinars, the Authority has been undertaking one on one structured engagements with potential institutional and retail investors at the County level.

The Education, Awareness and Certification department led by Kamunyu Njoroge, Senior Manager, Education, Awareness and Certification undertook engagements in Nyeri, Laikipia, Machakos, Kisumu, Kakamega and Mombasa counties. The County engagements are aimed at focusing on influencers and leaders within specific County retail groups with a view to increasing awareness and influence the attitude towards the capital markets products and services, which is expected to translate into product uptake in the short, medium or long term.

According to Mr. Kamunyu *"To effectively build retail rapport with key influencers and leaders of various retail groups, one on one engagements have proven effective in mobilizing various county groups. It is envisaged that the influencers and leaders will then assist with tracking and building quorum for future events. The Authority will monitor each group to gauge the impact and provide data on their investment habits periodically."*



*Mr. Kamunyu Njoroge, Senior Manager, Education, Awareness and Certification flanked by Sandra Ochieng and Lucy Njaramba talk to the leadership team from 2NK Sacco in Nyeri County*



# Hot Investment Tips

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The recently launched Capital Markets Mobile App on Play Store and App Store allows investors to search for licensed stockbrokers, view regulated products and receive alerts on investor protection.



**Introducing the CMA Kenya App**  
Access all the information you need on Kenya's Capital Markets in one place  
Download the CMA Kenya App:  
GET IT ON Google Play

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The Forex online market is gaining popularity especially among the youth in Kenya. As much as there are opportunities to create wealth, there are also significant risks of loss due to various reasons including macro-economic and currency fluctuation risks. Due to the growing number of unregulated institutions, it is critical that investors confirm that their entities of choice are licensed by CMA.



**INVESTOR ALERT!**  
Always check that the **ONLINE FOREX BROKER** you want to trade with is **LICENSED** by **CAPITAL MARKETS AUTHORITY**  
visit our website to verify at:  
**www.cma.or.ke**  
#InvestorAlert

@cmakenya | www.cma.or.ke

Visit our Facebook page and view the testimonial video on investor protection. <https://fb.watch/cw-imc74Q/> An informed investor is a protected investor!



Capital Markets Authority - Kenya  
Published by Cma Comms - November 18 at 6:09 PM  
We endeavour to ensure investors are well protected in Capital Markets. Here is a rundown of the measures we are undertaking to secure investors hard earned money.

197 People reached | 18 Engagements

## Q &amp; A on Investor Protection



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Lucy Njaramba, Senior Investor Education Officer



BE AN INFORMED INVESTOR

- ✓ **What is the Investor Compensation Fund?** The fund was established in the Capital Markets Act granting compensation of a maximum of Ksh. 50,000 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.
- ✓ **What are some of the key steps to protect myself as an investor?**
  - Conduct financial self-examination i.e. identify your financial objectives, income sources, constraints and your risk tolerance.
  - Deal only with licensed Entities
  - Open a Central Depository System (CDS) account – Free, fill form, 2 passport photos and ID
  - Take Control of your Trading Account - receipts, transaction statement, purchase and sales contracts, CDS account statements, etc
  - Conduct due diligence
  - Seek references from credible investors
- ✓ **What innovations are in place to protect investors?** In addition to various online platforms and webinars, the Authority from time to time sends bulk messages via mobile phones on hot tips particularly where unregulated products are involved.
- ✓ **What if I have a complaint?** You can complete an online complaint form or visit our offices in Upperhill. Complaints can also be sent via email to our Investigations and Enforcement Department at [ie@cma.or.ke](mailto:ie@cma.or.ke)
- ✓ **What are some of the capital markets fraudulent offences?**
  - Impersonation of investors and undertaking unauthorised transactions in their securities accounts.
  - Collection and encashment of sales proceeds by fraudsters posing as genuine investors.
  - Unauthorised variation of client details in securities accounts.
  - Conducting trade of securities on basis of information that has not yet been released to the market/general public (Insider trading).
  - Penalties range from fines of up to Ksh15M or a jail term of up to 7 years.
- ✓ **What is the Whistleblower program?**
  - Aimed at strengthening market integrity.
  - Allows anonymous reporting for whistle blowers.
  - Allows whistle blowers to share verifiable evidence to complement and support CMA's investigation and enforcement efforts.
  - Accessible through CMA website [www.cma.or.ke](http://www.cma.or.ke) as a whistle icon on the lower left side, click, fill in the required details then submit.
  - Reward – 3% of amount recovered subject to a max of 5M.
- ✓ **Who is the CMFIU?** The Capital Market Fraud Investigations Unit (CMFIU) was formed in May 2009 through collaboration by the Kenya Police and Capital Markets Authority (CMA) with a view of consolidating the investigations of all securities related fraud cases under one roof.
- ✓ **How can I receive more information on protection?** Visit our website at [www.cma.or.ke](http://www.cma.or.ke) to access various online content on protection. You can also access our forum online request tool for webinars if you belong to a group.