

CMA

Forum

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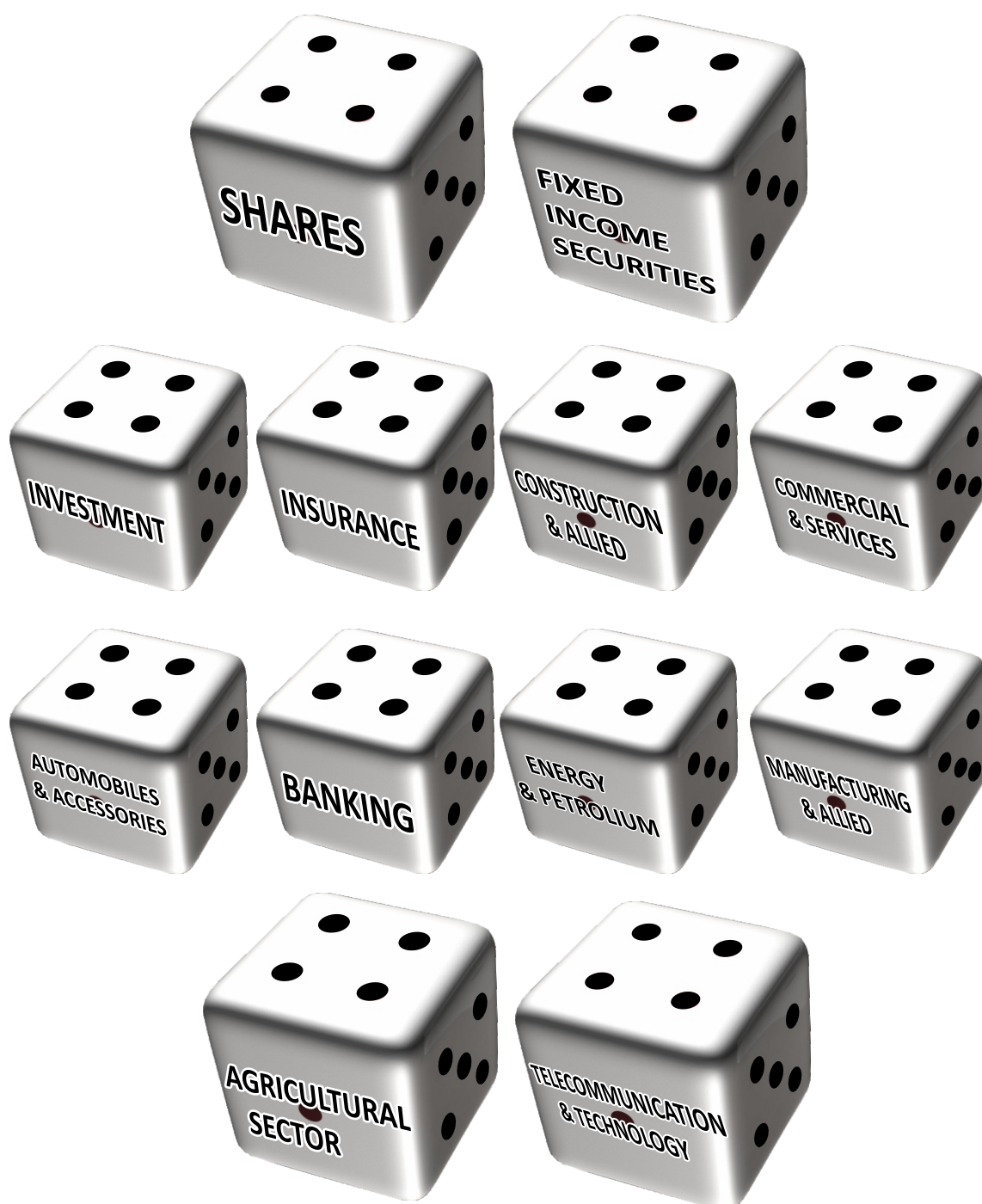


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Chief Executive's Message



Mr. Paul Muthaura, Acting Chief Executive

This has been a successful quarter with the Capital Markets Authority having undertaken activities fundamental to the growth and development of the capital markets sector in Kenya and the region.

As part of our Investor Education and Public Awareness Strategy, the Capital Markets Authority (CMA) participated at the 'Kenya House initiative' organized by the Government of Kenya, around the Olympics season in London and spearheaded by Brand Kenya from July 27 to August 4, 2012.

The event presented a unique opportunity for us to engage with foreign investors and Kenyans in the Diaspora. It targeted the projected 7 million visitors who were expected to patronise the Olympics as well as the up to 13 million visitors expected in London around the same time.

We participated in the Diaspora Conference, the Kenya Investment Conference, and also organised a Capital Markets Roundtable. The discussions highlighted the Kenyan capital markets as a prime destination for investment by the Diaspora and foreign investors by exposing some of the salient features of our markets. In particular the sessions discussed the strategic nature of the capital markets underlining key features that contribute to the robustness of our capital markets such as the fact that Kenya has the largest Securities Exchange in East and Central Africa and the fourth largest

market in Africa in terms of market capitalization at \$13 billion (after South Africa, Egypt, and Nigeria). The Authority presented to the Diaspora Conference and Capital Markets Roundtable some of the investment opportunities in the Kenyan capital markets through products and key reforms that include; the implementation of framework of Demutualization of the Nairobi Securities Exchange; introduction of Real Estate Investment Trust vehicles to leverage the booming property industry including Development REIT products to fund construction and development; introduction of Listing Platform for SME and Venture Companies dubbed Growth and Enterprise Market Segment (GEMS) which is modelled along the lines of the TMX Venture Exchange (Canada), the JSE ALTEX (South Africa) and the London Stock Exchange AIMS market.

The Authority further engaged with TheCityUK, an independent body promoting UK-wide financial and related professional services, ahead of signing a Memorandum of Understanding (MoU) in support of Nairobi's ambition to develop as an International Financial Centre.

The recognition of Nairobi as a developing International Financial Centre endorses Kenya as the East and Central African hub for financial services. TheCityUK and the Capital Markets Authority will collaborate in areas of mutual interest and develop closer links on the development of the securities and derivative markets and supporting market infrastructure, the legal and regulatory framework for public private partnerships, dispute resolution and Education, Training and Qualifications in the financial services sector. We will work collaboratively on joint initiatives to promote London and Nairobi as key locations to transact financial and related professional services.

We expect the negotiations to come to an end by December 2012, when we should sign the MoU. We remain committed to facilitating development of the capital markets to support the realisation of the objectives of the Vision 2030 Economic Blueprint. I would like to take this opportunity to thank capital markets industry stakeholders for your continued support

NEW SURVEILLANCE SYSTEM- MSS CAPIZAR

Market integrity is a core regulatory objective of securities regulators, and is critical for the smooth functioning of any capital market. Having a transparent set of rules which are effectively enforced to ensure parties have access to the same amount of information contemporaneously is critical in any market. The integrity of the market is maintained through a combination of surveillance, inspection, investigation and enforcement of relevant laws and rules.

Surveillance plays a significant role in anticipating the potential vulnerabilities to a capital market. It is a pre-emptive measure aimed at detecting and deterring potential market abuse and avoiding disruptions to the market from anomalous trading activity, including market and price manipulation, insider trading and front running.

RESPONSIBILITY FOR CONDUCTING MARKET SURVEILLANCE

The responsibility for conducting market surveillance can either be by the Regulator, The Exchange or both the Regulator and the Exchange in parallel. In some jurisdictions, the surveillance function is outsourced to an independent Self-Regulatory Organization (SRO), with the Regulator and the Exchange focusing on other regulatory functions and market development initiatives. The latter is less prevalent in emerging markets jurisdictions where SROs tend to be at a nascent stage of development. "Market surveillance is conducted by both the Regulator and the Exchange over the equity market. In jurisdictions where this occurs, the Regulator exercises both an oversight role over the Exchange's conduct of surveillance functions to ensure it performs its functions effectively and conducts parallel monitoring in tandem with the Exchange." IOSCO Emerging market committee report 2009, Approaches to Market Surveillance in Emerging Markets.

Surveillance units at the Regulator and the Exchange tend to focus on different aspects of monitoring the market. The Regulator conducts market surveillance largely to detect breaches of the law relating to market manipulation, while the Exchange's emphasis is on breaches of its operational trading rules and regulations.

THE NEW SURVEILLANCE SYSTEM- MSS CAPIZAR

As part of its mandate to maintain an orderly, fair and efficient market and thus protect investor interests, the Capital Markets Authority launched a state of the art Market Surveillance system- MSS Capizar®. The advent of technology and sophisticated products calls for intensified oversight and as such technology provides these tools to ensure effective regulation. The Authority previously conducted surveillance through a market control system that was provided

by the trading platform vendors. This system has since been found to be inadequate due to increased market sophistication and innovation. The Nairobi Securities Exchange automated its trading platform in September 2006 and this has seen increased activity at the Bourse. With increased activity, oversight is paramount and to do so effectively, there is need to tap into technology and enhanced systems so as to curb any malfeasance.

Automation of the Exchange brought in global interest as well as local awareness thus more participation at the bourse by a wide array of investors. As with most trading platforms, surveillance systems at exchanges and regulators around the world are automated. Real time computer surveillance systems provide alerts for surveillance staff of unusual trading activity based on orders and executed trades. Such alerts are not usually based on single trades but are generated based on patterns of trading to detect potential manipulative practices. Surveillance is carried out by exchanges and securities regulators to detect such market manipulation by the participants.

The manipulative practices vary in nature, although there are more "commonplace" practices that are easily identifiable. For example, "insider trading" the trading of securities based on material price sensitive information unavailable to the general public is an example of a manipulative practice that is easily identifiable by the public. The investment in the new market surveillance system is part of the Authority's efforts to proactively step up its oversight role to ensure real time surveillance and any irregularities in trading are identified and curbed early enough.

The enhanced surveillance system is called Capizar® Market Surveillance, provided by the premier IT system and e-infrastructure provider InfoTech Middle East FZ-LLC. Capizar® Market Surveillance system has various features that include;

- Ability to perform multiple analyses rapidly and identify abnormal trading behaviour;
- Record suspicious trading activities based on preset adjustable parameters as cases to assist in future investigations. The system has the capacity to utilize data for case building to support litigation;
- Replay market activity over any specific period to investigate detected abnormal behaviour or replay historical data;
- Use multiple chart types to graphically analyze trading data;

- Support monitoring of over the counter trade reporting;
- Build reports to capture evidence of abnormal trading patterns;
- The system can automatically detected relationships among entities;
- The system has the ability to retain corporate information about a security such as directors and major shareholders and link this to the security;
- The enhanced system has intelligence features that will assist in identifying various market manipulations;
- Improper Matched Orders (Prenegotiated Trades):
- Placing Orders without the intension of getting an Execution
- Advancing the bid
- Front running
- Painting the tape
- Wash Trades
- Creation of a floor or a cap
- Marking the close
- Marking the open
- Churning
- Matched orders Transactions
- Collusion
- Cornering the Marking
- Insider trading
- Money laundering
- Parking or warehousing

Capizar® Market Surveillance will conduct comprehensive and enhanced surveillance on both primary and secondary markets, and will respond to the globalization of markets by supporting international cooperation in order to preclude any regulatory loopholes in market surveillance.

The Authority will also do its utmost to establish fair, highly transparent, and efficient market in order to maintain the trust of investors. The Authority will strive to be "an intimidating" presence against those reckless parties impairing the fairness of the markets, and become a dependable supporter for decent investors. CMA will continue to optimize capacity of the intelligent surveillance system and propel mandates given to it in law, to protect investors.

It will also cooperate closely with overseas authorities against cross-border market abuse, with the aim of building comprehensive and proactive market surveillance. The Authority has continued to build capacity and skills for the officers' behind the Capizar® Market Surveillance through exposure and intensified training acquainting them to international best practice and experiences.

The surveillance officers at the Authority are mainly responsible for intelligence gathering as well as oversight on listed companies and licensed entities.

By David Kanyi, Senior Surveillance Officer

THE REGIONAL CORPORATE GOVERNANCE & DISCLOSURE CONFERENCE, 23 - 25 JULY 2012: A CALL TO ORDER

You would not have thought it would fall upon such a tiny bell to call the attention of such an impressive congress of industry leaders, market operators, academics and stakeholders from across the East African region; the meeting was promptly called to order through a few well-placed dingdongs. The miniscule but indefatigable bell demonstrated throughout the conference that it was up to the task of whipping the 150 conference participants to the mission at hand - to unite the minds of the good governance accomplices in discussions and expositions under the theme "Corporate Governance & Disclosure" for three whole days! The conference was graciously facilitated by the Capital Markets Authority in partnership with the United States Securities & Exchange Commission and United States Agency for International Development.

The participants included the Chairman and the Board of CMA as well as distinguished representatives of capital markets regulators from Tanzania, Burundi and Uganda. We were particularly honored by the presence of a high profile delegation from Uganda which included Board members of the market regulator as well as its Chief Executive, Mr. Japheth Katto, who is also the current Chairman of the East African Member States Securities Regulatory Authority (EASRA). Indeed, Mr. Katto's insightful and original observations throughout the conference were consistently served under a rich crust of brainy humor, with a consommé complement of sophisticated analysis. However, it was Mr. Kung'u Gatabaki, the Authority's

Chairman, who set the tone of the conference in his opening remarks by emphasizing CMA's renewed determination to overcome the moral morass spawned by weak corporate governance and disclosure practices by issuers and intermediaries in the capital markets. Just like our tiny indomitable bell, CMA would not relent in its pursuit of high standards of ethics in the boardrooms of all our market participants.

While we would ensure that the steady tolling of the corporate governance hymns would not be too loud as to drown out the other regulatory chimes, it would also not be too soft as to suffer the market's snub; the cacophonous effect would be just perfect to vex the regulated into compliance, and if that fails, well... there is always the Big Stick!

***By Michael Wanyika Assistant Manager,
Investigations and Enforcement***

ENTERPRISE RISK MANAGEMENT



Pursuant to our core mandate and strategic plan, the Authority, embarked on the development of a risk management framework for its entire operations. Risk Management is the process of systematically identifying, quantifying, and managing all risks and opportunities that can affect achievement of an organization's strategic goals. Managing risks is not just about assessing and monitoring all the things that could go wrong. Rather, it is about understanding all the things that need to be done well in order for the organization to achieve its mission and strategic objectives.

A consultative process was adopted in the development of a risk management framework with key stakeholders being interviewed. Through interactive sessions with senior management and results market consultations, the Authority evaluated both its external and internal environments and determined the events that are likely to derail the attainment of its goals and objectives. Consequently, the Authority, in August 2012, adopted its first Enterprise-wide Risk Management Policy aimed at implementing a framework with a comprehensive and integrated approach to risk management.

The adopted risk management framework will enable the Authority to consistently and continuously identify, assess, manage, monitor and report on the risks it faces. The Authority has now institutionalized and embraced risk management in its everyday activities and organizational culture. The Authority as a capital markets' oversight entity faces a variety of risks emanating from the external environment such as the cyclical nature of financial markets, political and economic environments and systemic risks from its regulated entities. In addition, there are risks associated with its regulatory and market development roles on licensing, approvals, supervision, development of regulatory framework, investor education, research, market development and policy formulation.

The risk management framework embraced is in line with international best practice, corporate governance practices and stakeholders' expectations. With the introduction of a comprehensive risk management framework, the Authority is better equipped to facilitate the development of the capital market to greater heights.

By Esther Maiyo
Manager, Internal Audit

CMA GOES OUT TO IMPART INVESTOR EDUCATION



Investor education continues to be a key mandate for the development of capital markets in our country. Creating awareness increases financial literacy and confidence which leads to more participation in our capital markets. This is also a key element toward the attainment of the Vision 2030 which seeks to make Kenya a middle income economy in the plan.

The Capital Markets Authority continues to implement investor education programs in an accountable and coordinated approach. This is informed by the need to reach out to prospective investors throughout the country using all available mediums of communication.

The key objective of our strategy is to address the prevailing low financial literacy and the resultant "herd mentality" in financial products selection among some sections of the Kenyan public. During the period from April to August 2012, Counties remained a major target group for the Authority's investor education strategy.

The Authority spent the better part of the third and fourth quarter 2011/2012 on investor education programmes at the County level. Among the areas visited include; Nyeri, Kakamega, Meru and Kisumu Regions. In all these areas the Authority conducted investor education and public aware seminars and exhibition clinics. Each of these seminars hosted over one hundred leaders of various grassroots groups and the business communities in these areas.

On the other hand exhibition clinics were open to the general public in areas visited and they attracted hundreds of investors. During the County investor education initiatives, the Authority worked in collaboration with other stakeholders (Nairobi Securities Exchange (NSE), Central Depository and Settlement Corporation (CDSC), Madison Asset Management Limited, Suntra Investment Bank, CIC Asset Management Limited, Sterling Capital and Stanbic Investment Management Services Limited just to mention a few. This collaboration has proved

effective in supporting our objective through team work and in conceptualizing appropriate strategies and action plans, and determining the measurement of results. It has also lent itself to our approach to use the two distinct fora to reach the county segment of our market.

On the diaspora front, in recognition of the complex relationship between migration and development, the Authority continues to partner with the Ministry of Foreign Affairs Diaspora Division in distributing investor education materials to all missions abroad in Phased approach. The Authority has already distributed investor education materials to missions in the USA, UK, South Africa and Australia. Further the Authority also participated in the Kenya House initiative and in particular made presentations at the Diaspora Conference and Investment Summit as well as organizing a capital markets roundtable. Finally, in an effort to leverage technology to effectively communicate with the publics, the Authority has recently revamped its website and is currently working to develop a more robust investor education section with

educational items such as financial performance calculators, capital markets online tutorials, podcasts and a CMA blog just to mention a few.

The Authority will continue with the above among other initiatives like vernacular talk shows by CMA management in FM radio stations, having skits on capital markets issues on local TV stations, road shows, ASK shows participation in collaboration with other stakeholders, open days and through the use of infomercials and documentaries. Our goal is to empower individuals to make informed and beneficial financial decisions on investments. We also seek to increase the publics' familiarity with investing, awareness of investors' rights & responsibilities in order to develop resistance to scams.

This is expected to precipitate a win-win situation for investors, licensees and CMA, where each player has a better understanding of their role in enhancing a stable capital markets industry. This will also include commitment to professionalism in the industry, thereby improving investors' economic and social conditions and creating a greater pool of informed capable and responsible investors in the capital markets.

***By Konrad Afande, Assistant Manager,
Investor Education and Public Awareness***

RECENT AND ONGOING LEGAL AND REGULATORY FRAMEWORK DEVELOPMENTS IN THE KENYAN CAPITAL MARKETS



1. BACKGROUND

The Capital Markets Authority has the twin mandate of regulation and development of the capital markets in Kenya. Section 11(1) (a) of the Capital Markets Act, Cap. 485A describes the Authority's principal objectives, commencing with its developmental role, thus, "the development of all aspects of the capital markets with particular emphasis on the removal of impediments to, and the creation of incentives for longer term investments in, productive enterprises. The Authority comprehends that enormous capital will be required to support the Kenya Vision 2030 and that the capital markets are expected to play a pivotal role in funding the envisaged

capital-intensive development projects. It is in this respect that the Authority continues to dedicate its resources towards the deepening of the capital markets in Kenya especially through facilitating the introduction of products and services that have hitherto not existed in our market.

This developmental agenda is complemented by policy incentives, both fiscal and non-fiscal, granted by the Government to support capital markets in Kenya.

2. REAL ESTATE INVESTMENT TRUSTS (REITS)

In his Budget Statement of 2011-2012, the Minister for Finance accentuated the Government's focus on alleviating housing shortage currently prevailing in Kenya and proposed to address this using Real Estate Investment Trusts (REITs) as an investment vehicle. To this end, he proposed an amendment to the Income Tax Act to exempt REITs from corporation tax in addition to exempting investors who receive dividends from REITs from payment of withholding tax. Subsequently, the National Assembly welcomed the proposal and amended section 20 of the Income tax Act. Other necessary amendments to the Capital Markets Act to recognize and embed REITs structures with the primary legislation were also passed. In order to ensure that the policy, operational and regulatory framework developed meets the fundamental policy objectives principally to:

- (a) Encourage and mobilize savings into productive sectors of the economy with housing as a priority area and the objectives of Vision 2030 in mind; and
- (b) Provide additional capital markets instruments available for investors, both retail and institutions, to invest in and diversify their risks;

The Authority engaged an international consultant, who is well-versed with development of REITs regulatory frameworks, both in developed and developing markets to steer the process. The consultant was expected to ensure that the regulatory framework to be developed took into account the Authority's objective of ensuring that consistent regard is given to the Authority's underlying mandate of supporting the orderly development of the capital markets and the protection of investors so as to build a sustainable investment climate conducive to growth.

The Authority is at the tail end of the development of the REITs Regulations and has been very particular in the process. This is evidenced by one of the most extensive stakeholders' involvement in the recent times. The overwhelming participation and support by the stakeholders confirms that REITs are a market-driven product. Further, the Authority appreciates and reaffirms its observance of the Constitutional principle of validation through public participation in the development of the legislation as laid down under section 12 of the Capital Markets Act.

The draft Regulations have been submitted to the Minister for Finance for consideration and gazettment and are available on the Capital Markets Authority website www.cma.or.ke. Once gazetted, the key provisions of the Regulations will be detailed in the subsequent issue of the Capital Markets Authority Newsletter.

3. GROWTH ENTERPRISE MARKET SEGMENT (GEMS) AT NSE

The Minister for Finance, in his 2011-2012 budget statement, noted that for a long time, the Nairobi Securities Exchange (NSE) has been used by fairly large companies to access capital among other things. He further noted that, the high entry threshold in the law has denied SMEs the opportunity to access to long-term and relatively cheap capital as well as raising their profiles through participation in the NSE.

In order to address this problem, he proposed to amend the law to create a framework for Growth Enterprise Market Segment (GEMS) within the NSE targeting Small and Medium Enterprises (SMEs). The SME Market is intended to offer the following benefits to Small and Medium Sized Enterprises -

(i) in the short term, through allowing for listing by introductions without a public capital raising component to facilitate:

- (a) Broadening of shareholder base and in addition to giving existing shareholders an exit route;
- (b) Objective market valuation for SMES through market price discovery;

© An exit window for venture capitalists/angel investors and private equity providers; and

(d) Reward and encourage employees of SME firms through the introduction of share incentive schemes.

(ii) In the longer term, to provide a mechanism for access to long term capital through introducing modalities for the public offer of securities by SME's.

The main legislative amendments anchoring the GEMS regulatory framework is contained in the Capital Markets (Securities) (Public Offers, Listing and Disclosure) (Amendment) Regulations, 2012, gazetted vide Kenya Gazette Legal Notice No. 61 of June 2012. Additionally, the NSE has formulated the following Rules to implement the GEMS regulatory framework -

(Nairobi Securities Exchange (Nominated Advisors) Rules, 2012; and

(ii) NSE Listing Manual (revised).

Key features of the GEMS regulatory framework include the following -

(a) Minimum capitalization of GEMS companies is Kshs. 10 million;

(b) No trading record or profit history required;

(c) A class of market intermediaries called Nominated Advisors has been created to ensure that the SMEs appoint a duly vetted and approved corporate finance specialist who will be responsible for overseeing compliance of the company with all their listing and continuing obligations. This is intended to reduce the costs associated with building internal capacity for listing compliance prior to a company coming to market, thereby reducing the operation costs and encouraging wider participation of SMEs;

(d) Directors of GEMS companies to undergo a Directors' Induction Programme to help them better appreciate their obligations as Directors of listed companies as well as inculcate a culture of good corporate governance practices; and

(e) The NSE will be primarily responsible for the regulation of GEMS market which includes carrying out the following functions:-

(i) vetting any listing applications for the GEMS market;

(ii) vetting any applications for registration by NOMADS;

(iii) providing first line supervision of GEMS companies; and

(iv) overseeing compliance of NOMADS with their regulatory obligations.

4. DEMUTUALIZATION OF THE NAIROBI SECURITIES EXCHANGE

The development of the framework to facilitate the demutualization of the Nairobi Securities Exchange has been under consideration in the past few years. This extended period has largely been due to the indispensable all-encompassing engagement with the stakeholders. 14 The Authority is pleased to report that the legal framework necessary to facilitate demutualization of NSE was gazetted in August 2012, vide Kenya Gazette Notices Nos. 87 and 88 of August 2012. These gazetted regulations complement the amendments to the Capital Markets Act as promulgated in 2010 to anchor the demutualization process.

The legal framework includes -

- (a) Capital Markets (Demutualization of the Nairobi Securities Exchange) Regulations, 2012; and
- (b) Capital Markets (Licensing Requirements) (General) (Amendment) Regulations, 2012.

The Authority is reviewing the application for approval of the demutualization of the Exchange.

5. AMENDMENTS TO THE CAPITAL MARKETS ACT, 2012

The Capital Markets (Amendment) Act No. 35 of 2012 became effective on 26th October 2012 and its chief objectives, among others, are to:

- (a) Enhance the capacity of the Capital Markets Authority to co-operate with other regulatory organizations both locally and internationally in order to strengthen the orderly supervision of increasingly interconnected capital markets. It proposes to amend the Capital Markets Act to empower the Capital Markets Authority to provide assistance to other local and foreign regulators by exercising any of its powers under the Capital Markets Act; and
- (b) Introduce criteria for determining whether a person applying for a license is fit and proper to manage the business for which they apply for a license.

**By Daniel Warutere Assistant Manager,
Regulatory Framework.**

INVESTING IN HUMAN CAPITAL



TEAM BUILDING: The Authority organized a team building session in June 2012 at Kenya School of Law, Karen which was attended by staff of the Authority from all directorates and levels. The aim of the team building session was among others; to enhance communication across the organization, improve morale and goal congruence, improve support and trust among staff, enhance team problem-solving ability and tap into the hidden potential of staff among others. The objectives were achieved through experiential team building activities.

PERFORMANCE MANAGEMENT SYSTEM: The Authority recognizes the importance of effectively managing employees' performance. In this respect, the process of reviewing the performance management system was initiated with a view to improving organizational efficiency and enhancing service delivery by ensuring that organizational goals are consistently met in an effective and efficient manner. The Authority therefore competitively sourced the services of a consultant and this process saw Ernst and Young come on board and they are working closely with Human Capital & Administration Department in reviewing the current performance management system.

NEW STAFF: Since July 2012, the Authority has filled the position of Director Corporate Services and the selection process for several vacant positions on a need basis is underway. The Director Corporate Services provides leadership to the Human Capital & Administration, Information and Communication Technology (ICT), and Finance Teams.

PARTNERSHIP WITH TONY ELUMELU FOUNDATION: The Authority continued to partner with various institutions. In the course of 2011 / 2012 Fiscal Year, the Authority entered into a Memorandum of Understanding with the Tony Elumelu Foundation where the Authority will be taking MBA Students on a 10-week internship at the Authority to work on a specific project. In June 2012, the Tony Elumelu Foundation (TEF) sponsored Juan Pablo Reyes an MBA Student at IE Business

School in Madrid Spain for a three months' internship at the Authority. He was attached to the Directorate of Market Operations.

**By Andrew Muthabuku Manager,
Human Capital and Administration**

CAPITAL RAISING INITIATIVES AND NEW LISTINGS

The Capital Markets Authority is empowered to ensure that companies seeking to raise funds from the public are subjected to regulatory oversight before making any offer. In its quest to facilitate companies to raise additional capital as well as list on the Nairobi Securities Exchange, the Authority has in the past three months approved several rights issues as well as listings by introduction. A listing by introduction is one of the ways a company can go public. Listing by way of introduction allows a company to list its shares in a stock exchange without necessarily conducting an initial public offering of its shares.

Listing by introduction is also open to a company whose securities to be listed in a certain securities exchange are already or will be listed or traded on another stock exchange. Other ways in which a company can go public is through an Initial Public Offering. On the other hand, a rights issue is one of the ways a public company can raise additional capital for various activities.

In simple terms, a rights issue can be defined as the issuance of rights to a company's existing shareholders to buy a proportional number of additional securities at a given price (usually at a discount) within a fixed/specified period.

Listing by Introduction

The Authority granted approval to CIC Insurance Group Limited and Longhorn Kenya Limited in May to list their shares on the Nairobi Securities Exchange. This was after the two companies satisfied the Authority that they had made adequate disclosures in the Information Memoranda and other accompanying documentation submitted to the Authority and fully complied with the relevant provisions provided under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 for listing on the relevant market segments.

CIC Insurance Group:

CIC Insurance Group was granted approval to list 2,178,195,820 ordinary shares on the Main Investment Market Segment of the Nairobi Securities Exchange.

Longhorn Kenya Limited:

Longhorn Kenya Limited was granted approval to list 58,500,000 ordinary shares on the Alternative Investment Market Segment of the Nairobi Securities Exchange.

Rights Issues

This year the Authority has already approved several rights issues. Among them was the approval to list 1,477,169,549 new ordinary shares for the national carrier Kenya Airways. During the same time, the Authority approved rights issues for Diamond Trust Bank and NIC Bank Limited.

Kenya Airways:

The national carrier was offering a total of 1,477,169,549 new shares at Kshs.14 per share to raise approximately Kshs.20.7 billion on the basis of 16 new shares for every 5 shares held. The offer opened on 2 April 2012 and closed on April 27, 2012. The main purpose of the issue was to; fund pre-delivery payments for nine Boeing 787 Dreamliner aircraft and ten Embraer 190 aircrafts for which the company has placed firm orders; finance pre-delivery payments for other aircraft and finance working capital requirements related to the additional aircraft and equipment such as hangars and engines.

NIC Bank:

The bank was offering a total of 98,724,391 new shares at Kshs.21 per share to raise approximately Kshs.2, 073,212,211 billion on the basis of one new share for every four ordinary shares held. The offer opened on August 10, 2012 and closed on September 14, 2012. The purpose of the issue was to raise additional capital to fund both local and regional expansion activities including entry into Uganda.

Diamond Trust Bank:

The bank was offering 24,455,566 new ordinary shares at Kshs. 74 each to shareholders of ordinary shares of Diamond Trust Bank Limited on the register of its members at the close of business on June 25, 2012 on the basis of one (1) new share for every eight (8) shares held. Upon review of the application and upon being satisfied that the application met the requirements of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002 and the documents submitted in support of the application specifically the Information Memorandum contained sufficient information to enable investors make an informed decision on the Rights Issue, the Authority granted its approval.

The main purpose of the offer was to raise additional capital which would help propel the bank's growth in the East African region as well as explore investment opportunities in other markets. It is noteworthy that this issue was oversubscribed by 86 percent.

CfC Stanbic Holdings Limited:

The bank was offering a total of 121,637,427 new shares at Kshs.33 per share to raise approximately Kshs.4 billion on the basis of four new shares for every nine ordinary shares held. The offer opened on September 12, 2012 and closed on October 16, 2012. The purpose of the issue was to raise additional equity that would be used to capitalize its operating subsidiary, CfC Stanbic Bank.

Standard Chartered Bank Kenya Limited:

The bank was offering 22,082,856 new ordinary shares at Kshs. 145 each to shareholders of ordinary shares of Standard Chartered Bank of Kenya Limited on the register of its members at the close of business on September 19, 2012 on the basis of one (1) new share for every thirteen (13) shares held. The Rights Issue was intended to raise additional capital to enable the bank support its strategy to ensure that it is in a sound position to meet any impending regulatory changes that may include increases in banks statutory capital requirements.

***By Esther Manthi, Legal Officer,
Licensing & Approvals,***

Gallery



Ms. Agnes Tibayeita, chair, legal and compliance committee of CMA Uganda Board receives a certificate of participation from Mr. Kung'u Gatabaki, chairman of Capital Markets Authority after completing a Regional Corporate Governance and Disclosure Workshop held in Nairobi in July 2012 facilitated by the Authority and USSEC.



Acting Chief Executive, Capital Markets Authority, Mr. Paul Muthaura (left) and Mr. Japheth Katto, Chief Executive, Capital Markets Authority Uganda, compare notes during a study tour by the board of CMA Uganda in July 2012.



CBK Governor Prof. Njuguna Ndung'u signs the visitor book at the Authority's exhibition stand during the Mombasa International ASK Show which was held in August 2012. Capital Markets Authority participated in the three-day show as part of Investor Education and Public Awareness campaigns.



Mr. Peter Mwangi, CEO, Nairobi Securities Exchange (centre) seeks guidance from Mr. Kung'u Gatabaki, Chairman, Capital Markets Authority (right) and Mr. Michael Bristow, Chairman, Central Depository and Settlement Corporation (left) during the annual Capital Markets Joint Board Retreat held in September 2012. The retreat brought together the boards of CMA, NSE and CDSC to discuss ways to deepen and develop the capital markets in Kenya.



From left: Mr. Michael Bristow, Chairman, Central Depository and Settlement Corporation, Mr. Kung'u Gatabaki, Chairman, Capital Markets Authority (centre) and Mr. Eddy Njoroge, Chairman, Nairobi Securities Exchange (right) watch a beneficiary of Wema Centre Trust use a computer. Together the joint boards of CMA, NSE and CDSC participated in CSR activities in Mombasa. The board donated Ksh450, 000 to set up computers in the Centre's resource centre during the annual Capital Markets Joint Board Retreat held in September 2012.



Mr. Kung'u Gatabaki, Chairman, Capital Markets Authority (left) plants a tree at Wema Centre in Mombasa.

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