CAPITAL MARKETS AUTHORITY

Promoting the Integrity and Growth of the Capital Markets

The Capital Markets Soundness Report (CMSR)

Volume XXVIII Quarter 3 2023 (1 July – 30 September) 2023

"Navigating Cybersecurity in Capital Markets Amid Rapid Technology Advancement"

Quarterly Publication of the Capital Markets Authority (Kenya)

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SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Dear Valued Reader,

We have come to the close of the third quarter of 2023 and I am delighted to announce the release of the 28th Edition of the Capital Markets Soundness Report (CMSR).

This report covers an analysis of global, regional and domestic capital markets developments, whilst assessing their impact on the soundness of Kenya's capital market.

The global economy continues to demonstrate greater resilience, with the Organization of Economic Co-operation and Development (OECD) forecasting an expected economic growth of 3.0 percent in 2023. Global economic growth is holding up well in the face of sharp monetary policy tightening and persisting geopolitical shocks.

Climate change continues to pose a significant challenge to both developing and developed nations. This threat persists alongside the formidable challenges they face in stabilizing their economies following the global shocks posed by the Covid-19 Pandemic and the emerging debt crisis fears. As we head into the last quarter of 2023, geopolitical risks presented by escalation of conflicts between countries, broader regional tensions especially the emerging conflict in the Middle East could dampen economic recovery.

We applaud the Central Bank of Kenya (CBK) for launching the Dhow CSD. We anticipate that this system will revolutionize the landscape of Government fixed income investments, benefiting both investors and other market participants.

The domestic capital market remains sound, buoyed by attractive investment propositions amidst the prevailing tough operating context. The domestic debt and equity market remains attractive to investors with a longer-term horizon, as securities at the NSE remain undervalued.

I am pleased to announce its approval of the inaugural Sukuk bond issuance by Linzi Finco Trust. Our commitment to expanding investment options for both domestic and international investors remains unwavering.

While perusing the report, we encourage you to give us your insights regarding the lessons learned, opportunities identified, risks, and potential mitigations measures. Your input is invaluable in enhancing the capital markets' policy and regulatory framework.

Enjoy the read!

FCPA, Wyckliffe Shamiah

CHIEF EXECUTIVE OFFICER

EDITORIAL

Greetings!

The 28th Edition of the Capital Markets Soundness Report (CMSR), themed *"Navigating Cybersecurity in the Capital Markets Amidst Rapid Technological Advancements,"* delves into the significance of cyber resilience in capital markets amidst evolution of technology and the growing dependence on digital systems by institutions within the industry.

The MSCI World Index and Emerging Market Index registered positive returns by 11.55 % and 2.16 %, respectively in US Dollar terms, on a year-to-date basis, as of 30th September 2023. Global capital markets registered resilience amidst the tough geopolitical and macro-economic developments. The persistent fears of higher US interest rates and concerns over the outcome of reforms targeted at China's property markets weighed down the performance across key global equity markets.

In the quarter under review, the International Organization of Securities Commissions (IOSCO) endorsed the International Sustainability Standards Board (ISSB) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the IFRS S2 Climate-related Disclosures. Further, the International Capital Markets Association (ICMA) developed new guidance on Blue Bonds which will channel funding toward sustainable blue economy projects. These international developments underscore the growing need for regulators to mainstream matters sustainability.

Regionally, Tanzania joined the ranks of jurisdictions committed to advancing sustainability in capital markets with the launch of its inaugural green bond, known as the Kijani bond. To promote financial inclusion, Egypt amended the Capital markets law, to introduce Sukuk program that allows issuance in multiple versions and establishment of sustainable development investment funds.

On the domestic front, the Capital Markets Authority approved the first ever Sukuk bond for Housing Development underscoring the dedication towards supporting the Bottom-Up

Economic Transformation plans housing agenda as well as inclusivity of investors. The Nairobi Securities Exchange during the quarter launched the NSE10 Share Index(N10)) and the NSE Bond Index (NSE-BI). The two indices will enhance the capital markets index product portfolio.

The domestic capital markets registered negative returns with the MSCI Kenya Index declining by 39.66% on a year-to-date basis in US Dollar terms this quarter. The volatility of the three market indices, namely NSE 20, NSE 25, and NASI reduced from 0.43%,0.59%, and 0.80% recorded in the second quarter to 0.28%, 0.45%, and 0.66%, respectively. This is on the back of a tough operating domestic and global economic context.

During the period under review, market liquidity as measured by turnover ratio increased by over 24 % to stand at 1.44% on the back of improving market sentiments. CMA Kenya continues to undertake various initiatives together with the NSE, KASIB and CDSC targeted at enhancing retail investor participation, especially leveraging technology.

The value of corporate bonds traded during the quarter amounted to Ksh 107.6 million, marking a substantial surge from the Ksh 11.84 million reported in Q2 2023. August marked the second month in the year 2023 where the market observed a positive net foreign equity inflow of Ksh. 672 million. We remain optimistic of the easing of selling pressures by foreign investors as investor sentiments improve as we head into 2024.

We conclude this edition with a detailed capital markets stability analysis of trends in market volatility, liquidity, concentration, and foreign portfolios flow, and net asset base of licensees on a quarter-by-quarter analysis.

Enjoy your read!

Mr. Luke E. Ombara

DIRECTOR, POLICY AND MARKET DEVELOPMENT

1. SPECIAL FEATURE: NAVIGATING CYBERSECURITY IN CAPITAL MARKETS AMID RAPID TECHNOLOGY ADVANCEMENTS

Modern digital dynamics have, in the recent past, necessitated the need for cyber resilience globally. With the continuous evolution of technology and the growing dependence of institutions on digital systems, protecting sensitive data, upholding customer trust, and maintaining uninterrupted operations have emerged as essential priorities. The increase in data breaches and financial losses has highlighted the urgency of taking cybersecurity as a matter requiring urgent attention. In 2022 alone, 493.33 million ransomware attacks were detected by organizations globally.[1]

Figure 1Cyber Security Threats

Source: CIOAFRICA

1.1 Cyber Security and the Capital Markets

Financial institutions remain susceptible to cybersecurity risks as they increasingly depend on emerging technology amidst the growing digitization drive. The risks can manifest in various ways, including the potential for direct operational and financial consequences resulting from successful cyberattacks and indirect repercussions such as damage to reputation.

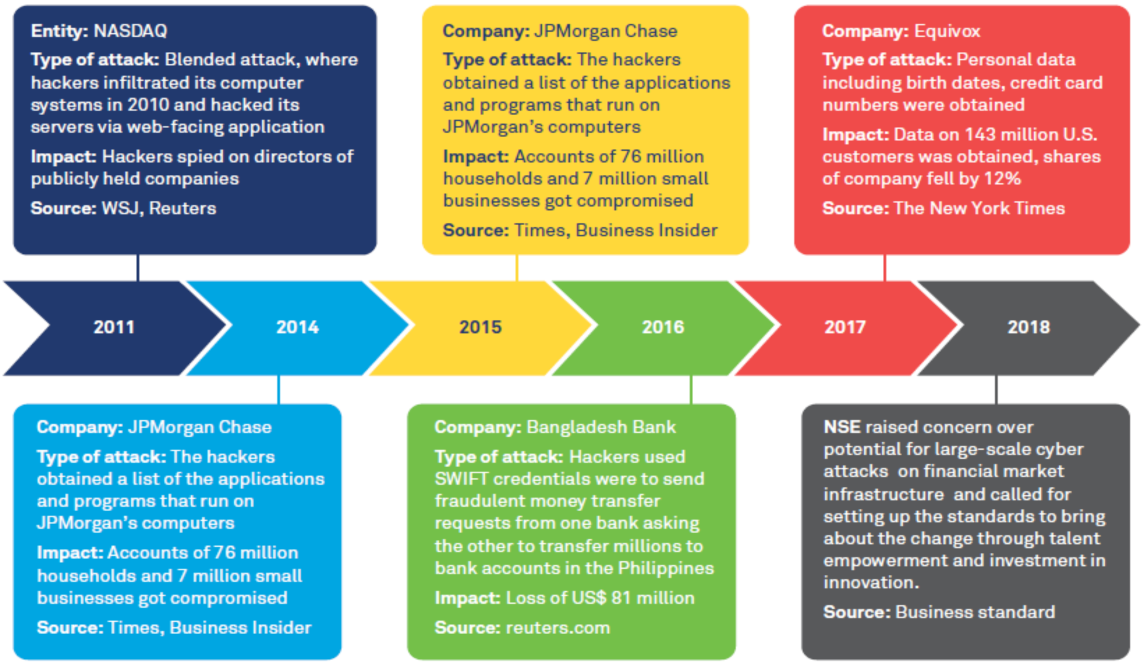
[1] https://www.techopedia.com/cybersecurity-statistics#:~:text=Cybersecurity%20Key%20Stats&text=Phishing%20remains%20the%20most%20common,credentials%20amounted%20to%20%244.50%20million.

According to a study conducted by the International Organization of Securities Commissions (IOSCO) research division and the World Federation of Exchanges office, approximately half of the world's securities exchanges experienced cyberattacks in 2018.

In the capital markets, cyber threats can potentially lead to manipulating order management systems, resulting in erroneous data feeds, false orders or non-submissions, and the corruption of trade surveillance systems. These vulnerabilities can enable manipulative, illegal, and abusive trading practices, increasing the risk of automated rogue trading strategies that could contribute to flash crashes.

The cybersecurity landscape for asset and wealth management firms is also coupled with many threats to steal or compromise clients' investment and personal data. As wealth management applications become increasingly popular on mobile and through cloud-based services, attacks such as Distributed Denial of Service (DDoS), ransomware, and phishing continue to rise.[2] Below are some of the common cybersecurity threats that have been witnessed in the capital markets between the years 2011 and 2018.

Figure 2 Top Cybersecurity Threats



Source: Wipro

[2] https://www.wipro.com/capital-markets/cybersecurity-essentials-for-capital-markets-firms-in-the-digital-age/

1.2 The Core Standards- Internationally Recognized Cyber Security Frameworks

In 2019, the IOSCOs Cyber Task Force published a report that compiled information from IOSCO member jurisdictions regarding their existing frameworks for cyber regulation. The report was intended to serve as a resource for financial market regulators and firms to raise awareness of existing international Cyber Guidance and to encourage the adoption of good practices among the IOSCO community. The report examined how IOSCO member jurisdictions used the internationally recognized Cyber frameworks dubbed the core standards.

The Core Standards are three prominent and widely recognized Cyber frameworks used in the financial sector worldwide. They are often used not in isolation but with other Cyber guidance, such as COBIT 5[3] for Information Security. The Core Standards are also generally consistent with each other and other notable Cyber principles.

a. National Institute of Standards and Technology (NIST) Cybersecurity Framework-United States

The NIST Cybersecurity Framework was introduced in 2014. It is a voluntary set of industry standards and best practices aimed at helping organizations manage cybersecurity risks, particularly those operating critical infrastructure. The framework enables organizations, regardless of size, degree of cybersecurity risk, or cyber security sophistication, to apply the principles and best practices of risk management to improve the security and resilience of critical infrastructure. The framework comprises three main components:

1. **Framework Core** -Consists of five functions: Identify, Protect, Detect, Respond, and Recover with associated Guidance. These functions provide a strategic view of an organization's cybersecurity risk management lifecycle. They are further divided into categories and subcategories for each function and match them with example informative references such as existing standards, guidelines, and practices for each subcategory.
2. **Framework Implementation Tiers**- These are designed to define how an organization views cybersecurity risks and its processes to manage these risks. These

[3] COBIT (Control Objectives for Information and Related Technology) helps organisations meet business challenges in regulatory compliance, risk management and aligning IT strategy with organisational goals. COBIT 5, the latest iteration of the framework, was released in 2012.

tiers categorize organizations based on the maturity of their cybersecurity risk management practices. They range from Partial (Tier 1) to Adaptive (Tier 4) and reflect a progression from informal and reactive approaches to agile, risk-informed strategies.

3. **Framework Profile**- Profiles help organizations align their practices with the Framework Core in specific implementation scenarios. Current and target profiles are compared to identify areas for cybersecurity improvement. Profiles can be used for self-assessments and communication within or between organizations.

b. CPMI-IOSCO Guidance on Cyber Resilience for Financial Market Infrastructures (CPMI-IOSCO Guidance)

The CPMI-IOSCO Guidance, issued in 2016, was designed to bolster cyber resilience for financial market infrastructure (FMIs). It adopted a principles-based approach and aligned with other cyber frameworks, including the Core Standards. While its primary audience is FMIs, it allows relevant authorities to extend its application to other infrastructures.

The Guidance outlines five primary risk management categories for FMI's cyber resilience framework:

1. **Governance-** The first category emphasizes establishing, implementing, and reviewing an FMI's approach to managing cyber risks. Effective governance should begin with a clear and comprehensive cyber resilience framework, providing Guidance on essential elements and how an FMI's governance arrangements should support that framework.
2. **Identification**- FMIs should identify the critical operations, and supporting information assets should, in order of priority, be protected against compromise.
3. **Protection-** Cyber resilience relies on robust security controls, system design, and processes to safeguard the confidentiality, integrity, and availability of FMI assets and services. FMIs should implement effective controls aligned with leading cyber resilience and information security practices.
4. **Detection-** Recognizing signs of potential cyber incidents and detecting actual breaches is vital for strong cyber resilience. Given the stealthy and sophisticated

nature of cyber threats, advanced monitoring capabilities and process tools for incident detection are emphasized.

5. **Response and Recovery-** FMIs should be capable of rapidly and safely resuming critical operations with accurate data to mitigate systemic risks arising from unmet obligations.

Additionally, the Guidance introduces three overarching components:

- **Testing-** Rigorous testing of all elements within a cyber resilience framework before and after deployment is essential to determine their effectiveness.
- **Situational Awareness-** FMIs should deeply understand the cyber threat environment in which they operate, considering its implications for their business and the adequacy of their cyber risk mitigation measures.
- **Learning and Evolving-** Given the ever-changing threat landscape, FMIs should cultivate a culture of cyber risk awareness, regularly re-evaluating their resilience posture at all levels.

Different jurisdictions across the world have different cybersecurity risk mitigation measures within the capital markets either through the development of cybersecurity guidelines or regulatory frameworks.

Table 1 Jurisdictions with Cybersecurity Regulatory Frameworks

	Jurisdiction	**Year Issued**	**Regulatory Framework/ Guideline**
1.	**India**	**2018**	Cyber Security & Cyber Resilience Framework for Stockbrokers / Depository Participants
		2023	Cyber Security and Cyber Resilience Framework for Portfolio Managers
		2023	Guidelines for MIIs regarding Cyber security and Cyber resilience

2.	**United States**	**2023**	Rules on Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure by Public Companies
3	**Malaysia**	**2016**	Guidelines On Management of Cyber Risk
		2023	Guidelines On Technology Risk Management

The development of these frameworks reflects the dedication of various jurisdictions to combat cybercrimes in a constantly evolving technological landscape.

1.3 Cybersecurity in Kenya Capital Markets

Kenya's capital markets, comprising exchanges, brokers and dealers, investment banks, fintech firms, asset managers, etc., have been integrating technology significantly. Digital trading platforms, electronic banking, and online asset management systems have become norms rather than exceptions. With such integrations, vulnerabilities to cyber threats like phishing, DDoS attacks, ransomware, and insider threats have escalated.

Cybersecurity in capital markets is an ever-evolving challenge, as the financial sector remains a lucrative target for cybercriminals due to the vast amounts of money and sensitive data involved. Some of the current challenges faced in the realm of cybersecurity, especially in the capital markets industry, include:

1. **Sophisticated Attack Techniques:** Cybercriminals use advanced and sophisticated methods, like Advanced Persistent Threats (APTs), which can evade traditional security measures and lurk within systems for extended periods, gathering information.
2. **Insider Threats:** Malicious or careless employees can pose significant threats. They have access to sensitive data and can sometimes bypass security measures intentionally or unintentionally.
3. **Supply Chain Attacks:** Criminals target less secure elements in the supply chain, such as third-party vendors, to gain access to systems.

Over the past year, notable cybersecurity breaches have targeted financial institutions. While many of these incidents were contained promptly, they underscored the need for advanced cybersecurity mechanisms and proactive strategies. Most market participants in Kenya have initiated steps to bolster their cybersecurity defences. These include:

- Adopting cybersecurity frameworks and policies tailored to their operations.
- Enhancing ICT cybersecurity infrastructure.
- Periodic vulnerability assessments and penetration tests.
- Implementing incident response plans for quick mitigation.
- Continuous employee training and awareness campaigns.

CMA Kenya has been proactive in supporting cyber resilience in the capital markets by among other measures requiring that firms adopt a risk management framework that encompasses adopting a cybersecurity strategy that provides for a structured, risk-based approach to managing cybersecurity risks.

There are concerted efforts to augment existing cybersecurity measures by procuring enterprise technical solutions to increase visibility, detection, respond to current and emerging threats and reduce vulnerability points. Drawing insights from global standards like the International Organization of Securities Commissions (IOSCO), the CMA emphasizes cybersecurity preparedness, periodic reporting, and the swift handling of incidents.

Stability Implication

CMA Kenya has issued requirements for its licensees broadly relating to risk management, but there is now a compelling need for cyber resilience-specific policies and plans by capital markets players. Given the growing significance of cyber resilience for sound and efficient capital market, the Authority will, going forward, develop a Consolidated Cybersecurity and Cyber Resilience Framework (CSCRF) for licensees and firms operating in the regulatory sandbox, in consultation with stakeholders.

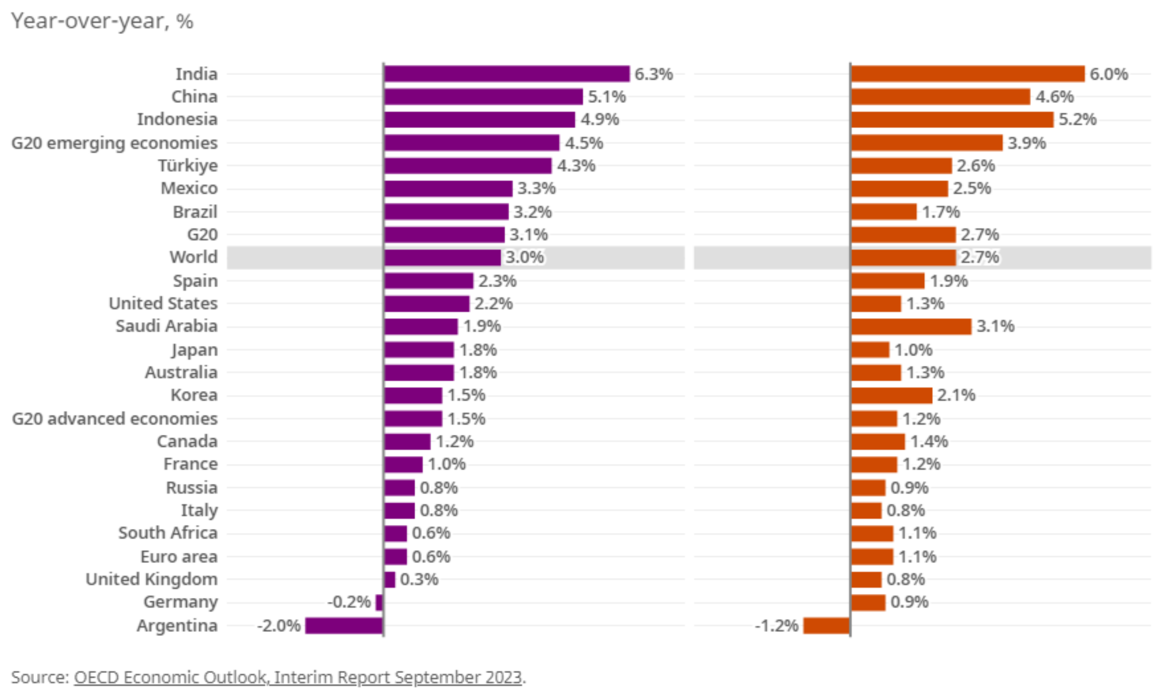
2.0 THE GLOBAL ECONOMIC AND CAPITAL MARKET PERFORMANCE OUTLOOK

In the quarter under review, the global economy demonstrated greater resilience than initially anticipated during the first half of 2023. However, the overall growth outlook remained weak, with the projection for global growth in 2024 anticipated to be lower than that of 2023. According to the Organization for Economic Co-operation and Development (OECD Interim September 2022 Report) projections, the world economy is expected to grow **by 3.0% in 2023** before slowing down to **2.7% in 2024.**

Between 1 July and 30 September 2023, China particularly experienced a weaker-than-expected recovery. Despite this, a disproportionate share of global growth in 2023-24 is expected to continue to come from Asia.

The OECD further projects that global inflation is projected to subside throughout 2023 and 2024 gradually but is anticipated to persist above the targets set by central banks in most economies. Projections indicate that headline inflation in the G20 countries will decrease to 6% in 2023 and further decline to 4.8% in 2024. Similarly, inflation in the G20 advanced economies is projected to reduce from 4.3% this year to 2.8% by 2024. To address inflation, monetary policy should continue to be restrictive until there are distinct signals that the underlying inflationary pressures are consistently diminishing.

Figure 3 Real GDP Growth Figures 2023 and 2024



Source: OECD Economic Outlook, Interim Report September 2023

2.1 Global Capital Markets

During the quarter, the global count of initial public offerings (IPOs) remained low, totaling three hundred and fifty (350), which marked a 6% decline compared to the third quarter of 2022, according to the EY Global IPO Trends Q3 2023 report. The collective proceeds raised globally in the IPO market amounted to $38.4 billion, signifying a 27% decrease from the same period in the previous year.

The Asia Pacific region continued to dominate IPO activity, with 195 IPOs, followed by the Europe, Middle East, India, and Africa (EMEIA) region. In contrast, the Americas lagged, recording only 36 IPOs during the third quarter of 2023.

Figure 4 Q3 2023IPO Activity

	Q3 2022		Q3 2023		% change	
	Number of IPOs	Proceeds (US$b)	Number of IPOs	Proceeds (US$b)	Number of IPOs	Proceeds (US$b)
Global	371	52.3	350	38.4	-6%	-27%
Americas	39	2.5	36	8.6	-8%	238%
Asia-Pacific	241	35.2	195	20.6	-19%	-41%
EMEIA	91	14.6	119	9.2	31%	-37%

Source: Ernst and Young

In 2023, the technology sector has remained dominant in global IPO activity, although excluding Arm, a British multinational semiconductor and software design company's IPO would result in a decline in proceeds. IPO debuts for artificial intelligence (AI) startups haven't seen substantial growth but are emerging in the IPO pipeline. Industrials took the second spot with solid expansion across sub-sectors. Unicorn IPOs, especially in technology, health and life sciences, experienced a significant YOY decrease of over 80%.

2.2 Global Equity Markets

Global equity markets experienced significant selling pressure[4] in September 2023. Key indices in the US, Europe, and Asia registered various levels of decline. The Dow Jones Index in the US dropped by 3.5%, and the Nasdaq index fell by 5.8%. European indices such as the

[4] https://www.businesstoday.in/markets/market-perspective/story/global-market-performance-equities-witnessed-global-selloff-in-september-amid-surging-crude-oil-prices-us-dollar-what-next-400289-2023-09-30

DAX and CAC 40 declined by 3.5% and 2.5%, respectively, while the FTSE100 in the UK rose by 2.7%.

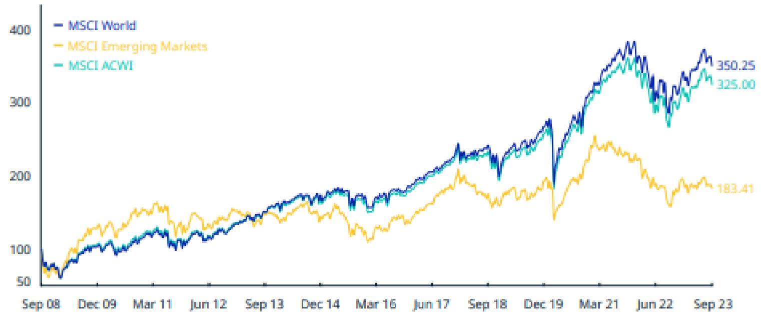
In Asia, the Nikkei 225 dropped 2.3%, the Singapore Straits Times index slipped 0.5%,the Shanghai Composite Index declined 0.3%,and India's Nifty 50 index increased by 2%. The resurgence of countries economic growth trajectory, especially in emerging and frontier countries, would be crucial in developing a strong IPO pipeline as we head into Q4 2023.

The global equities market performance will still be weighed down as we head into 2024 on the back of expectations of higher US interest rates and concerns over the outcome of reforms targeted at China's property markets.

Global capital markets registered positive returns with the MSCI World Index and Emerging Market Index improving by 11.55 % and 2.16 %, respectively in United States Dollar terms, on a year-to-date basis as of 30 September 2023.

Figure 5 MSCI World Index

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (SEP 2008 – SEP 2023)



ANNUAL PERFORMANCE (%)

Year	MSCI World	MSCI Emerging Markets	MSCI ACWI
2022	-17.73	-19.74	-17.96
2021	22.35	-2.22	19.04
2020	16.50	18.69	16.82
2019	28.40	18.88	27.30
2018	-8.20	-14.24	-8.93
2017	23.07	37.75	24.62
2016	8.15	11.60	8.48
2015	-0.32	-14.60	-1.84
2014	5.50	-1.82	4.71
2013	27.37	-2.27	23.44
2012	16.54	18.63	16.80
2011	-5.02	-18.17	-6.86
2010	12.34	19.20	13.21
2009	30.79	79.02	35.41

INDEX PERFORMANCE — GROSS RETURNS (%) (SEP 29, 2023)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987
MSCI World	-4.28	-3.36	22.58	11.55	8.60	7.80	8.84	8.01
MSCI Emerging Markets	-2.57	-2.79	12.17	2.16	-1.34	0.94	2.45	9.35
MSCI ACWI	-4.10	-3.30	21.41	10.49	7.39	6.99	8.11	7.84

FUNDAMENTALS (SEP 29, 2023)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI World	2.06	19.45	16.13	2.89
MSCI Emerging Markets	3.08	14.12	11.55	1.59
MSCI ACWI	2.17	18.70	15.48	2.66

INDEX RISK AND RETURN CHARACTERISTICS (SEP 29, 2023)

		ANNUALIZED STD DEV (%) [2]			SHARPE RATIO [2,3]				MAXIMUM DRAWDOWN	
	Turnover (%) [1]	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since Dec 31, 1987	(%)	Period YYYY-MM-DD
MSCI World	2.20	17.65	18.48	14.67	0.46	0.41	0.57	0.37	57.46	2007-10-31—2009-03-09
MSCI Emerging Markets	6.15	17.89	19.25	17.04	-0.09	0.05	0.16	0.37	65.14	2007-10-29—2008-10-27
MSCI ACWI	2.49	17.09	18.12	14.50	0.40	0.37	0.53	0.36	58.06	2007-10-31—2009-03-09

[1] Last 12 months [2] Based on monthly gross returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

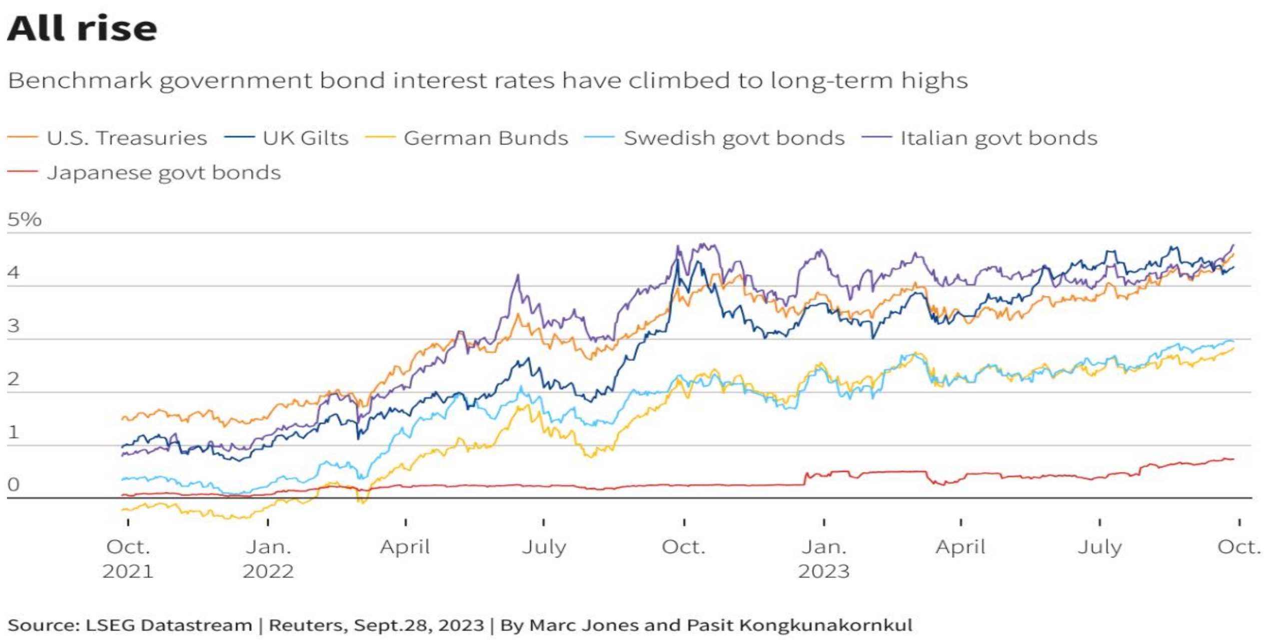
Source: MSCI

2.3 Global Bond Market

The global fixed-income market continued to be adversely affected by fears that majority of policymakers will hold interest rates "higher for longer" than previously expected to try tame inflation across Europe, leading to bond prices tumbling during the quarter. Of particular note is the jump in oil prices, which are nearing $100 a barrel and up 27% this quarter; which is another key risk that could keep upward pressure on inflation and, therefore indirectly on bond yields.

Market-to market losses in the Q3 bond market were driven by a significant increase in the 10-year treasury yield which serves as a benchmark for global borrowing costs. This yield surged by approximately 75 basis points, reaching just above 4.5%. This surge represented the largest quarterly jump in a year and propelled it back to its long-term average, marking the first time it reached this level since 2007. In addition, Germany's bond yield climbed to nearly 3%, its highest point in 12 years, while Japan's yields have nearly doubled to 0.75%.

Figure 6 Global government bond interest rates



Source's Datastream|Reuters

Top Global Risks and Opportunities During the Quarter

The Capital Markets Soundness assessment for the third quarter of 2023 highlights the key risks and opportunities that have emerged as a result of developments at the global, regional, and domestic levels.

Key Risks Identified

- ***Climate change induced financial distress has affected a majority of countries globally but has had a significant impact on Kenya's economic recovery, post-COVID 19. The financing and investments into climate mitigation finance remain an urgent intervention area by both the private and public sector.***
- ***Global macro-economic shocks, such as the sudden rise in global oil prices, strengthening of the US Dollar against domestic currencies of frontier markets, and search for yield, continue to hinder the resurgence of the capital markets and economic growth.***

Key Opportunities

- ***The newly introduced DhowCSD is anticipated to streamline significantly access to Government securities for both local and international investors at their convenience irrespective of where they are geographically, thus fostering increased investment in Kenya.***
- ***Strong prospects for capital raising and listing of technology firms.***
- ***Well-structured and regulated carbon markets provides an enormous opportunity as Kenya's next significant export.***

Capital Markets Stability Implication

Kenya's capital markets remained sound during the quarter amidst the tough operating domestic and global macro-economic and geo-political context. Kenya's capital markets continues to offer attractive investment propositions; with the equities market offering investment opportunities that investors should take up at the current attractive market valuations together with the bond market offering double digit returns. The implementation of the new Strategic Plan 2023-2028 will serve to support product uptake initiatives targeted at raising domestic investor participation in the domestic equity market segment.

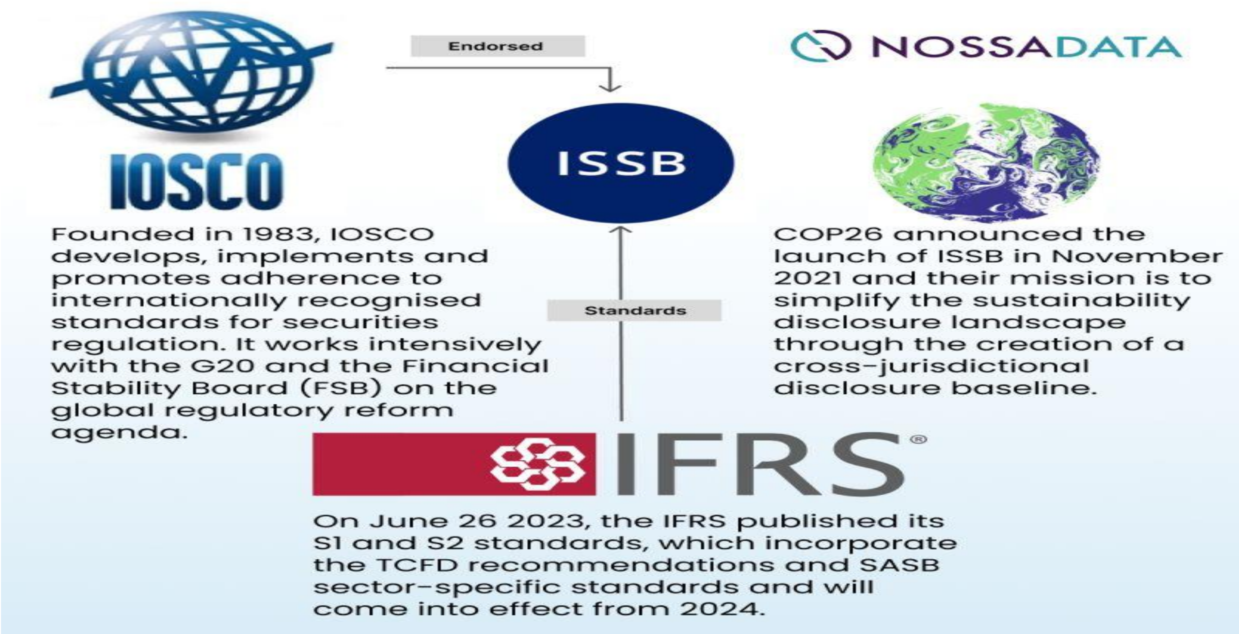
3.0 INTERNATIONAL DEVELOPMENTS

3.1 IOSCO endorses the International Sustainability Standards Board (ISSB) Sustainability-Related Financial Disclosure Standards

During the quarter, IOSCO announced its endorsement of ISSB's sustainability-related financial disclosure standards, namely IFRS S1 and IFRS2. A detailed analysis of the final ISSB standards by IOSCO determined that they are appropriate to serve as a global framework for capital markets to advance the use of sustainability-related financial information in capital raising, trading, and assisting globally integrated financial markets in assessing the pertinent sustainability risks and opportunities.

IFRS S1 sets out disclosure requirements aimed at enabling companies to inform investors about the sustainability-related risks and opportunities associated with them over the short, medium and long term. IFRS S2 provides for climate-related disclosures and should go hand in hand with IFRS S1 with both standards fully integrating the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Figure 7 IOSCO endorsement of IFRS S1 and S2



Source: Nossadata

The ISSB Standards have been crafted to guarantee that organizations include sustainability-related information and financial statements within a unified reporting framework. These standards have been formulated to complement any accounting prerequisites and are rooted in the fundamental principles that support the IFRS Accounting Standards, which are mandated by over 140 jurisdictions. As such, the ISSB Standards are adaptable for implementation worldwide, establishing a genuinely universal foundation. Therefore, the application of ISSB's standards signals a transition from the current landscape of voluntary sustainability-related disclosures to a regime where issuers must disclose sustainability-related information in line with globally accepted standards.

Therefore, IOSCO requested its member jurisdictions, who regulate a significant 95% of the global financial markets, to consider implementation of the ISSB standards in their jurisdictional contexts towards promoting consistent and comparable climate-related and other sustainability-related disclosures for investors.

The IFRS Foundation and the ISSB adopted a fourfold strategy to support implementation efforts that includes:

i. Introducing proportionality and scalability mechanisms in IFRS S1 and IFRS S2;
ii. Introducing transitional reliefs from some disclosure requirements in IFRS S1 and IFRS S2 during their first application;
iii. Roll out of a capacity-building program to provide technical support to regulators and to enhance the capacity among preparers and other stakeholders to apply IFRS S1 and IFRS S2; and
iv. Developing an Adoption Guide to support regulators in their implementation considerations and to introduce scalability and gradual application of the requirements of the ISSB standards at a jurisdictional level. The Guide also aims to support consistency and comparability by mitigating variation in the implementation of ISSB Standards.

CMA Action Point

Adoption of the ISSB Standards has the potential to grow the Kenyan capital markets by attracting sustainability sensitive domestic and foreign investors, thus positioning Kenya as leader in sustainable finance in Africa. CMA Kenya is already engaging with strategic partners such as the ISSB and the Institute of Certified Public Accountants (ICPAK) to undertake industry awareness and other capacity building programmes towards adoption

of IFRS S1 and S2 in the short-term and compliance once the legal and regulatory framework in the place. This will be stepped up in the subsequent quarter.

3.2 International Capital Market Association (ICMA) develops New Guidance on Blue-Themed Bonds to Help Unlock Finance for a Sustainable Ocean Economy

Investing in the Sustainable Blue Economy (SBE) promotes sustainable use of coastal and marine resources to address climate change, overexploitation, and marine pollution, offering opportunities for various sectors to enhance asset value and resilience, with the bond market playing a key role through "blue bond" issuances. The ICMA developed a New Guidance on Blue-Themed Bonds to help unlock finance for a sustainable ocean economy.

This voluntary Guidance aims to assist issuers, investors, and underwriters in launching credible "blue bonds" that support the Sustainable Blue Economy (SBE) and ocean health while building on existing global market standards like the Green Bond Principles (GBP), Social Bond Principles (SBP), Sustainability Bond Guidelines (SBG), and Sustainability-linked Bond Principles (SLBP) to promote market integrity. The Guidance draws on specific guidance documents and principles related to blue finance and ocean-related projects while focusing primarily on projects aligned with Sustainable Development Goal (SDG) 14 Life Below Water, and it can also be applicable to other debt instruments such as loans, in conjunction with Green Loan Principles and Sustainability-linked Loan Principles.

Figure 8 Blue Bonds

Source: World Bank

Before considering financing through a "blue bond," potential issuers must identify eligible projects that align with the Sustainable Blue Economy (SBE). These projects should adhere to environmental objectives such as climate change mitigation, adaptation, natural resource conservation, biodiversity conservation, and pollution prevention and control, similar to the criteria set by the Green Bond Principles (GBP), an indicative list of eligible blue project categories is provided, encouraging an integrated approach to investments that consider systemic and cumulative impacts in line with UNEP FI's SBE Finance Principles.

Issuing a "blue bond" involves different processes, subject to jurisdiction-specific securities laws, regulations, and exchange requirements. Here are the stages;

Pre-issuance:

i. **Create a Bond Framework to Finance the SBE-** Develop a publicly available document outlining how the "blue bond" aligns with the four core components of the Principles. These components cover the use of proceeds, project evaluation, and selection process, management of proceeds, and reporting (allocation and impact reporting). The bond framework should also detail the issuer's sustainability objectives, policies, and strategy. Collaboration with financial and environmental advisors, including the lead underwriting bank's specialized team, is necessary. ICMA resources, such as checklists and the mapping of SDGs, provide additional Guidance.

ii. **Define and Confirm Project Categories-** Identify eligible blue projects for financing or refinancing, referencing the non-exhaustive list of eligible project categories under the GBP. Communicate environmental sustainability objectives and risk management strategies related to these projects. Examples of excluded projects are provided, along with specific exclusion details in the UNEP FI publication.

iii. **Obtain an External Review-** Appoint external review provider(s) to assess alignment with the GBP core components through a pre-issuance external review. Typically, a second-party opinion (SPO) on the bond framework is sought, and it should be made publicly available on the issuer's website.

Post-issuance:

i. **Management of Proceeds-** Focus on managing and allocating proceeds, favoring tracking "equivalent amounts" of net proceeds. Employ an external auditor or third party to verify the internal tracking method and fund allocation derived from net proceeds.

ii. **Allocation and Impact Reporting-** Implement annual reporting of allocations to projects and their expected impact. Impact reporting is essential for informing investors about the positive outcomes of their investments. ICMA's Harmonized Framework for Impact Reporting offers specific indicators for "blue bonds," covering various project categories.

iii. **Obtain an External Review (Post-issuance)-** Suggests that an issuer's management of proceeds is further supplemented by an external auditor or third party to verify tracking and allocation of funds from green (blue) bond proceeds to eligible projects.

CMA Action Plan

The Jumuiya ya Kaunti za Pwani (Jumuiya) 2030 Economic Development Blueprint notes that the six Jumuiya Counties will seek to participate in the capital markets to raise funds for infrastructural development. In this regard, the Jumuiya Counties will seek additional funding by issuing a Blue Bond in addition to Green bonds. The CMA will be engaging the Jumuiya Counties on capacity building aimed at leveraging opportunities available in the blue bond space.

It is noteworthy that Kenya has a robust legal and regulatory framework in place for issuance of green bonds and that income earned from investing in green bonds is tax exempt. Currently a bond to finance blue economy projects can be issued under the NSE Green Bond Guidelines (Structured as Social Impact Bonds) given that they are the most viable capital markets product to support the Blue Economy. CMA will be working with the NSE to expand the scope of guidelines to cover blue bonds.

4.0 REGIONAL DEVELOPMENTS

4.1 Tanzania's Inaugural Green Bond Initiative: The Kijani Bond

CRDB Bank in Tanzania launched the country's first green bond, known as the Kijani Bond, with a total value of $US300 million in August 2023. This initiative aims to raise up to Tsh55 million (US$22 million) in its first year and will be implemented over five years as part of a multi-currency medium-term note program. Further estimated yields are Tsh90 billion ($US37.34 million) in 2024/2025, Tsh190 billion ($US78.84 million) in 2025/2026, and Tsh200 billion ($US83 million) in 2026/2027. The bond has been pegged at a 10.25 percent interest per annum, payable twice a year. This initial offer will be followed by formal listings on the Dar es Salaam Stock Exchange and the London Stock Exchange.

Figure 9 Kijani Bond

Source: FSD Africa

The bond is accessible to average Tanzanians, with a minimum initial investment of Tsh500,000 (US$208). It has received approval from Tanzania's Capital Markets and Securities Authority and offers an annual interest rate of 10.25%. The bond has attracted global investor interest, including a 40% investment commitment from the International Finance Corporation (IFC), a member of the World Bank Group. The funds raised will support environmentally friendly projects in various sectors, such as infrastructure, renewable energy, manufacturing, construction, and water supply, contributing to climate change mitigation. CRDB Bank's issuance of the Kijani Bond demonstrates its commitment to environmental, social, and governance (ESG) principles and solidifies its role as a key player in green financing, building on its track record of sustainable initiatives and recognition from the United Nations Green Climate Fund (GCF).

CMA Action Point

The just concluded County Green Bonds assessments will be critical in unlocking finance for counties through issuance of green bonds. CMA Kenya will in this financial year step up its green bonds awareness program and enhance its existing legal and regulatory framework to support product uptake from both the private and public sector.

4.2 Egypt's Capital Market Law Amendments

Egypt's Prime Minister Mostafa Madbouly initiated a series of amendments to the Capital Market Law No. 95 of 1992, with significant implications for the country's financial landscape. These amendments encompass various aspects, including introducing a Sukuk program that can be issued in multiple versions and establishing sustainable development investment funds. Additionally, the scope of traded investment funds has been expanded, and these funds must now adhere to a reference index approved by the regulatory authority.

Notably, the amendments allow the issuance of Sukuk without the prerequisite of a credit rating in specific cases, offering greater flexibility in bond issuance processes. Governance rules have been reinforced for companies in the securities sector to enhance corporate management and safeguard shareholder rights. A new category of investment funds, Sustainable Development Investment Funds, has been introduced, emphasizing environmentally and socially responsible investments. Moreover, investment funds can now market their documents through licensed brokerage firms or authorized entities, with oversight by the regulatory authority.

These changes coincide with promoting financial technology in non-banking financial activities, signalling a transformative era for Egypt's financial sector and facilitating access to non-banking financial services to promote financial inclusion and support the national economy.

Lessons learnt

Regular reviews and amendments of the Capital Markets regulatory regime remain crucial in ensuring that the capital markets regulatory architecture remains relevant and

responsive in addressing the evolving changes and stakeholder needs in the market. Specific to Islamic finance there is a strong case for establishment of a stand-alone holistic overarching Islamic Finance Act covering the banking, capital markets, pensions, saccos, micro-finance subsectors. CMA Kenya will be enhancing its supervisory capacity following approval of the first Sukuk issuance in Kenya and will benefit from Egypt's experience. Additionally, CMA will enhance its advocacy for the establishment of a National Shariah Board.

5.0 LOCAL DEVELOPMENTS

5.1 Capital Markets Authority Approves First Sukuk Bond for Housing Development

The Capital Markets Authority (CMA) has approved the issuance of Kenya's first-ever Sukuk Bond by Linzi Finco Trust. The Sukuk aims to raise KSh. 3 billion with the proceeds dedicated to developing 3,069 institutional housing units. This Shari'ah-compliant financial instrument will offer an internal return rate of 11.13%. Kenya faces a significant housing deficit, estimated at 80% annually, with only 50,000 new housing units supplied each year against a demand of 250,000. The government is collaborating with counties and the private sector to bridge this gap, launching several projects in recent months to deliver 200,000 housing units annually.

Figure 10 Islamic Bonds

Source: Wallstreet mojo

CMA Action Plan

The Capital Markets Authority's authorization of the inaugural Sukuk Bond underscores its dedication to expanding the spectrum of the domestic debt portfolio offerings, catering to vital domestic requirements, and deepening access to the capital markets by providing a range of diverse investment opportunities to investors of different social, economic and religious persuasions.

5.2 Co-op Bank to Provide Payment Platform for Nairobi Coffee Exchange Coffee Trader

The Kenyan government is embarking on a comprehensive overhaul of the coffee sector to address its long-standing challenges. As part of these reforms, 11 coffee cooperative unions have been authorized to directly sell coffee at the Nairobi Coffee Exchange (NCE) and abroad, eliminating intermediaries between farmers and buyers.

In this new arrangement, Co-operative Bank will provide the Direct Settlement System (DSS) technology platform for clearing and settling coffee trades in compliance with CMA's new coffee trading regulations. Co-operative Bank was selected as the DSS service provider after a competitive bidding process involving nine financial institutions. The Direct Settlement System is expected to lead to speedy and transparent clearing and settlement of the coffee sale proceeds to coffee farmers.

CMA Stability Implication

The Nairobi Coffee Exchanges trading rules were reviewed and the Authority granted an in -principle approval on 8 August 2023.The Authority remains steadfast in its commitment towards assisting the Nairobi Coffee Exchange in advancing the coffee sector's growth.

5.3 The Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill 2023

President William Ruto signed the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill, 2023 into law, which will help address deficiencies limiting the fight against money laundering and terrorism in the country. The Act amends the Capital Markets Act to empower the Authority to regulate, supervise, and ensure compliance of its licensees with anti-money laundering, combating the financing of terrorism and countering proliferation financing.

Figure 11President William Ruto signed the Anti-Money Laundering and Combating of Terrorism Financing Laws (Amendment) Bill, 2023 into law

Source: https://www.president.go.ke/

In exercising its mandate, the Authority has power to vet significant shareholders, directors and senior officers, conduct inspections and surveillance, undertake consolidated supervision of a reporting institutions and their groups, requesting necessary documents or information, impose sanctions for violations, issue rules, regulations and guidelines and to cooperate and share information.

Stability Implication

The enactment of the Anti- Money Laundering and Combating of Terrorism Financing Laws (amendment) Bill 2023, will help CMA enhance its AML oversight functions to support Kenya's standing as a reputable jurisdiction in regard to adopting the Financial Action Task Force recommendations on enhancing its AML compliance regime.

5.4 CMA Directs Online Foreign Exchange Brokers to Enhance Disclosure Mechanisms

The Capital Markets Authority (CMA) released new guidelines directing online foreign exchange brokers to enhance disclosure mechanisms, promote transparency, and ensure investor protection. To mitigate the risks and losses associated with participating in Contract for Differences (CFDs) , the Authority is working with the licensed forex brokers to ensure there are appropriate disclosures and rollout of a comprehensive investor education program.

CMA is working with licensed brokerage community and other stakeholders to develop standards to protect consumers by ensuring integrity in CFD products to deliver satisfactory outcomes for all stakeholders. CFDs allow traders and investors an opportunity to profit from price movement without owning the underlying assets. The value of a CFD does not consider the asset's underlying value, only the price change between the trade entry and exit.

Figure 12CMA Directive to Online Fx Players

CMA Directs Online Foreign Exchange Brokers to Enhance Disclosure Mechanisms

Nairobi, 21 September 2023... The Capital Markets Authority (CMA) released new guidelines directing online foreign exchange brokers to enhance disclosure mechanisms, promote transparency and ensure investor protection. To mitigate the risks and losses associated with participating in Contract for Differences (CFDs), the CMA is working with the licensed forex brokers to ensure there are appropriate [...]

Source:CMA Website

To foster and deepen growth in the online forex trading industry, CMA has facilitated the setting up of a Technical Working Group comprising of the licensed online foreign trading brokers as well as other stakeholders including peer regulators to assess the state of the market and propose recommendations to mitigate the challenges faced by investors, traders, and licensed players.

Continued collaboration with peer regulators including the Central Bank of Kenya, the Communications Authority of Kenya and the Financial Reporting Centre is key to protecting Kenyans from unlicensed online foreign exchange brokers.

CMA has so far licensed nine non-dealing online foreign exchange brokers and two money managers. The non-dealing online foreign exchange brokers are EGM Securities Limited (Trading as "FX Pesa"); SCFM Limited (Trading as "Scope Markets"); Pepperstone Markets Kenya Limited; Exinity Capital East Africa Limited; HFM Investments Limited (Trading as "HF Markets"); Windsor Markets Kenya Limited; Tadenex Limited (Trading as Exness); Ingot Africa Limited; Admirals KE Limited. Standard Investment Bank (Trading as "MANSA X") and Trade Sense Limited are the money managers.

Stability Implication

CMA remains committed to promoting transparency and ensuring investor protection. By mitigating the risks associated with online forex trading and improving disclosure mechanisms, investors are cushioned from significant losses, which will help maintain confidence in the market amid considerable capital outflows.

5.5 President Ruto Officially Launches the New Central Securities Depository (DhowCSD)

On 11 September 2023, His Excellency President William Ruto launched the new Central Securities Depository dubbed Dhow CSD. The Dhow CSD is an upgrade of the Central Securities Depository (CSD) infrastructure and allows traders in government securities in local, regional, and international markets to transact electronically. It is available on the Central Bank website in an investor portal and on a mobile application, thus facilitating centralized custody of the securities with secure updating of their related transactions. As such, it provides top-notch registration, custody, and settlement services for primary and secondary market operations.

Through this new platform, retail investors can participate in securities auctions, view auction results and payment information, monitor future corporate actions, access the latest portfolio statements, and initiate secondary markets or pledge instructions.

Partially funded by the World Bank, the platform aims to lower yields on government paper by improving price efficiency and transparency. The platform is also crucial to overhauling interbank money markets by making the horizontal repo markets operational again. The banking sector's liquidity will be enhanced through the platform as banks can hold or hand over Treasury bills and bonds as collateral for overnight lending to peers.

As a result of the infrastructure upgrade, the Central Bank of Kenya CBK will no longer accept cash or checks to purchase government assets, as payments shall be made through commercial banks. Additionally, investors will no longer place manual bids at auctions because all bids must now be placed via the DhowCSD platform.

So far, the platform has shown a great promise for success because more than 7,000 accounts have been opened compared to the pre-existing 44,000 before going live on July 31st, 2023. This has been achieved by the ease of trading and reduced turnaround time by eliminating manual processes in opening trading accounts by reducing the period for setting up an account from 14 days to just minutes.

As such, the new system is set to revolutionize Kenya's financial markets by enhancing operational efficiency, expanding digital access, broadening financial inclusion through market deepening and improving monetary policy operations.

Stability Implication

The system will also play a pivotal role in deepening the capital markets by simplifying the process of trading government securities, enabling increased participation by both domestic and international investors, irrespective of their geographical location worldwide.

6.0 PERFORMANCE OF THE DOMESTIC CAPITAL MARKETS

Performance of the Domestic Market

a. Equity Market

In the quarter under review, the Nairobi Securities Exchange unveiled a new equity market benchmark known as the NSE 10 Share Index (N10). This index serves as a barometer for assessing the stock market's performance. It comprises ten(10) prominent companies, such as Safaricom Plc, Equity Group Holdings Plc, and KCB Group Plc, among others. Notably, these ten companies will undergo a comprehensive review on a semi-annual basis. The N10 Index employs a market capitalization-based float-adjusted methodology and offers daily distributions.

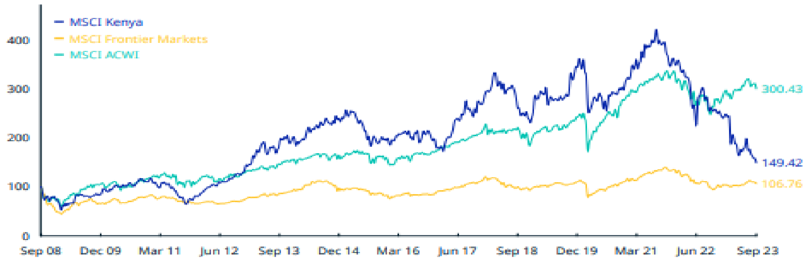
To conform to industry-leading standards in index management, the NSE also implemented changes to the NSE 20 Share Index. WPP Scan Group Plc, Nairobi Securities Exchange Plc, and Diamond Trust Bank Kenya were substituted with CIC Insurance Group Plc, Bank of Kigali Group Plc, and I&M Holdings Plc as constituent companies.

By the end of the third quarter 2023, the NSE 20, NSE 25, and NASI stock market indices stood at 1,530.93, 2,531.74 and 97.61 basis points, respectively. This marked a decline from their second-quarter levels of 1,574.92, 2,728.89 and 107.00 basis points. In terms of volatility, the three market indices, namely NSE 20, NSE 25, and NASI, exhibited reduced levels, decreasing from 0.43%,0.59%, and 0.80% in the second quarter to 0.28%, 0.45%, and 0.66%, respectively. It is worth noting, however, that market volatility remained relatively low during this period. As at September 29, NSE 10 share index closed at 951.35 basis points a drop from 1,000.00 basis points recorded on 1 September 2023 following the unveiling of the indices.

During the quarter under review the domestic capital markets registered negative returns with the MSCI Kenya Index declining by 39.66% on a year-to-date basis in United States Dollar terms. The prevailing tough local and global economic conditions continue to depress the domestic equity market performance.

Figure 13 MSCI Kenya Index

CUMULATIVE INDEX PERFORMANCE — NET RETURNS (USD) (SEP 2008 – SEP 2023)



ANNUAL PERFORMANCE (%)

Year	MSCI Kenya	MSCI Frontier Markets	MSCI ACWI
2022	-30.97	-26.34	-18.36
2021	13.84	19.73	18.54
2020	-9.50	1.43	16.25
2019	48.73	17.99	26.60
2018	-12.51	-16.41	-9.41
2017	35.97	31.86	23.97
2016	1.11	2.66	7.86
2015	-18.34	-14.46	-2.36
2014	23.39	6.84	4.16
2013	47.74	25.89	22.80
2012	61.90	8.85	16.13
2011	-27.22	-18.73	-7.35
2010	30.29	23.75	12.67
2009	6.44	11.61	34.63

INDEX PERFORMANCE — NET RETURNS (%) (SEP 29, 2023)

					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since May 31, 2002
MSCI Kenya	-7.48	-16.59	-41.57	-39.66	-19.94	-10.50	-2.39	12.79
MSCI Frontier Markets	-3.79	1.98	6.48	7.37	1.74	1.63	2.25	6.20
MSCI ACWI	-4.14	-3.40	20.80	10.06	6.89	6.46	7.56	7.04

FUNDAMENTALS (SEP 29, 2023)

	Div Yld (%)	P/E	P/E Fwd	P/BV
MSCI Kenya	8.51	5.60	na	1.59
MSCI Frontier Markets	4.28	11.04	na	1.52
MSCI ACWI	2.17	18.70	15.48	2.66

INDEX RISK AND RETURN CHARACTERISTICS (SEP 29, 2023)

		ANNUALIZED STD DEV (%) 2			SHARPE RATIO 2, 3				MAXIMUM DRAWDOWN	
	Turnover (%) 1	3 Yr	5 Yr	10 Yr	3 Yr	5 Yr	10 Yr	Since May 31, 2002	(%)	Period YYYY-MM-DD
MSCI Kenya	0.00	22.15	22.80	21.06	-0.95	-0.44	-0.07	0.53	65.34	2008-06-05—2009-03-09
MSCI Frontier Markets	34.48	13.23	16.07	14.08	0.06	0.08	0.15	0.34	67.47	2008-01-15—2009-03-03
MSCI ACWI	2.49	17.09	18.12	14.50	0.37	0.34	0.49	0.41	58.38	2007-10-31—2009-03-09

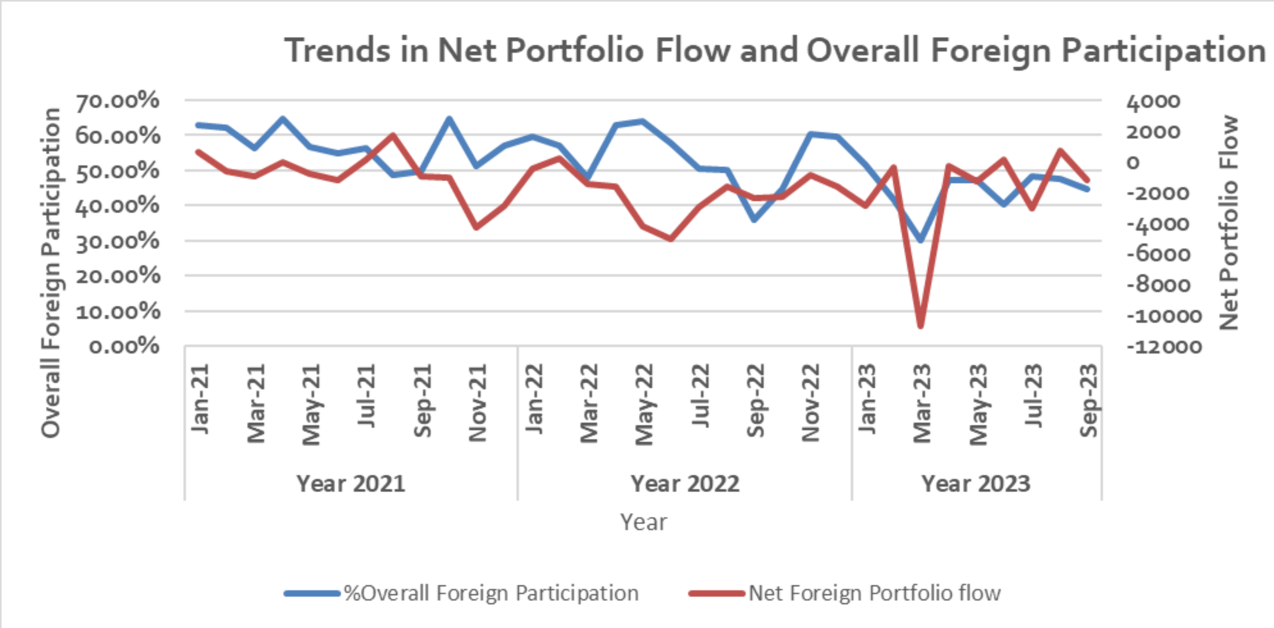
[1] Last 12 months [2] Based on monthly net returns data [3] Based on NY FED Overnight SOFR from Sep 1 2021 & on ICE LIBOR 1M prior that date

Source: MSCI

During the quarter, the market experienced a net equity foreign portfolio outflow of 1,180 million. August marked the second month in 2023, when the market observed a net foreign portfolio inflow of Ksh. 672 million. With two out of the last six months recording positive inflows, this suggests a positive trend where foreign investors are gradually regaining confidence in the market.

Figure 14 Trends in Net Portfolio Flow and Overall Foreign Participation

(Jan 2021– September 2023)



Source: CMA

Similar to the first and second quarters of 2023, Safaricom Plc, Equity Group Holdings Plc, East African Breweries Ltd, KCB Group Plc, and the Cooperative Bank of Kenya Ltd maintained their prominent positions in the market. These five companies collectively contributed to an average market turnover of 65.41%, representing a decrease from the 67.80% recorded in Q2. This reduction in market concentration over the recent past by these five companies indicates a trend where investors are increasingly diversifying their investments beyond the traditional blue-chip corporates.

Table 2 Equity Performance (1 July - 30 September 2023)

Year	Month	Share Volume (Kshs Mn)	Total Equity Turnover (Kshs Bn)	NSE 20 Share Index (Average	NASI Index (Average)	NSE 25 Share (Average)	Market Cap (Kshs Mn)
Q3.2023	July	416	7.62	1,608.61	110.28	2,836.14	1,642.71
	Aug	223	4.22	1,557.55	102.47	2,656.08	1,544.94
	Sep	416	5.14	1,530.93	97.61	2,531.74	1,487.67
	Total	1056	16.98				

Q2.2023	April	198	4.21	1611.64	110.57	2918.64	1,676.09
	May	355	6.08	1502.05	99.90	2617.42	1,614.55
	June	210	4.08	1,575.98	104.93	2,705.01	1,666.29
	Total	763	14.37				

b. Treasury Bond Market

Table 3 Treasury bond performance (July - September 2023)

Date	Bond	Amount Issued (Kshs Bn)	Amount Received (Kshs Bn	Amount Accepted (Kshs Bn)	% AA/AI	% AR/AI
July 2023	FXD1/2023/5	40.00	29.10	22.83	57.08	72.75
	FXD1/2016/10		22.66	15.74	39.35	56.66
	Tap Sale (FXD1/2023/5)	20.00	32.22	31.23	156.15	161.08
	Tap Sale (FXD1/2016/10)		12.21	12.21	61.05	61.06
August 2023	FXD1/2023/002	40.00	38.30	11.66	29.15	95.75
	FXD1/2023/005		14.70	7.46	18.64	36.76
	Tap Sale (FXD1/2023/002)	21.00	17.38	17.37	82.73	82.74
	Tap Sale (FXD1/2023/005)		6.23	6.12	29.16	29.64
Sept 2023	FXD1/2023/002	35.00	18.01	15.01	42.89	51.47
	FXD1/2016/010		15.99	6.62	18.90	45.70
	Tap Sale (FXD1/2023/002		2.63	2.61	17.40	17.54
	Tap Sale (FXD1/2023/010)	15.00	0.81	0.76	5.09	5.43
SUM		150.00	210.23	149.62		
April	FXD2/2018/10	20.00	3.57	3.36	16.80	17.85
	Tap sale	10.00	5.119	5.117	51.17	51.19

	(IFB1/2023/17)					
	FXD1/2022/03	30.00	7.33	1.76	5.86	24.43
	FXD1/2019/15		Cancelled			
May	FXD1/2023/003	20.00	20.74	20.29	101.47	103.72
	Tap Sale	10.00	10.60	10.60	106.02	106.03
	Tap Sale	20.00	27.21	27.20	136.01	136.03
June	IFB1/2023/007	60.00	220.52	213.40	355.67	367.53
	Tap Sale (FXD1/2023/003)	15.00	18.56	18.55	123.68	123.73
SUM		185.00	313.649	300.277		

AA-Amount Accepted; AI-Amount Issued; AR-Amount Received; (AA/A) % - Acceptance Rate; (AR/AI) % - Performance Rate; Source: CBK

In contrast to the second quarter of 2023, the government exhibited a notable reduction in its intended borrowings from the public during the third quarter, scaling down the target from Ksh 185 billion to Ksh 150 billion. Remarkably, during the third quarter, investors responded positively, submitting bids totalling Ksh 210.23 billion. However, the government opted to accept bids amounting to Ksh 149.62 billion, resulting in a shortfall of 2.5 percent, equivalent to Ksh 3.75 billion, from its initial borrowing objective.

The government has recognized the need to foster greater participation, especially by retail investors, by facilitating access through the DhowCSD platform. By doing so, it aims to bridge the existing gap between its borrowing requirements and the actual subscriptions received, thereby fostering more comprehensive engagement with investors and aligning its financing needs with market dynamics. This strategic approach is anticipated to contribute to enhanced efficiency and efficacy in the government's debt issuance processes.

c. Corporate Bonds Market

The value of corporate bonds traded during the quarter amounted to Ksh 107,610,000.00, marking a substantial surge from the Ksh 11,830,672.80 reported in Q2 2023. This increase highlights a notable improvement in corporate bond activity in the domestic market.

7. CAPITAL MARKETS STABILITY SOUNDNESS INDICATORS FOR THE PERIOD 1 JULY-30 SEPTEMBER 2023

Table 4Capital Markets Stability Indicators 1 July - 30 September 2023

Stability Indicator	Quarter/Year	Market Statistics				Assessment of Risk Level	Performance Brief for the Quarter	Ongoing Intervention Measures
1.0 Equity Market Depth								
NSE 20 Index Volatility Base Year = 2010	Q3.2023	July	Aug	Sep	Q. Avg	Low (Indicative – Low < 1%; Medium; 1%; High >10%)	The volatility for the three market indices, NSE 20, NSE 25, and NASI was **0.28%, 0.45% and 0.66%** respectively. .	An examination of the market indices, specifically the NSE 20, NSE 25, and NASI, has revealed that market volatility has remained consistently below the 1% mark. The relative stability in the market can be attributed to a significant decrease in capital outflows during the quarter under scrutiny with the month of August recording an inflow. When market volatility remains below the 1% threshold, it signifies a
		0.30%	0.34%	0.19%	0.28%			
	Q2.2023	Apr	May	Jun	Q. Avg			
		0.43%	0.41%	0.44%	0.43%			
	Q1.2023	Jan	Feb	Mar	Q. Avg			
		0.39%	0.34%	0.46%	0.40%			
	Q4.2022	Oct	Nov	Dec	Q. Avg			
		0.27%	0.44%	0.41%	on.37%			
NSE 25 Index Volatility Base Year = 2015	Q3.2023	July	Aug	Sep	Q. Avg	Low (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.48%	0.59%	0.26%	0.45%			
	Q2.2023	Apr	May	Jun	Q. Avg			
		0.42%	0.87%	0.49%	0.59%			
	Q1. 2023	Jan	Feb	Mar	Q. Avg			

								relatively stable capital markets. The documented low volatility in the market opens up opportunities for investors to engage in day trading, which, in turn, boost overall market activity and enhances liquidity. In accordance with this trend, the Capital Markets Authority is looking forward to the development of margin trading regulations for the fiscal year 2023/24. Furthermore, CMA has been actively promoting the participation of domestic investors, recognizing their vital role in fostering the long-term sustainability and resilience of the equities market.
		0.36%	**0.39%**	**0.66%**	**0.47%**			
	Q4.2022	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		0.64%	**0.36%**	**0.38%**	**0.46%**			
NASI Volatility Base Year = 2010	**Q3.2023**	**July**	**Aug**	**Sep**	**Q. Avg**	**Low** (Indicative – Low < 1% Medium: >1% high; >10%)		
		0.86%	**0.80%**	**0.33%**	**0.66%**			
	Q2.2023	**Apr**	**May**	**Jun**	**Q. Avg**			
		0.63%	**1.17%**	**0.59%**	**0.80%**			
	Q1.2023	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		0.54%	**0.47%**	**0.93%**	**0.64%**			
	Q4.2022	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		0.70%	**0.33%**	**0.41%**	**0.48%**			

Equities Turnover Ratio	**Q3.2023**	**July**	**Aug**	**Sep**	**Q. Avg**	**Low** (Indicative – annual: <8%- Low; >15% High)	The recorded turnover for Q2. 2023 was 0.36% an increase from 0.29% recorded in Q2.2023. .	Equities turnover on the Nairobi Securities Exchange (NSE) increased from **0.29%** to **0.36%** during the quarter. This was on the back of foreign investors being net buyers in the Nairobi Securities Exchange (NSE) in August having purchased shares worth Ksh672 million. This is an improvement from last quarter recorded equities turnover ratio which show increased investor confidence in the market.
		0.46%	**0.27%**	**0.35%**	**0.36%**			
	Q2.2023	**Apr**	**May**	**Jun**	**Q. Avg**			
		0.25%	**0.38%**	**0.25%**	**0.29%**			
	Q1.2023	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		0.40%	**0.23%**	**1.84%**	**0.83%**			
	Q4.2022	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		0.29%	**0.33%**	**0.22%**	**0.28%**			

<table>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Initiatives such as day trading, and margin trading together with necessary trading incentives/concessions will remain critical in enhancing domestic investor activity at the Nairobi bourse hence boosting equities turnover.</td></tr>
<tr><td colspan="9">2.0 Foreign Exposure Risk</td></tr>
<tr><td rowspan="8">Foreign Investor turnover as a % of total turnover</td><td rowspan="2">Q3.2023</td><td>July</td><td>Aug</td><td>Sep</td><td>Q. Avg</td><td rowspan="8">Low (Indicative – annual: <40%- Low; >90% High)</td><td rowspan="8">Foreign investor participation at end of the Q3, 2023, averaged at 46.85% an increase from Q2 at 44.95%.</td><td rowspan="12">In Q3, foreign Investor turnover averaged 46.85% an increase from 44.95% registered in Q2.2023.

Foreign investors slightly dominate trading at the Nairobi Bourse. The net foreign equity portfolio outflow increased from (1, 482) in Q2.2023 to (3540) in Q3 2023.</td></tr>
<tr><td>48.23%</td><td>47.52%</td><td>44.79%</td><td>46.85%</td></tr>
<tr><td rowspan="2">Q2.2023</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Avg</td></tr>
<tr><td>47.30%</td><td>47.11%</td><td>40.45%</td><td>44.95%</td></tr>
<tr><td rowspan="2">Q1.2023</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q. Avg</td></tr>
<tr><td>51.71%</td><td>41.92%</td><td>30.01%</td><td>41.24%</td></tr>
<tr><td rowspan="2">Q4.2022</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td></tr>
<tr><td>44.52%</td><td>60.46%</td><td>59.54%</td><td>54.84%</td></tr>
<tr><td rowspan="3">Net Foreign Portfolio</td><td rowspan="2">Q3.2023</td><td>July</td><td>Aug</td><td>Sep</td><td>Q. Sum</td><td rowspan="3">High (indicative – annual:</td><td rowspan="3">In the quarter under review, the market</td></tr>
<tr><td>(3019)</td><td>672</td><td>(1,193)</td><td>(3540)</td></tr>
<tr><td>Q2. 2023</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Sum</td></tr>
</table>

Flow(Ksh Million)		**(283)**	**(1,312)**	**113**	**(1,482)**	<Kshs (50million) - High (outflow. >Kshs. 50 million High	recorded a net outflow of 3540) million compared to an outflow of (1,482) million between April and June.	August marked the second month in the year 2023 where the market observed a net foreign capital inflow of Ksh. 672,000,000. On average the quarter experienced a reduced capital outflow in comparison to the second quarter of 2023. The inflow recorded in August and the reduction in capital outflow during the quarter indicates that foreign investors' confidence in the market is growing. Persistent capital outflow poses an ongoing risk to our market, highlighting the necessity for targeted initiatives aimed at bolstering trading activities at the Nairobi Securities Exchange. Such initiatives include the implementation of day
	Q1.2023	**Jan**	**Feb**	**Mar**	**Q. Sum**			
		(2,855)	**(382)**	**(10,692)**	**(13,929)**			
	Q4.2022	**Oct**	**Nov**	**Dec**	**Q. Sum**			
		(2,319)	**(887)**	**(1,664)**	**(4870)**			

								trading strategies and the reduction of investment barriers for foreign investors. These measures are intended to stimulate market liquidity and attract foreign investment, thereby fostering a more vibrant and resilient marketplace.
3.0 Market Concentration Risk								
Market Concentration (Top 5 companies by market cap)	**Q3.2023**	**July**	**Aug**	**Sep**	**Q. Avg**	**High (Indicative – annual: >50% High Concentration)**	Market concentration for the top 5 companies for the quarter ended September 2023 averaged at **65.41 %.**	Over the past year, there has been a continuous reduction in market concentration by five specific companies, indicating a growing openness among investors to explore opportunities beyond these select entities. Despite this positive trend, market concentration remains a significant risk. To mitigate this risk, the authority reviewed
		66.88%	**65.28%**	**64.06%**	**65.41%**			
	Q2.2023	**Apr**	**May**	**Jun**	**Q. Avg**			
		67.83%	**67.87%**	**67.72%**	**67.80%**			
	Q1.2023	**Jan**	**Feb**	**Mar**	**Q. Avg**			
		73.29%	**73.37%**	**69.25%**	**71.97%**			
	Q4.2022	**Oct**	**Nov**	**Dec**	**Q. Avg**			
		74.89%	**74.64%**	**73.56%**	**74.36%**			

								Public Offers Listing and Disclosure Regulation to establish more favorable listing requirements that attract a broader range of companies to list on the market, thereby providing investors with a wider variety of investment choices. Furthermore, the authority is actively engaged in investor education efforts, emphasizing the importance of diversification and promoting long-term investing strategies. By empowering investors with knowledge and information to make informed investment decisions, the aim is to reduce the inclination to concentrate investments in a limited number of dominant companies.

<table>
<tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>Through these measures, the authority seeks to foster a more diverse and dynamic market environment, ensuring investors have access to a broader range of investment opportunities and reducing the risks associated with excessive market concentration.</td></tr>
<tr><td colspan="9">4.0 Derivatives Trading Statistics</td></tr>
<tr><td>Total Volume (No. of contracts)</td><td colspan="5">No of Contracts*
<table>
<tr><th></th><th>Q2. Sum</th><th>Jul-23</th><th>Aug-23</th><th>Sep-23</th><th>Q3. Sum</th><th>%Change Q3Vs Q2</th></tr>
<tr><td>ABSA</td><td>8</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>BATK</td><td>25</td><td>11</td><td>4</td><td>13</td><td>28</td><td>12.00%</td></tr>
<tr><td>EABL</td><td>0</td><td>-</td><td>15</td><td>8</td><td>23</td><td>-</td></tr>
<tr><td>EQTY</td><td>97</td><td>32</td><td>18</td><td>36</td><td>86</td><td>11.34%</td></tr>
<tr><td>KCBG</td><td>106</td><td>42</td><td>77</td><td>93</td><td>212</td><td>100.00%</td></tr>
<tr><td>N25I</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>SCOM</td><td>413</td><td>61</td><td>103</td><td>172</td><td>336</td><td>18.64%</td></tr>
</table></td><td>Low</td><td></td><td>The volume of contracts traded in Q3.2023 was 707 translating to a 1.78% increase from 694 contracts recorded in Q2. 2023. In the Quarter only BATK and KCBG recorded an increase in activity.</td></tr>
</table>

<table>
<tr>
<td></td>
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<table>
<tr><td>COOP</td><td>13</td><td>-</td><td>4</td><td>-</td><td>4</td><td>69.23%</td></tr>
<tr><td>NCBA</td><td>25</td><td>-</td><td>1</td><td>4</td><td>5</td><td>80.00%</td></tr>
<tr><td>IHMP</td><td>1</td><td>-</td><td>-</td><td>-</td><td>0</td><td>100.00%</td></tr>
<tr><td>SCBK</td><td>0</td><td>-</td><td>-</td><td>10</td><td>10</td><td></td></tr>
<tr><td>25MN</td><td>6</td><td>-</td><td>2</td><td>1</td><td>3</td><td>50.00%</td></tr>
<tr><td>**Total**</td><td>**694**</td><td>**146**</td><td>**224**</td><td>**337**</td><td>**707**</td><td>**1.87%**</td></tr>
</table>
</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>**Gross Notional Exposure (GNE)**</td>
<td>Amount in Kshs*
<table>
<tr><th></th><th>Q2. Sum</th><th>Jul-23</th><th>Aug-23</th><th>Sep-23</th><th>Q3. Sum</th><th>%Change Q3Vs Q2</th></tr>
<tr><td>ABSA</td><td>93040</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>BATK</td><td>1083125</td><td>483,000.00</td><td>173,100.00</td><td>549,615.00</td><td>1,205,715.00</td><td>11.32%</td></tr>
<tr><td>EABL</td><td>0</td><td>-</td><td>205,600.00</td><td>107,575.00</td><td>313,175.00</td><td></td></tr>
<tr><td>EQTY</td><td>3606380</td><td>1,383,900.00</td><td>736,500.00</td><td>1,346,150.00</td><td>3,466,550.00</td><td>3.88%</td></tr>
<tr><td>KCBG</td><td>3134400</td><td>1,299,150.00</td><td>2,004,120.00</td><td>2,089,270.00</td><td>5,392,540.00</td><td>72.04%</td></tr>
<tr><td>N25I</td><td>0</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>SCOM</td><td>6353990</td><td>1,072,840.00</td><td>1,624,510.00</td><td>2,624,170.00</td><td>5,321,520.00</td><td>16.25%</td></tr>
<tr><td>COOP</td><td>159400</td><td>-</td><td>45,700.00</td><td>-</td><td>45,700.00</td><td>71.33%</td></tr>
<tr><td>NCBA</td><td>925690</td><td>-</td><td>38,500.00</td><td>156,000.00</td><td>194,500.00</td><td>78.99%</td></tr>
<tr><td>IHMP</td><td>16850</td><td>-</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
<tr><td>SCBK</td><td>0</td><td>-</td><td>-</td><td>162,015.00</td><td>162,015.00</td><td>-</td></tr>
<tr><td>25MN</td><td>162830</td><td>-</td><td>52,280.00</td><td>25,170.00</td><td>77,450.00</td><td>52.44%</td></tr>
<tr><td>**Total**</td><td>**15535705**</td><td>**4,238,890.00**</td><td>**4,880,310.00**</td><td>**7,059,965.00**</td><td>**16,179,165.00**</td><td>**4.14%**</td></tr>
</table>
</td>
<td>High (indicative – annual: >50% High concentration)</td>
<td></td>
<td>The total value (Gross Exposure) of contracts traded during the quarter summed up to Kshs 16.179 million; a 4.14% increase from Q2.2023.</td>
</tr>
<tr>
<td>**Total Open Interest (No. of Contracts)**</td>
<td>No of Contracts*
<table>
<tr><th></th><th>Q2 Average</th><th>Jul-23</th><th>Aug-23</th><th>Sep-23</th><th>Q3. Average</th><th>%ChangeQ3 Vs Q2</th></tr>
<tr><td>ABSA</td><td>4</td><td>-</td><td>-</td><td>-</td><td>-</td><td></td></tr>
<tr><td>BATK</td><td>12</td><td>11</td><td>11</td><td>-</td><td>11</td><td>8.33%</td></tr>
<tr><td>EABL</td><td>0</td><td>-</td><td>5</td><td>-</td><td>5</td><td></td></tr>
</table>
</td>
<td>Medium (Indicative – annual: >50% High concentrati on)</td>
<td>Overall, the total average number of open interest contracts recorded in</td>
<td>As for hedging instruments, the place of derivatives markets in the face of economic uncertainty</td>
</tr>
</table>

EQTY	38	3	21	1	8	78.95%
KCBG	31	30	22	15	22	29.03%
N25I	0	-	-	-	-	
SCOM	279	16	48	18	27	90.32%
COOP	7	-	-	-	-	
SCBK	0	-	-	-	-	
IMHP	2	-	-	-	-	-
NCBA	10	1	-	-	1	**90.00%**
25MN	6	3	5	4	4	**33.33%**
Total	**389**	**64**	**112**	**38**	**71**	**81.75%**

Q3 2023 were 71 ; an 81.75% decrease from Q2.2023 value of 389

remains important in risk management.

With the increasing profile of risks in the macro- economy, the profile of derivative instruments may grow as investors target diversification as a key investment strategy. Currency derivatives are needed by market participants and the authority is working with the CBK to roll-out the same.

Settlement Guarantee Fund (SGF) Coverage for Derivatives

	July-23	August-23	September-23
SGF	129,270,422	130,192,537	131,110,842
Average Market Value	141,296.33	162,677.00	235,332.17
SGF Coverage	**915 times**	**800 times**	**557 times**

*High (Indicative – annua l: >50% High concentrate ion

The SGF coverage ratio for the derivatives market in Q3.2023 Progressively decreased from July to 557 times.

To maximise value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by market intermediaries in this market for increased volumes of trade.

5.0 Government Bond Market Exposure

Treasury Bond market

Q3.2023	July	Aug	Sep	Q. Avg
	100%	**100%**	**99.89%**	**99.96%**

High (Indicative

In Q3.2023,

Government activity in the bonds markets

<table>
<tr><td rowspan="6">turnover Concentration</td><td rowspan="2">Q2.2023</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Avg</td><td rowspan="6">–annual:
>50%High)</td><td rowspan="6">Treasury Bond market turnover was 99.96%</td><td rowspan="6">continues to dominate as the government targets domestic market savings to fund various Government activities.</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="2">Q.1.2023</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q. Avg</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td rowspan="2">Q4.2022</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td></tr>
<tr><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
<tr><td>Corporate Bond Market ownership</td><td colspan="5">
<table>
<tr><th></th><th>No of Investors</th><th>Share Quantity</th><th>% By Share Quantity</th></tr>
<tr><td>LI</td><td>8</td><td>215,220,000</td><td>100%</td></tr>
</table>
Data as of 30 September 2023
Note: For every EAC, LI, and FI, the total calculated is a sum of both corporate and individual investors.
</td><td>High (Indicative –
annual:
>50%
High concentration</td><td>In the quarter under review, there was no foreign i and East African community investments in corporate bond. Local investors only entailed of Local corporate investors.</td><td>Kenya has been facing a period of reduced corporate bond activity in the last one year. The authority, through its investor education and market deepening functions has profiled retail investors to increase activity within the domestic corporate bond market.</td></tr>
</table>

6.0 Investor Profiles - Equity Market

<table>
<tr>
<td>Equity Market</td>
<td>
<table>
<tr><th>Type of Investor</th><th>No of Trades</th><th>Share Quantity (Millions)</th></tr>
<tr><td>Local Investors</td><td>130,784</td><td>904,476,452</td></tr>
<tr><td>EA Investors</td><td>1,876</td><td>25,186,269</td></tr>
<tr><td>Foreign Investors</td><td>17,985</td><td>614, 478,283</td></tr>
<tr><td>JR</td><td>53</td><td>81,000</td></tr>
<tr><td>Sum</td><td>150,698</td><td>1,544,222,004</td></tr>
<tr><td colspan="3">Data computed as of 30 September 2023</td></tr>
</table>
</td>
<td>High (Indicative – annual: >50%
High concentration</td>
<td>In Q3, share quantity for local investors maintained a figure of 904 million. Investor share quantity increased from 25 million recorded in Q2. to 614 million in Q3. 2023.</td>
<td>While the proportion of local investors is higher than foreign investors, the share quantity held by each investor on a per capita basis remains low.

The industry investor awareness and education strategy will be targeted at increasing retail investor participation through more roadshows, caravans and county engagements</td>
</tr>
<tr><td colspan="5">7.0 Settlement Compensation Coverage</td></tr>
<tr>
<td>Settlement Guarantee Fund</td>
<td>
<table>
<tr><td>Q3.2023</td><td>July</td><td>Aug</td><td>Sep</td><td>Q. Avg</td></tr>
<tr><td></td><td>3.58</td><td>7.13</td><td>5.37</td><td>5.36</td></tr>
<tr><td>Q2.2023</td><td>Apr</td><td>May</td><td>Jun</td><td>Q. Avg</td></tr>
<tr><td></td><td>5.15</td><td>4.65</td><td>6.35</td><td>5.38</td></tr>
<tr><td>Q1.2023</td><td>Jan</td><td>Feb</td><td>Mar</td><td>Q. Avg</td></tr>
<tr><td></td><td>3.39</td><td>5.52</td><td>0.91</td><td>3.27</td></tr>
<tr><td>Q4.2022</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td></tr>
</table>
</td>
<td>(Indicative– annual: > 1 times, implies full coverage</td>
<td>The average settlement Guarantee Fund (SGF) ratio for July to Sep 2023 was 5.36.</td>
<td>Through Risk-based supervision, the authority has been monitoring the SGF figures. The fund remains adequate to guarantee settlement failure.</td>
</tr>
</table>

<table>
<tr><td></td><td></td><td>4.01</td><td>4.28</td><td>4.9</td><td>4.26</td><td></td><td></td><td></td></tr>
<tr><td colspan="9">8.0 Asset Base of Fund Managers, Stockbrokers, Investment Banks</td></tr>
<tr><td>Working Capital (Amount in Kshs Millions)*</td><td colspan="5">
<table>
<tr><td></td><td colspan="5">Amount in Kshs Millions</td></tr>
<tr><td></td><td>Total Assets</td><td>Total Liabilities</td><td>Net Assets September 2023</td><td>Net Assets June 2023</td><td>% Change</td></tr>
<tr><td>Fund Managers</td><td>8113</td><td>2028</td><td>3660</td><td>3368</td><td>8.67%</td></tr>
<tr><td>Investment Adviser</td><td>519</td><td>152</td><td>264</td><td>240</td><td>10.00%</td></tr>
<tr><td>Investment Banks</td><td>11035</td><td>3012</td><td>3073</td><td>2329</td><td>31.95%</td></tr>
<tr><td>Online Forex Brokers</td><td>3791</td><td>2358</td><td>1568</td><td>1394</td><td>12.48%</td></tr>
<tr><td>Stockbrokers</td><td>1949</td><td>1087</td><td>977</td><td>1019</td><td>4.12%</td></tr>
</table>
</td><td>Medium (Indicative –the higher the figure, the more stable is the market</td><td>The net assets base of Fund Managers, Investment Advisor, Investment Banks, Online Forex, and Stockbrokers, as of September 2023 was 3660M, 264M 3073M, 1568M and 977M respectively.</td><td>Capital markets licensees net assets increased between July and September 2023 except for stockbrokers who recorded a 4.12% decrease.</td></tr>
</table>