



PUBLIC CONSULTATION ON THE CAPITAL MARKETS AUTHORITY BOARD RECOMMENDATIONS ON CAPITAL MARKETS FEES, LEVIES AND COMMISSIONS IN KENYA

The Authority engaged an independent consultant to review the various fees, levies and commissions charged in the market with the aim of informing the policy framework to determine an appropriate fee structure that is consistent with the overall objective of deepening and broadening Kenya's capital markets.

The consultant held comprehensive consultations with key stakeholders in the capital markets industry including Chief Executives, Directors, senior management and technical staff of: Nairobi Securities Exchange (NSE); Central Depository and Settlement Corporation (CDSC); Kenya Association of Stockbrokers and Investment Banks (KASIB) ; Fund Managers Association (FMA); Association of Collective Investment Schemes (ACIS); East African Venture Capital Association (EAVCA); listed and unlisted companies; a credit rating company; transaction advisors; local and foreign institutional investors; financial sector regulators and commercial banks, over a four-month period.

Following the consultations, the CMA Board has considered the findings of the consultant and made the following high level policy recommendations:

- (i) The Authority should continue to be funded through market levies to support its regulatory and market development mandate;
- (ii) Spread-based fees for the secondary bond market be introduced as an alternative to commission-based transactions, subject to the Over The Counter (OTC) component of the hybrid bond market being operationalized;

- (iii) Capital investment in systems infrastructure by the core market infrastructure participants (Exchanges and Central Securities Depositories) should be through capital injection by shareholders or other corporate financing techniques other than through reliance on market levies;
- (iv) Market fees should be increased for the CDSC given its national role and the increased risks from ongoing dematerialization and consolidation initiatives; and
- (v) Trading participants should be the primary contributors to the Investor Compensation Fund (ICF) to ensure management of moral hazard.

In furtherance of the above as well as to respond to the various stakeholder recommendations arising from the consultation study, the Authority hereby publishes its recommended fees and commissions structure for the Kenyan capital markets for public consultation and feedback:

RECOMMENDATIONS ON CAPITAL MARKETS FEES, LEVIES AND COMMISSIONS:

1.0 Equity Market

Service	Current fee	Recommended fee
Issue of securities to the public (CMA Approval Fees)	0.15% (Value of issue)	0.15% with a cap of KES 15 million
Capitalization or Rights issues (CMA Approval Fees)	0.25% (Value of Issue)	0.25% with a minimum cap of KES 50,000 and a maximum cap of KES 15 million
Listing by introduction (CMA Approval Fees)	0.25% (Value of issue) subject to minimum fee of KES 50,000 and maximum of KES 5 million)	0.25% with a cap of KES 5 million
Market Development Levy	0.01% Market Capitalization (listed companies) capped at a min of KES 50,000 and max of 100,000	To remain unchanged
	0.005% Value of Fixed Income Securities capped at a min of 100,000 and max of KES 2.5 Million	To remain unchanged
Commercial paper (CMA Approval Fees)	0.10% (Value raised)	To remain unchanged

Service	Current fee	Recommended fee
Investor Compensation Fund (ICF) (Investors)	0.01% (Value of transaction)	<ul style="list-style-type: none"> Contribution by investors to cease. Market intermediaries trading in the secondary market (investment banks and stockbrokers) to commence contributions towards ICF
ICF (Brokers and Investment Banks)	None	0.015% with minimum cap at KES 100,000 and maximum cap KES 5 million
Transaction levy (NSE and CMA)	0.12%	To remain unchanged
Transaction levy - CDSC	0.06%	Increase to 0.08%
Settlement Guarantee Fund	0.01%	To remain unchanged

2.0 Bond Market

Service	Current fee	Recommended fee
Net brokerage commission (Bonds)	0.024%	To remain the same
NSE Levy	0.004%	To remain the same
CDSC Levy	0.002%	To remain the same
Investor Compensation Fund (Investor)	0.004%	Investors contribution to cease
ICF (Brokers and Investment Banks)	None	0.004% to be introduced for to investment banks and stockbrokers
GoK Securities Approval	0.075% (Value raised)	To remain the same
Corporate Bond Approvals	0.10% (Value raised)	0.10% with a cap of KES 15 million

NOTE: All other fees, levies and commissions other than those reviewed above remain the same

Comments are invited from the public on or before October 30, 2013.

Contact Addresses: Interested persons should submit;

- i. Formal written data, views, and opinions, to the Chief Executive, Capital Markets Authority, P.O.Box 74800 00200, Embankment Plaza, 3rd Floor, Upper hill, Nairobi.
- ii. Comments may also be submitted electronically at the following E-mail address: research@cma.or.ke. All Comment letters should refer to **“COMMENTS ON PROPOSED CAPITAL MARKETS FEES, COMMISIONS AND LEVIES, 2013”**