



# Annual Report & Financial Statement 2015





**ANNUAL REPORT AND FINANCIAL STATEMENTS**

For the Year ended

June 30, 2015

## VISION

*“A proactive regulator of a competitive and robust capital market”*

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## MISSION

*“To promote the development of Kenya’s capital market to be an investment destination of choice through facilitative regulation and innovation”*

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## CORE VALUES

### **Responsiveness:**

We are sensitive to and will deal with issues and situations affecting all our stakeholders in proactive and timely manner, using flexible decision making processes;

### **Innovation and continuous learning:**

We are committed to facilitating continuous learning and innovation;

### **Integrity:**

We are committed to acting at all times with honesty, fairness, accountability, transparency, ethically and above board in all our operations;

### **Collaboration and Teamwork:**

We are committed to teamwork within the Authority and collaboration with our partners in the provisions of our services;

### **Commitment:**

We shall perform our duties with the highest level of professionalism, dedication with a view to exceeding the expectations of our clients and stakeholders.

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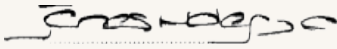
# LETTER OF TRANSMITTAL

The Cabinet Secretary  
The National Treasury  
NAIROBI

Dear Hon. Cabinet Secretary,

I have the honour of submitting the Annual Report of Capital Markets Authority for the fiscal year ended June 30, 2015. The report has been prepared in accordance with the provisions and requirements of Section 36(2) of the Capital Markets Act, Cap 485A.

Respectfully yours



James P.M. Ndegwa  
CHAIRMAN

# AUTHORITY INFORMATION

## Background information

Capital Markets Authority is a body corporate established under the Capital Markets Authority Act, 1989. The Act was amended in 2000 and renamed as Capital Markets Act.

## Principal activities

The Authority promotes and facilitates the development of an orderly, fair and efficient capital markets in Kenya.

## Key management



### Paul Murithi Muthaura

Position : Acting Chief Executive  
Date joined the Authority : September 15, 2005  
Profession : Advocate of the High Court of Kenya  
Key qualification : MPhil, LLM, LLB, Dip Law, Dip in Financial Management, DBA (Candidate)

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### Wyckliffe Shamiah

Position : Director, Market Operations  
Date joined the Authority : May 20, 1995  
Profession : Accountant  
Key qualification : MBA, BA, CPA (K)

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### Rose Lumumba

Position : Director, Corporation Secretary and Communications  
Date joined the Authority : June 2, 2008  
Profession : Advocate of the High Court of Kenya  
Key qualification : MBA, LLB, PhD (Candidate) CPS (K)

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### Edwin Nyaga Njamura

Position : Director, Corporate Services  
Date joined the Authority : July 17, 2012  
Profession : Accountant  
Key qualification : MBA, BCOM, CPA(K), BSP

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### Luke Ezekiel Ombara

Position : Acting Director, Regulatory Policy and Strategy  
Date joined the Authority : February 15, 1995  
Profession : Economist  
Key qualification : MA, BA, BSP



### **Esther Maiyo**

Position : Manager, Internal Audit  
 Date joined the Authority : February 15, 1995  
 Profession : Accountant  
 Key qualification : MBA, BCOM, CPA(K), CPS(K), CISA



### **Johnstone Kaila Oltetia**

Position : Manager, Market Supervision  
 Date joined the Authority : May 20, 1997  
 Profession : Financial Analyst  
 Key qualification : MBA, BCOM, CFE



### **Samuel Kamunyu Njoroge**

Position : Manager, Investor Education  
 Date joined the Authority : January 3, 2005  
 Profession : Economist  
 Key qualification : MA, B.A



### **John Njoroge**

Position : Manager, Finance  
 Date joined the Authority : February 4, 2008  
 Profession : Accountant/Economist  
 Key qualification : BA, CPA(K),CPS(K), BSP



### **Richard Chirchir**

Position : Manager, Information Communications & Technology  
 Date joined the Authority : June 22, 2009  
 Profession : Computer Science Engineer  
 Key qualification : Pg Dip- Computer Science, BSC



### **Andrew Muthabuku**

Position : Manager, Human Capital & Administration  
 Date joined the Authority : July 1, 2011  
 Profession : Human Resources  
 Key qualification : H-Dip (HRM), MBA, BA



## KEY

<b>DBA</b>	Doctor of Business Administration
<b>PhD</b>	Doctor of Philosophy
<b>MBA</b>	Master of Business Administration
<b>MA</b>	Master of Arts
<b>LLM</b>	Master of Law
<b>BCOM</b>	Bachelor of Commerce
<b>LLB</b>	Bachelor of Law
<b>BSC</b>	Bachelor of Science
<b>BA</b>	Bachelor of Arts
<b>CPA</b>	Certified Public Accountant
<b>CPS</b>	Certified Public Secretary
<b>HRM</b>	Human Resource Management
<b>CISA</b>	Certified Information Systems Auditor
<b>CFE</b>	Certified Fraud Examiner
<b>Pg Dip</b>	Post Graduate Diploma
<b>H. Dip</b>	Higher National Diploma
<b>Dip</b>	Diploma
<b>BSP</b>	Balanced Scorecard Professional

## Board Members of the Authority

Mr. James Ndegwa	-	Chairman (Appointed on April 17, 2015)
Mr. Paul M. Muthaura	-	Ag. Chief Executive
Dr. Kamau Thugge, EBS	-	Principal Secretary to the National Treasury
Dr. Geoffrey Mwau	-	Alternate to the Principal Secretary to the National Treasury
Hon. Prof. Githu Muigai, EGH, MP-	-	Attorney General
Ms. Njeri Wachira	-	Alternate to the Attorney General (Appointed on September 15, 2014)
Prof. Njuguna Ndung'u, CBS	-	Governor Central Bank of Kenya (Term ended on 3rd March 2015)
Dr. Patrick Njoroge	-	Governor, Central Bank of Kenya (Appointed on June 19, 2015)
Ms. Rose Detho	-	Alternate to the Governor, Central Bank of Kenya
Ms. Nafisa Abass	-	Member
Mrs. Judy Thuo	-	Member (Term Expired on July 1, 2015)
Mr. Paul B. M. Ngugi, MBS	-	Member
Dr. Chris Kiptoo	-	Member (Appointed on April 17, 2015)
Ms. Linda Muriuki	-	Member (Appointed on April 17, 2015)

## REGISTERED OFFICE

3<sup>rd</sup> Floor, Embankment Plaza  
Longonot Road, Upperhill  
P.O. Box 74800 - 00200  
Nairobi  
Tel: 2221910/2264900/2221869/2226225  
Cell: +254 722 207767/ 254 734 651550  
E-mail: corporate@cma.or.ke  
Website: www.cma.or.ke

## PRINCIPAL BANKERS

### Commercial Bank of Africa Limited

Mara / Ragati Roads Upper Hill  
P.O. Box 30437 - 00100  
Nairobi

### Housing Finance Company of Kenya Limited

Kenyatta Avenue/Koinange Street, Rehani House  
P.O. Box 30088 - 00100  
Nairobi

### KCB Mortgage Centre, Salama House

Mama Ngina Street  
P.O. Box 45129 - 00100  
Nairobi

## AUDITORS

### Authorized Independent Auditor

#### RSM Ashvir

Certified Public Accountants  
1<sup>st</sup> Floor, Pacis Centre  
Slip Road, Off Waiyaki Way, Westlands  
P.O. Box 349 - 00606  
Nairobi

On Behalf of

#### The Auditor-General

Kenya National Audit Office  
Anniversary Towers  
University Way  
P.O. Box 30084 - 00100  
Nairobi

## PRINCIPAL LEGAL ADVISOR

### The Attorney General

Office of the Attorney General and  
Department of Justice  
Harambee Avenue  
P.O. Box 40112 - 00200  
Nairobi

### Archer & Wilcock Advocates

Marakwet Close, Kilimani  
P.O. Box 10201 - 00400  
Nairobi

### Hamilton, Harrison & Mathews

ICEA Building, Kenyatta Avenue  
P.O. Box 30333 - 00100  
Nairobi

### Muriu Mungai & Company Advocates

MMC Arches, Spring Valley Crescent,  
Off Peponi Road, Westlands,  
P.O. Box 75362 - 00200  
Nairobi

### Waweru Gatonye & Company Advocates

Timau Plaza, 4<sup>th</sup> Floor, Argwings Kodhek  
Timau Road Junction  
P.O. Box 55207 - 00200  
Nairobi



# CHAIRMAN'S STATEMENT

*'I am pleased to present the Authority's Annual Report for the year ended 30 June 2015, being the first since my appointment as chairman on 17 April 2015. I take this opportunity to thank His Excellency the President for the honour and opportunity to serve in this capacity'.*

## INTRODUCTION

Kenya's economy grew by 5.3 percent in 2014 and is projected to grow by 6 percent in 2015. Financial Services, Building and Construction and ICT sectors all performed strongly while unfavourable weather patterns meant that the Agriculture sector expanded less than in the previous year. The severe downturn in tourism occasioned by negative travel advisories and the Ebola epidemic in West Africa meant that the Hotel and Restaurant sector contracted for a second year running. The World Bank Group's Kenya Economic Update expects that the overall growth is likely to continue with the economy forecast to expand at 6.6 percent in 2016 and 6.5 percent in 2017. The report further states that Kenya is emerging as one of Africa's key growth centers and is also poised to become one of the fastest growing economies in East Africa, supported by lower energy costs, investment in infrastructure, agriculture, manufacturing and other industries

Within the Capital Markets sector, history was made in 2014 as the Nairobi Securities Exchange (NSE) finally joined the select group of demutualized and self-listed exchanges in the world, an achievement that even leading exchanges in India, Norway, Switzerland, Taiwan and Japan cannot claim. This

came after the industry's rise in ranking last year by ten places in the Global Competitiveness survey.

Globally, growth prospects in the developed economies were dampened by falling prices in 2014 with deflationary forces proving to be particularly acute in the Eurozone. The worst effects of this trend were experienced by highly-indebted countries as deflation increased the real value of debt burdens and delayed consumer spending.

These concerns were enough to prompt a stock market correction which saw global indices temporarily crash and the FTSE 100 experience its biggest one-day sell-off in almost a year and a half. However, the economies of United States and United Kingdom improved, while emerging markets, in particular China, Brazil and Russia, continued to slow down.

Developing countries face a series of challenges in 2015, including the looming prospect of higher borrowing costs in a new era of low prices for oil and other key commodities, but are still projected by the World Bank Group's June 2015 Global Economic Prospects Report to grow by 4.4 percent in 2015, with a likely rise to 5.2 percent in 2016, and 5.4 percent in 2017.

## CHAIRMAN'S STATEMENT *continued*

### STRATEGIC DIRECTION

The Capital Market Master Plan 2014 – 2023 was launched on 21st November 2014. This comprehensive and visionary strategic plan was developed with the involvement of a broad representation of Kenyan and international stakeholders and identifies the building blocks and initiatives required for the Capital Markets to play their critical role in achieving the Vision 2030 targets and to make Kenya “The Heart of African Capital Markets”.

I take this opportunity to thank the Cabinet Secretary for The National Treasury for gazetting the appointment of the Master Plan's National Steering Committee soon after the launch. The composition of this committee chaired by the Cabinet Secretary himself is a clear demonstration of the Government's commitment to the Master Plan's implementation and appreciation of the transformation that will be achieved in the Kenyan economy through its implementation. Reporting into the National Steering Committee is an Implementation Committee (CMMP – IC) and the Board which has assured the CMMP-IC of its full and unequivocal support. Ultimately, successful implementation of the Master Plan will depend on their diligence as well as collaborative and cooperative efforts of the various regulators, industry players, market professionals and all other market participants.

The Authority has harmonized its 2013-17 Strategic Plan with the Capital Market Master Plan to ensure that even as it shepherds the overall strategy and mission for the capital markets industry as a whole it does not lose sight of its own strategic thrust as an organization. During the year under review, the Authority continued to undertake specific initiatives set within its Strategic Plan for the year anchored on the following strategic objectives:

1. To establish a robust, facilitative policy, legal and regulatory framework for capital market development;

2. To develop and deepen the capital market products and services;
3. To promote investor education, awareness and interest in the capital markets;
4. To enhance the efficiency and integrity of the capital market infrastructure and institutional arrangements; and
5. To strengthen the institutional capacity of the CMA to effectively and efficiently deliver on its mandate.

### MARKET DEVELOPMENTS & REFORMS

In line with above strategic objectives, the Authority continued with the implementation of various initiatives, aimed at further positioning Kenya as the investment destination of choice in Africa and underscoring the leading role of the capital markets in attaining the Vision 2030 Second Medium Term Plan (MTP II) objectives for the Financial Services Sector.

Of these initiatives and activities, I will focus on two areas:

#### ***Derivatives Market***

The Authority received applications from the Nairobi Securities Exchange and a second provider for licenses to operate derivatives contracts business in Kenya.

An in-principle approval has been granted to the NSE on the basis that a license would be issued within six months upon full compliance with International Organisation of Securities Commissions (IOSCO) Principles on Commodity Derivatives as stipulated in the Capital Markets Futures Licensing Regulations 2013. It is expected that the NSE will be fully licensed in the coming financial year. The second applicant continues to engage the Authority in relation to compliance with requirements on capitalization, risk management and corporate governance. We look forward to progressing the applications subject to compliance with existing regulations.

## CHAIRMAN'S STATEMENT *continued*

### **Stewardship Code**

One of the recommendations of the Code of Corporate Governance Practices for Issuers of Securities to the Public (Corporate Governance Code) developed during the 2013/2014 Financial Year was that institutional investors should have transparent, honest and fair practices in their dealings with the companies in which they invest and bear a role of responsibility on behalf of all investors in listed companies and other approved products. The Authority began the process of implementing this by establishing a committee with representation drawn from institutional investors, market intermediaries, listed companies and regulators to develop a Stewardship Code for Institutional Investors as well as holding a number of stakeholder consultations on the scope and expected impact of the Code. The Code will be second only to South Africa's Code for Responsible Investing on the Continent, and is envisaged to provide the framework through which institutional investors will take up the role of stewardship as the representatives of their clients and other investors in listed companies.

### **PERFORMANCE MANAGEMENT**

Being a state corporation the Authority is required to enter into a performance contract with the Government.

Performance Contracting is now in its 12th Cycle and this initiative has to a large extent contributed towards enhanced service delivery through: promotion of National Cohesion and National Values; enhanced innovation; professionalism and ethics; promotion and protection of the rights of users and improved the culture of accountability, integrity and transparency in the overall public service delivery in Kenya.

The Authority takes this process and performance commitments made with complete seriousness and the Board will continue to ensure that the Performance Contract is cascaded to all

directorates, departments, sections, units, and cadres of employees for the purpose of complete integration of the process. The Authority will also continue applying the Balance Score Card (BSC) Performance Management System (PMS) in order to link institutional performance to that of individual employees.

I am glad to note that in the evaluation of its performance over the years, the Authority has consistently achieved very good scores.

### **INTERNATIONAL RECOGNITION & COOPERATION**

The appointment of Mr. Paul Muthaura, Acting Chief Executive, Capital Markets Authority to the Board of the International Organization of Securities Commissions (IOSCO) in September 2014, was a historic recognition for the East African financial services regulators, and one which was also important for the more than eighty five (85) Latin American, European, African, Middle Eastern and Asian securities and derivatives market regulators who gained an additional voice in informing IOSCO policy and regulatory formulation. We welcome this opportunity for Kenya to make its contribution towards developing practical solutions to challenges facing the Growth and Emerging Markets globally. Through Mr. Muthaura's continuing role on the Regional Consultative Group for Sub-Sahara Africa of the Financial Stability Board (FSB), the Authority is further committed to strengthening Africa's voice in the Financial Stability Board and G-20 work-streams relating to capital markets issues.

On behalf of the Authority's Board, I congratulate Mr. Muthaura on this well-deserved appointment and the honour that it brings, which is also a significant boost to Kenya's aspiration for Nairobi to become an International Financial Center.

In making further strides in cooperation in the year under review, the Authority signed a Memorandum of Understanding with the Lord Mayor of the City of London on behalf of the Chartered Institute for Securities and Investment (CISI) for the

## CHAIRMAN'S STATEMENT *continued*

introduction of international certification standards in the capital markets industry in September 2014. The partnership set a platform for the roll out of international professional standards with appropriate domestication that will enhance the competitiveness of capital markets intermediaries and consequently attract international fund flows and support the introduction of more diversified products in the market.

In addition, the Authority signed a Memorandum of Understanding with the Capital Markets Commission of Angola in February 2015, aimed at promoting information sharing as well as supervisory and regulatory coordination between Kenya and Angola.

On the domestic front, the fifth annual strategic retreat of the joint Boards and technical staff of the Authority, the Nairobi Securities Exchange and the Central Depository and Settlement Corporation was held as we continue charting a common front in advancing the cause of the capital markets and jointly lead the industry towards accelerated growth. The Financial Sector Regulators Forum remains very strong and I congratulate the Sacco Societies Regulatory Authority for becoming a full member during the period under review. In 2015/16 the Forum will set down its key strategic priorities to guide its joint initiatives during the coming financial year.

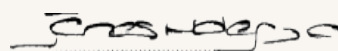
## APPRECIATION & OUTLOOK

In conclusion, recognising that much of the results and developments covered by this Report were achieved prior to my appointment, I wish to acknowledge the immense contribution made by the previous chairpersons as well as past and current members of the Capital Markets Authority board over the years and to appreciate their service.

The current board is determined to build on the strong legacy inherited from its predecessors and will be open to and accessible by market participants and stakeholders as the Authority plays its role towards the achievement of Vision 2030.

My interaction with senior management and staff of the Authority in the few months since my appointment leaves me in no doubt as to their ability and commitment to successfully drive the capital markets development and reform agenda.

Kenya can confidently therefore look forward to even more vibrant, inclusive and comprehensive capital markets in the coming years.



**James Ndegwa**  
Chairman

## BOARD MEMBERS OF THE AUTHORITY



**Mr. James Ndegwa**  
Chairman



**Mr. Paul Muthaura**  
Ag. Chief Executive



**Dr. Kamau Thugge**  
PS National Treasury



**Dr. Patrick Njoroge**  
Governor, CBK



**Hon Prof Githu Muigai**  
Attorney General



**Ms Nafisa Abass**  
Member



**Dr. Geoffrey Mwau**  
Alt to PS, National Treasury



**Ms Rose Detho**  
Alt. to Governor, CBK



**Ms Njeri Wachira**  
Alt. to the Attorney General



**Mrs. Judy Thuo**  
Member



**Mr. Paul Ngugi**  
Member



**Dr. Chris Kiptoo**  
Member



**Ms Linda Muriuki**  
Member

# CORPORATE GOVERNANCE REPORT

The Board of the Authority (the Board) is responsible and accountable to the Government of Kenya, through The National Treasury, in ensuring that the Authority complies with the law and the highest standards of corporate governance.

- There are nine members of the Board all of whom, save for the Chief Executive, are non-executive directors.
- The Members possess a broad range of skills and competencies, including legal, finance, banking, economics and management.
- During the period under review, the Board met twelve times.

## COMPOSITION OF THE BOARD

During the period under review, the Board was composed as follows:

### 1. Mr. James Ndegwa

James Ndegwa holds a BA (Hons) and a MA degree from Oxford University. An insurer by profession, he is an Associate of the Chartered Insurance Institute (UK) and an Associate of the Insurance Institute of Kenya. He is the Chairman of First Chartered Securities Limited and a director of several companies. Prior to this, he was the Managing Director of Lion of Kenya Insurance Company Limited until 2003.

### 2. Dr. Kamau Thugge (Principal Secretary, The National Treasury)

Dr. Kamau Thugge holds a doctorate in Economics from Johns Hopkins University. He was appointed an Economic Advisor to the Treasury in December 2005 after serving as an Economic Affairs Director, Treasury since July 29, 2004. Prior to joining Treasury, he worked at the International Monetary Fund from 1985 to 2004.

### 3. Alternate to Principal Secretary, The National Treasury: Dr. Geoffrey Mwu (Director General, Budget, Fiscal and Economic Affairs at The National Treasury)

Dr. Mwu graduated from McGill University in Canada with a PhD in Economics in 1994. He worked as a Senior Advisor to the Executive Director representing Kenya and 21 other African countries at the Executive Board of World Bank. Prior to joining the World Bank, he was a Senior Regional Advisor on Economic Policy Analysis with the United Nations Economic Commission for Africa. Previously, Dr. Mwu also worked for the International Monetary Fund (IMF) as an economist for Rwanda, Malawi, Botswana, and Uganda.

### 4. Hon. Prof Githu Muigai

Professor Muigai is the Attorney General of the Republic of Kenya. He holds a Bachelor's Degree in Law and was called to the bar in 1985. He also holds a Master's Degree in International Law from Columbia University School of Law, New York and a PhD in Constitutional Law from the University of Nairobi.

He is a Fellow of the Chartered Institute of Arbitrators (UK) and a member of the American Association of Trial Lawyers. In addition to Law practice, he is an Associate Professor of Public Law in the School of Law of the University of Nairobi. He specialises in Public Law, Human Rights and trans-national legal practice.

### 5. Alternate to Hon. Attorney General: Mrs. Njeri Wachira

Ms Njeri Mwangi Wachira is the Alternate Director to the Hon. Attorney-General. She holds a Bachelor of Laws (LL.B) degree from the University of Nairobi and a Masters in Public International Law (LL.M) degree from Lund University, Sweden. She is a Senior Deputy Chief State Counsel, International Law Division with vast experience in Litigation, Human Rights & International Humanitarian Law, Disarmament



## CORPORATE GOVERNANCE REPORT *continued*

matters, Environmental Law, Regional Integration, and Public International Law.

### **6. Dr. Patrick Njoroge (Governor, Central Bank of Kenya)**

Dr. Njoroge is an Economist by profession, and holds a PhD in Economics from the University of Yale, USA. He holds a Master's degree in Economics and a Bachelor's degree in the same discipline from the University of Nairobi. He joined the Washington-based IMF in 1995 as an economist and rose through the ranks to hold the position of adviser. Prior to that, he worked briefly in the mid-1980s at the Ministry of Planning and as an economist at the Ministry of Finance in the 1990s.

### **7. Alternate to Governor, Central Bank of Kenya: Ms. Rose Detho**

Ms. Detho holds Master of Business Administration and Bachelor of Commerce degrees from the University of Nairobi. She was the Director of the Deposit Protection Fund Board until March 2014 when she was appointed Director of the Strategic Management Department. Ms. Detho joined Central Bank of Kenya on August 10, 1988 and has served the bank in various capacities. She has served on several occasions as Statutory Manager, appointed by the Bank, to manage financially distressed institutions.

### **8. Ms. Nafisa Abass**

Ms. Abass holds a Bachelor of Business Administration degree from the American University in Cairo, and an MBA from the United States International University Nairobi. She has diverse experience in the business sector where she holds directorship roles, and has some non-executive responsibilities in non-profit organizations.

### **9. Mrs. Judy Thuo**

Mrs. Judy Thuo holds a Bachelor of Arts Communications (major) and Community Development (minor) from Daystar University

College (Messiah University). She is currently a director in City Hopper Limited and Kwani Trust. She has extensive experience in Transport Sector, IT and Telecommunications, Leading Advertising Agency, Integrated Communications Agency among other sectors. Her term on the Board expired on July 1, 2015.

### **10. Mr. Paul B. M. Ngugi**

Mr. Paul Ngugi holds a Masters of Social Science (M.Soc.SC) in Development Administration from the University of Birmingham (UK), a Bachelor of Arts from the University of Nairobi and a Diploma of Professional Development in Management with Specialization in Budgeting and Financial Management from the University of Connecticut (USA). He has served as Alternate Director to Permanent Secretary, Ministry of Finance and also in various boards of state corporations including Kenya Roads Board, Housing Finance, Kenya Meat Commission, National Oil Corporation, among others. He also served as Director in Kenya Dairy Board.

### **11. Dr Chris Kiptoo**

Dr. Kiptoo holds several qualifications including a Doctor of Philosophy Degree (PhD) - International Macroeconomics Finance Specialization - from the University of Nairobi. He is also an Accredited Fellow of the Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI), in the field of Macroeconomic Management. He is also an Associate of Kenya Chartered Institute of Bankers (A.K.I.B). Dr. Kiptoo has attended several training courses locally, regionally and internationally including several courses at the IMF Institute in Washington DC, USA

### **12. Ms. Linda Muriuki**

Linda Watiri Muriuki is an Advocate of the High Court of Kenya with over Twenty-Five years' experience. Linda obtained a B.A. Economics degree from York University, Canada, after which she graduated with

## CORPORATE GOVERNANCE REPORT *continued*

an LLB (Honours) from the University of Leeds, United Kingdom. She further obtained a Masters Degree as a Graduate of the Global Executive Masters of Business Administration from United States International University, Kenya in collaboration with Columbia University New York, U.S.A. Linda is a Commissioner for Oaths, Notary Public, Certified Public Secretary (Kenya) and a professional Director.

### **13. Mr. Paul M Muthaura (Acting Chief Executive)**

Mr. Paul Murithi Muthaura is the Acting Chief Executive, Capital Markets Authority. Mr. Muthaura is a member of the Board of the International Organization of Securities Commissions (IOSCO), the Steering Committee of the Growth and Emerging Markets Committee of IOSCO, the Financial Stability Board (FSB) Regional Consultative Group for Sub-Saharan Africa and the Consultative Committee of the East African Securities Regulatory Authorities (EASRA).

At the domestic level, Mr. Muthaura is an ex officio member of the Boards of Directors of the Retirement Benefits Authority, the Insurance Regulatory Authority and the Vision 2030 Delivery Secretariat. In his time with the Authority he has held positions as the Director, Regulatory Policy and Strategy; Head of Legal Framework and Head of Enforcement. Paul has also previously worked as an Emerging

Markets Advisor with the General Secretariat of the International Organization of Securities Commissions (IOSCO). Before moving into the regulatory industry Mr. Muthaura was a senior commercial associate with the law firm of Daly and Figgis Advocates. Mr. Muthaura is an Advocate of the High Court of Kenya and is the holder of a Bachelor of Laws degree from the University of Warwick, a Masters in Banking and Finance Law from the London School of Economics and Political Science, a Masters in Philosophy from the Maastricht School of Management and is currently undertaking a Doctorate in Business Administration at the Maastricht School of Management.

### **MEMBERS WHO EXITED THE BOARD DURING THE PERIOD UNDER REVIEW**

1. Prof. Njuguna S. Ndung'u (Governor, Central Bank of Kenya) – Term Expired on March 3, 2015

An Economist by profession, Prof. Ndung'u holds a PhD in Economics from the University of Gothenburg, Sweden, and Masters and Bachelor's degrees in Economics from the University of Nairobi. He's an Associate Professor of Economics at the University of Nairobi, and has worked in various capacities with the International Development Research Centre (IDRC) Canada, and the Kenya Institute of Public Policy Research and Analysis (KIPPRA), among other Institutions.

## REPORT OF THE BOARD MEMBERS OF THE AUTHORITY

The board members of the Authority submit their report together with the audited financial statements for the year ended 30th June 2015, which show the state of the affairs of the Authority.

### **Principal activities**

The Authority promotes and facilitates the development of an orderly, fair and efficient capital market in Kenya.

### **Results**

The results of the Authority for the year ended 30th June 2015 are set out on page 23.

### **Board members of the Authority**

The board members of the Authority who held office during the year and to the date of this report are set out on page 3.

### **Auditor**

The Auditor-General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya. Section 39 (1) of the Public Audit Act 2012, empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

RSM Ashvir Certified Public Accountants were nominated by the Auditor General to carry out the audit of the Authority for the year ended 30th June 2015.

By order of the board



**Ag. Chief Executive**

Nairobi, 23<sup>rd</sup> September 2015



## CHIEF EXECUTIVE'S STATEMENT

*"The Vision of the Capital Markets Master Plan; "The heart of African Capital Markets"; envisions that the Kenyan capital markets will become sufficiently deep and dynamic to stimulate domestic development..."*

### MARKET PERFORMANCE

The NSE 20-share index registered an increase of 0.43 percent to reach 4,906 points as at end of 2014/15 fiscal year against an index of 4,885 points during same period the previous year. The market witnessed the highest share index in February 2015 when it hit a peak of 5,491 points. Similarly, market capitalization increased by 9.27 percent to reach Kshs2,301 billion against the Kshs2,107 billion registered during the same period the previous year. Equity turnover as at the end of 2014/15 financial year stood at Kshs60.22 billion as compared to Kshs56.96 billion at end of 2013/14 financial year, translating to an increase of 5.72 percent.

As at the close of the review period 63 companies were listed at the NSE. The NSE self-listed on its main market segment following an Initial Public Offer (IPO) conducted between 24 July and 12 August 2014, which marked the only activity in the primary equities market. In the year, three (3) companies - Flame Tree Group, Atlas Development and Support Services and Kurwitu Ventures - were introduced in the Growth Enterprise Market Segment (GEMS) of the NSE. CMC Holdings which had remained suspended was delisted in February 2015 following successful finalization of a takeover bid. Three (3) companies - Hutchings Biemer, Rea Vipingo and A Baumann - remained suspended from trading during the year.

During the review period, sixteen (16) Treasury bonds (i.e. nine new issues and seven re-openings) were issued as the Government sought to raise Kshs195 billion. Kshs232 billion worth of bond applications were received, with the Government accepting Kshs163 billion. In addition, two new infrastructure bonds were issued seeking to raise Kshs40 billion. Kshs90 billion worth of bond applications were received with the Government accepting Kshs40 billion. There were eight corporate bonds issued during the review period. On public offers, CMA approved the application of the NSE to offer its shares to the public through an Initial Public Offer (IPO) and subsequently self-list its shares on the Main Investment Market Segment (MIMS) of the NSE.

In December 2014, the Government re-opened the Two Billion US Dollar (\$2 billion) sovereign bond it issued in June 2014 through a process known as a Tap. Kenya raised an extra Kshs67 billion (\$750 million) from the international bond market at an average interest rate of 5.5 percent, a price lower than that of the initial Ksh180 billion (\$2 billion). The offer was oversubscribed by 400 percent, as the country received bids over 3 billion US dollars above its target of 750 million US dollars, showing continued investor confidence in Kenya. The re-opening of the Eurobond allowed the Government of Kenya to increase the size of the existing bond by 750 million US dollars to 2.75 billion, up from Two Billion US Dollar (\$2 billion).

## CHIEF EXECUTIVE'S STATEMENT *continued*

### CAPITAL MARKET MASTER PLAN

Since the launch of Capital Market Master Plan in November 2014, which identified 113 recommendations to be implemented over the period of the next 10 years, several key milestones have already been achieved. The following are the key achievements under the CMMP that have been accomplished thus far:

- (i) The rebranding, demutualization and subsequent self-listing of the NSE in June 2014 resulting in:
    - a. Increasing the shareholder base of the Exchange from 21 brokers to 17,000 institutional and retail investors;
    - b. Separation of ownership from management of the NSE with a majority of independent directors of the Board (six out of nine including the Chief Executive with a clearer mandate to act in the interests of the business and public shareholder);
    - c. Streamlining of the process for access for new trading participants to access trading rights at the Exchange with three new trading participants joining with effect from July 2014;
    - d. Creation of opportunities for the NSE to raise capital from the markets in order to fund new market infrastructure and to support new product development;
    - e. Introduction of more robust corporate governance and transparency measures at the NSE; and
    - f. Tenfold reduction in NSE membership admission cost from Kshs250 million to Kshs25 million reducing barriers to market access for new players seeking to be trading participants;
  - (ii) Development of a new Code of Corporate Governance Practices for Issuers of Securities to the Public in August 2014 (which was used as a template for the design of the Mwongozo Code for State Corporations);
  - (iii) An MOU was signed with Chartered Institute for Securities and Investments on domestication of International Certification Standards for the market intermediaries in September 2014, thereby introducing a global benchmark standard for minimum technical competency and practices for licensed intermediaries in order to position Kenya as a competitive International Financial Centre;
  - (iv) In October 2014, the Authority was elected to represent Growth and Emerging Markets on the Board of the International Organization of Securities Commissions (IOSCO) placing it at the front line of developing and informing global standards for securities regulation;
  - (v) The NSE was granted a provisional license in December 2014 to set up a Derivatives Exchange to allow for the further work required for the substantive license on full compliance with the statutory and regulatory requirements;
  - (vi) Phase I of the settlement of traded equity and corporate bonds in Central Bank money was introduced in January 2015 thereby shifting the settlement credit risk of the industry from designated commercial banks to the Central Bank of Kenya to ensure settlement certainty of trading transactions;
  - (vii) Removal of foreign ownership caps in listed companies in June 2015 and provision for mechanisms to introduce foreign ownership limits for entities deemed to be strategic by the National Treasury;
  - (viii) Substantial progress in the development of a Stewardship Code catering for the empowerment of institutional investors to play a more proactive role in tracking and pressuring listed companies to improve their compliance with the standards in the Corporate Governance Code;
  - (ix) Investor education and public awareness programmes undertaken in 35 counties within Kenya;
- The above achievements already account for more than 10 percent of full implementation of the recommendations and consequently the Board of the Authority is pleased to note they have been achieved within less than one year since the launch of the CMMP.
- The overall implementation of the Capital Market Master Plan is designated to be coordinated at the

## CHIEF EXECUTIVE'S STATEMENT *continued*

national level by the Capital Market Master Plan National Steering Committee (CMMP-SC) chaired by the Cabinet Secretary to the National Treasury. The role of the CMMP-SC is to provide the overall policy direction during Master Plan implementation as well as to address cross-cutting issues that require cross-sectorial policy coordination. The other members of the CMMP-SC are: the Attorney General; the Cabinet Secretary for the Ministry of Agriculture, Livestock and Fisheries; the Cabinet Secretary for the Ministry of Mining; the Governor of the Central Bank; the Chief Executive, Capital Markets Authority; the Secretary to the National Economic and Social Council; the Director General, Communication Authority of Kenya; and the Chairman of the Financial Sector Regulators Forum.

The operational coordination of the CMMP implementation is being carried out by the Capital Markets Master Plan Implementation Committee (CMMP-IC) which is chaired by the Chief Executive, Capital Markets Authority and draws membership from both public and private sectors as well as the academia.

The CMMP-IC executes its role under the guidance of both the CMMP-SC as well as the Board of the Capital Markets Authority.

There are 4 Working Groups (WGs) operating under the guidance of the CMMP-IC that ensure that the execution of the actual implementation of the Master Plan is owned and driven by the relevant operational stakeholders. The membership to the WGs is drawn from both the public and private sectors. The WGs handle various thematic areas in CMMP as detailed below:

- **Working Group 1 (WG1): Supporting the Domestic Economy;** mandated to carry out analysis of financing needs, county financing, infrastructure finance, Islamic finance, asset management, Real Estate Investment Trusts (REITs) and consumer education;
- **Working Group 2 (WG2): Dealing with the Financial Markets;** mandated to develop the environment for exchange platform providers, develop bond markets, modernize CDSC, develop spot and derivatives markets as well as market infrastructure;
- **Working Group 3 (WG3): Review of the Legal and Regulatory Framework;** mandated to monitor regulatory developments, corporate governance, review of legislation and process and promote competition; and
- **Working Group 4 (WG4): Dealing with the Regional and International Integration;** mandated to liaise with the Nairobi International Financial Center (NIFC), engage with international rating bodies and monitor progress toward improved ratings, promote Kenya capital markets abroad, Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT), tax issues and regional initiatives.

### REVIEW OF THE POLICY FRAMEWORK

Developments within the country's financial services sector remains among the key areas of focus by the Kenyan Government. As highlighted in the Medium Term Plan II implementing the Vision 2013, development and implementation of the Capital Markets Master Plan is one of the areas identified under the economic pillar of the Kenya Vision 2030 as key in propelling the economy to 10 percent growth levels. In 2014, financial intermediation was a major contributor to the country's growth registering a growth rate of 6.7 percent (Economic Survey 2015).

Success in making Nairobi an International Financial Centre hinges on the vibrancy of the country's securities industry. The Authority continued to collaborate with the Government and other stakeholders to deepen the securities industry through facilitative policy, legal and institutional arrangements. A critical mass of financial institutions operating in a conducive business environment is key for a sound financial sector as well as an international financial center. The Government recognizes this and prioritized CMMP as a flagship project within the Second Medium Term Plan implementing the Vision 2030. Additionally, the Government continued to support the securities industry through facilitative economic and fiscal incentives. Highlighted below are the key interventions contained in the 2015 budget speech.

## CHIEF EXECUTIVE'S STATEMENT *continued*

SUBJECT MATTER	BUDGET OUTCOME	EXPECTED IMPACT
1. Asset Backed Securities To exempt asset transfers and other transactions related to the transfer of assets into ABS from stamp duty.	Asset transfers and other transactions related to the transfer of assets into ABS were exempted from stamp duty.	The exemption will ensure tax neutrality for Asset Backed Securities as against other forms of debt thus offering companies alternative sources of raising capital.
2. Real Estate Investment Trusts (REITs) To exempt asset transfers and other transactions related to the transfer of assets into REITs from stamp duty.	Asset transfers and other transactions related to the transfer of assets into REITs were exempted from stamp duty.	This will address the otherwise prohibitive establishment tax costs that would otherwise have applied when transferring assets into a REIT.
3. Capital Gains Tax Full withdrawal of 5 percent CGT on all secondary market trading considerations.	Removal of the 5 percent tax on capital gains arising from sale shares and introduce a 0.3 percent withholding tax on the transaction value of the shares.	1. This will address the administrative challenges faced with implementation of CGT for securities. 2. Ensure Kenyan securities market remains competitive within the region.
4. Exempt subsidiary legislation issued by financial sector regulators from compliance with the Statutory Instruments Act.	Amendment of Statutory Instruments Act (SI Act) to limit the definition of statutory instruments to rules, regulations, by-laws and tariffs.	The Authority will be able to issue the AML guidelines, the Corporate Governance Code, the Stewardship code and other administrative instruments to implement the Capital Markets Act and the Central Depositories Act.
5. Extend preferential tax treatment to companies listing on securities exchanges by way of introduction.	The Income Tax Act to be amended by the Finance Bill 2015 to encourage companies to list by imposing a preferential corporate tax of 25 percent to companies listing at a securities exchange by way of introduction.	The provision is likely to attract more listings particularly to the GEMS market.
6. Provide more access to the Government Bond market by retail investors.	Treasury mobile direct to be launched by July 2015 through the issuance of M-Akiba Bond.	1. This will allow Kenyans to enjoy significantly higher interest rates on government securities compared to bank deposits, through a convenient platform and with a low entry threshold. 2. Diversify the investment range for the retail investors.

## CHIEF EXECUTIVE'S STATEMENT *continued*

### REVIEW OF THE LEGAL AND REGULATORY FRAMEWORK

#### **(a) Finance Act, 2014**

The Finance Act of 2014 re-introduced the Capital Gains Tax (CGT) of 5 percent on securities. The re-introduction of CGT was impeded by numerous implementation challenges. The challenges led to commencement of discussions between the Government and capital markets stakeholders with a view to seeking options to end the impasse. Consequently, the Finance Bill of 2015 has proposed to introduce a transactional tax of 0.3 percent of gross amount payable on any gains on transfer of securities listed on any Securities Exchange approved under the Capital Markets Authority.

The Bill also proposes to amend the Income Tax Act to provide that the corporate rate tax for a company listing its shares by way of introduction on any Securities Exchange would be at 25 percent. Listing by introduction means the listing of securities that are listed on another Securities Exchange or that are publicly held other than as a result of an immediately preceding public offer.

#### **(b) Amendment to the Capital Markets (Foreign Investors) Regulations, 2002**

The Capital Markets (Foreign Investors) Regulations were amended through Legal Notice No. 113 of 2015. The objective of the amendment was to remove the 75 percent ceiling on foreign share ownership but at the same time giving the Cabinet Secretary responsible for the National Treasury powers to introduce investment limits by foreign investors in strategic industries, during privatization of Government entities and where appropriate taking into consideration national interest. Therefore, any proportion of voting shares of a listed issuer shall be available for investment by foreign investors without any restrictions in the level of holdings subject to the requirements of the Capital Markets (Takeovers and Mergers) Regulations, 2002.

The Legal Notice also amended the definition of a "local investor", to ensure that it appropriately captures all the citizens of the East African Community Partner States as local investors. This is in accordance with the East African Protocol on the Establishment of a Common Market which among others establishes the commitment by all the EAC Partner States to allow free movement of capital.

#### **(c) Exemption of transfer assets for purposes of issuance of Asset Backed Securities (ABS) from payment of stamp duty**

Section 106 of the Stamp Duty Act empowers the Cabinet Secretary to exempt any instrument from the provisions of the Act. The Cabinet Secretary for the National Treasury, through Legal Notice No. 105 of 2015, directed that any documents executed in connection with asset-backed securities approved by the Capital Markets Authority in respect of securitization transactions or any document executed to give effect to or for an on-going transaction shall be exempt of Stamp Duty. Unlike a typical transfer of assets, the transfer in Asset Backed Securities transactions takes place only to enhance the security position of the investors. Any tax incremental to the tax payable on a conventional debt financing decreases the relative attractiveness of securitization, and runs contrary to the policy to establish securitization as a financing alternative. The objective is to place ABS on the same economic basis as secured lending transactions.

#### **(d) Integration of the East African Community Capital Markets**

The Authority continued to participate at the EAC level in the development of a harmonized legal and regulatory framework for the EAC capital market. The harmonization seeks to implement the EAC Common Market Protocol issued under the Treaty for the Establishment of the East African Community in 2010. The harmonization of the capital markets legal and regulatory framework is progressing by way of issuance of Council Directives by the EAC Council



## CHIEF EXECUTIVE'S STATEMENT *continued*

of Ministers. The first set of seven Council Directives were gazetted on 29th May 2015 in the East African Community Gazette Vol. AT 1 – No. 7. These are Council Directives on Public offers of Equities, Debt and ABS; Collective Investment Schemes; Regional Listing; Admission to a Secondary Exchange and Corporate Governance for Markets Intermediaries. The Authority has now embarked on preparation of the necessary transposition instruments.

The Authority continued participating in the drafting of Council Directives together with peer regulators and other key stakeholders in the EAC region including the securities exchanges and central depositories. During the year, the Authority participated in the development of twelve draft Council Directives. These Directives are in respect of Securities Exchanges, Central Securities Depositories, Licensing of Market Intermediaries; Self-Regulatory Organizations; Conduct of Business for Market Intermediaries; Anti-Money Laundering; Investor Compensation Funds; Investor Protection; Regulation of Takeovers and Mergers; Credit Rating Agencies; Regulated Activities and Real Estate Investment Trusts.

These draft Council Directives have undergone stakeholder engagement process and are under consideration within the EAC structures to allow for their finalization and subsequent issuance by the EAC Council of Ministers.

### **(e) Amendment of Central Depository Rules on settlement**

Principle 9 of IOSCO Principles for Market Infrastructure requires that a financial market infrastructure shall conduct its money settlements in central bank money where practical and possible.

In order to meet the requirements of this Principle, the Central Depository and Settlement Corporation Limited, the Central Bank of Kenya and the Authority through a collaborative initiative modified the settlement infrastructure as well as amended the regulatory framework to facilitate this development. Through this initiative, settlement for equities and corporate debt trading transactions is now being undertaken using Central Bank money similar to government securities.

### **(f) Stewardship Code for Institutional Investors**

The Corporate Governance Code for Kenya recommended that institutional investors should have transparent, honest and fair practices in their dealings with the companies in which they invest. The Authority therefore embarked on the development of a Stewardship Code for Institutional Investors. The Capital Markets Stewardship Code Committee was established in February 2015 with representatives from National Treasury, Insurance Regulatory Authority, National Social Security Fund, Listed companies, Fund Managers Association, Association of Collective Investment Schemes, The Actuarial Society of Kenya and Association of Kenya Insurers.

The Code envisages providing the framework through which institutional investors will take up the role of stewardship as the representatives of their clients or investors in listed companies. The Code is undergoing the final stages of development.

### **(g) Listing & Trading Rules for the Real Estate Investment Trusts**

The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, Legal Notice No. 116 of 2013 introduced real estate investment trusts. The Authority approved the amendments to the Nairobi Securities Exchange Listing and Trading Rules to incorporate listing and trading of Real Estate Investment Trusts (REITs).

### **(h) Exchange-Traded Funds (ETFs)**

The Capital Markets (Amendment) Act, 2013 introduced section 12A which empowers the Authority to issue guidelines and notices for the regulation of capital markets activities and products. The Authority commenced the process of development of a policy guidance note on the issuance and listing of ETFs pending the development of a comprehensive regulatory framework. Consequently, the Nairobi Securities Exchange has proposed to amend its Listing and Trading Rules to include the ETFs component. In addition, the Central Depository and Settlement Corporation is assessing its rules and

## CHIEF EXECUTIVE'S STATEMENT *continued*

infrastructure to ensure smooth settlement of ETF transactions. The Authority will review any proposed changes to rules or infrastructure systems.

### **(i) Regulatory Impact Assessment**

The Authority undertook a regulatory impact assessment to assess the impact of its legal and regulatory framework on market development. The assessment was done through questionnaires submitted to the Authority's licensees and other stakeholders. The respondents included listed companies, stockbrokers, fund managers, investment advisors, Nairobi Securities Exchange and Central Depository and Settlement Corporation, amongst others. The Authority is now implementing the findings of the regulatory impact assessment.

### **(j) Derivatives Exchange Regulations**

During the year, the Authority developed draft Capital Markets (Licensing Requirements for Futures Brokers and Conduct of Business) Regulations, 2014 and draft Capital Markets (Business of Futures Contracts) Regulations, 2014. These draft Regulations provide the necessary framework for the licensing of futures brokers and conduct of business in derivatives markets by these players. The draft Regulations are awaiting gazettelement by the National Treasury.

### **(k) Anti-Money Laundering Guidelines**

The Proceeds of Crime and Anti-Money Laundering Act was enacted in 2009 to provide for the offence of money laundering and introduce measures for combating this offence, to provide for identification, tracing, freezing, seizure and confiscation of the proceeds of crime. The Authority is designated as one of the supervisory bodies under that Act whereas capital market intermediaries are specified as reporting institutions.

In order to provide further guidance to the capital markets sector, the Authority developed draft Guidelines on the Prevention of Money Laundering and Terrorism Financing in the Capital Markets. The Guideline is currently being considered by the Office of the Attorney General and Department of Justice prior to gazettelement.

## MARKET SUPERVISION

### **Risk Based Supervision**

The Authority continued with its efforts of protecting the investor by ensuring players are operating within the set market requirements and also facilitating market players in meeting their disclosure requirements effectively. During the year, the Authority carried out 56 intermediaries' inspections covering both the CDSC and the NSE and all other categories of CMA licensees. The inspections were done within the Risk Based Supervision framework.

With regards to reporting obligations, the Authority continued with the implementation of online reporting and hence more market players were brought on board during the year. Majority of the market players are now able to submit their financial reports and other applications to CMA through the online portal on the RBS system.

### **Surveillance**

The Authority is in the process of establishing a repository whose purpose is to assist in information intelligence gathering to ensure timely information access about financial markets, securities and the economy which is a vital aspect of vibrant, orderly and transparent financial markets. As a regulator and in particular for surveillance and research, this information is key in building up cases and informing surveillance analysts by assisting in supplementing reviews of suspicious trading activities and also in documenting a case for possible investigation and enforcement. The web-based service will provide a global data streaming solution that is able to deliver data with in-depth information and analytics, news, technical data and global financial markets trends to ensure proper oversight. During the year, the Authority finalized the development of specifications for the repository system.

The Authority through supervisory colleges and collaboration with other peer regulators hosted surveillance teams from Ghana and Uganda in a bid to share experiences on surveillance processes and market supervision. The current environment has facilitated cross border trading through coordinated oversight across the region.

## CHIEF EXECUTIVE'S STATEMENT *continued*

### MARKET DEVELOPMENT

During the year, the Authority completed the following policy/research studies to inform the market development process:

**i) Concept Paper on crowd funding and the possible establishment of a market for these platforms in Kenya** - As one of the initiatives to deepen Kenya's capital markets, CMA initiated a seminal study on these emerging financial platforms and the measures that will have to be put in place to have transparent crowd funding established in Kenya.

As one of the initiatives to deepen Kenya's capital markets, CMA initiated a seminal study on these emerging financial platforms and the measures that will have to be put in place to have transparent crowd funding established in Kenya.

**ii) Comparative performance of the African Capital Markets as at 2014** - This research paper is an effort to fill the data void in this area of study. It compares the performance of an un-balanced panel of 23 securities markets in Africa during the year 2012-2014. The paper also recommends further areas of research within the Kenyan capital markets context.

This research paper is an effort to fill the data void in this area of study. It compares the performance of an un-balanced panel of 23 securities markets in Africa during the year 2012-2014. The paper also recommends further areas of research within the Kenyan capital markets context.

**iii) Listing, Suspension, and Delisting from the Exchange** - The policy aimed at streamlining and harmonizing listing, suspension and delisting procedures to guide applicable frameworks.

The policy aimed at streamlining and harmonizing listing, suspension and delisting procedures to guide applicable frameworks.

The Authority also operationalized research recommendations with regards to the following:

**i) Exchange Traded Funds (ETFs)** – The Authority, together with other key stakeholders held consultations on using a principle-based approach to establish ETF products in Kenya, pending a comprehensive review of the regulatory framework to usher in fully collateralized ETF products in the Kenyan market. In this regard, a policy and institutional framework have been developed.

**ii) Islamic Capital Markets** - Kenya has ambitions of becoming the Islamic finance hub of East Africa and has the first mover advantage. The Islamic capital market in Kenya, albeit currently at a very nascent stage of development, has evolved tremendously, mainly in breadth rather than depth and exhibits a broad array of Islamic financial services including banking, insurance and investment services. Consequently, the Authority continued to engage with various stakeholders on the development of this segment. In this regard, the Authority, in partnership with Financial Sector Deepening (FSD) Africa, commissioned the Islamic Finance Council of the United Kingdom to undertake an Islamic Finance Scoping Mission in Kenya in June 2014 to inform the development of the market segment going forward.

### FINANCIAL HIGHLIGHTS

The Authority's financial position will be presented in detail in the audited financial statements for the financial year ended 30 June 2015. The results for the year are as summarized below:

	2015 Shs '000	2014 Shs '000
Total income for the year	993,036	880,961
Total operating expenditure for the year	(715,739)	(660,609)
Surplus for the year before tax and transfer	277,297	220,352
Tax expense	(133,045)	(66,690)
Surplus after tax	144,252	153,662

Source: Capital Markets Authority

## CHIEF EXECUTIVE'S STATEMENT *continued*

### FUTURE OUTLOOK

Full implementation of the CMMP has great potential of positioning the Kenyan capital markets to fully exploit its huge potential. The fact that the Government has committed to implement the Nairobi as a competitive International Financial Centre is an added opportunity for the vibrancy of the Kenyan securities industry.

World over, experience has shown that there is a symbiotic relationship between the establishment of a financial centre and the growth of the capital markets. The fact that the Government through the National Treasury and other Ministries, Departments, and Agencies is actively involved in the implementation of the CMMP through the various levels within the governance structure is an opportunity that must be maximised.

In conclusion, I want to thank the Board for their guidance and unfailing support throughout the year. The achievements witnessed during the year are as a result of the Board's commitment as well as responsiveness. I would also like to extend my sincere appreciation to the various stakeholders both in the Government and private sectors who have made the development and implementation of the CMMP a reality. My special appreciation goes to the National Treasury for the overwhelming support accorded to the Authority throughout the year. I commend the management and staff for their great commitment and enthusiasm in carrying out their work in fulfilment of the responsibility entrusted to us, moving us ever closer to facilitating the Kenyan capital markets to become the true Heart of the African Capital Markets.



**Mr. Paul Muthaura**  
Ag. CHIEF EXECUTIVE

# STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITIES

The principal responsibility of the Board is to establish the long term goals of the Authority and to ensure that effective plans are developed and implemented. The members of the Board exercise their best judgment to act in what they reasonably believe to be in the best interests of the Authority and its stakeholders. In discharging that obligation, members rely on the honesty and integrity of the Authority's management, senior staff and its external advisors and auditors.

The main responsibilities entail:

- Reviewing the values, vision and mission and developing and adopting appropriate policy and strategy;
- Putting in place management structures [organization, systems and people] to achieve those objectives;
- Setting targets and monitoring performance;
- Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- The review and adoption of annual budgets for the financial performance of the Authority and monitoring the Authority's performance and results;
- Management of risk, overseeing the implementation of adequate control systems and relevant compliance with the law, governance, accounting and auditing standards;
- Ensuring the preparation of annual financial statements and reports, communication, and disclosure of information to stakeholders; and
- Delegating authority to the head of the institution, as Chief Executive, for the corporate, financial and personnel management of the institution; and to establish and keep under regular review the policies, procedures and limits within which such management functions shall be undertaken by and under the authority of the head of the institution.

## Board Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 14 of the Capital Markets Act, the Board works through a number of committees which operate within defined Terms of Reference. Other committees are formed on an ad-hoc basis as need may arise. During the period under review, the Board constituted the following committees:

### The Finance and Planning Committee

This Committee consists of five members, all of whom are non-executive members of the Board. The Committee was chaired by Mr. Paul Ngugi. This Committee has oversight on all financial issues including budgets, financial reporting process and controls, and procurement. The Committee met three times during the period.

### The Audit, Corporate Governance and Risk Management Committee

This Committee consists of five members, all of whom are non-executive members of the Board. The Committee was chaired by Mr. Mahmood Manji until the expiry of his term and thereafter by Ms. Rose Detho. It has an oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of the financial statements. It is also charged with reviewing the risk management and corporate governance practices of licensees and corporate governance practices of listed companies. The Committee met four times during the period.

### The Human Resource and Communications Committee

This Committee consists of five members, all of whom are non-executive members of the Board. The committee was chaired by Mrs. Judy Thuo. It is responsible for human resource matters including

## STATEMENT OF THE BOARD MEMBERS' RESPONSIBILITY *continued*

recruitment, management succession and oversees the corporate communication policies. The Committee met ten times during the year.

### Technical and Policy Committee

The Committee consists of six members all of whom are non-executive members of the Board. The Committee was chaired by Ms. Rose Detho. It is responsible for considering technical and policy matters of the Authority, including reviewing the Authority's strategy and continuous oversight of the review of the capital market legal and regulatory frameworks. The Committee met six times during the year.

### Ad-Hoc Board Committees

During the financial year, there were three ad-hoc committees with board as well as industry representation as follows:

- 1) The Implementation Committee for the Capital Markets Master Plan constituted in January 2015.
- 2) Capital Markets Corporate Governance Steering Committee constituted in December 2012 and whose mandate ended in October 2014, to develop a new Code of Corporate Governance Practices for Issuers of Securities to the Public.
- 3) Capital Markets Stewardship Code Committee appointed in February 2015, to develop a Stewardship Code for Institutional Investors, to complement the Code of Corporate Governance Practices for Issuers of Securities to the Public.

### Supply of Information

Board Members have full access to the advice and services of management. They are consistently updated on the activities of the Authority and are provided with all the information needed to carry out their duties and responsibilities fully and effectively. In addition, directors are entitled where necessary to seek independent professional advice concerning the affairs of the Authority.

### Accountability and Audit

Directors presented a balanced and understandable assessment of the Authority's financial position and prospects. The Authority continued to release its various reports and statements as required by various stakeholders.

### Risk Management and Internal Controls

The Board continued to provide oversight on risk management of the Authority's activities through the Audit, Corporate Governance and Risk Management Committee. The Committee and Board ensured that the Authority had a robust process for identifying, prioritizing, managing and monitoring its key risks and that process is improved continuously as the capital markets environment changes and new products are introduced. In addition, the Board approved various internal control procedures and obtained assurances on existing risk management strategies and procedures.

### Compliance with the Law

The Board as a collective entity and the individual directors are satisfied that the Authority has to the best of their knowledge complied with all applicable laws. To the knowledge of the Board, no director or employee has acted or committed any offence or indulged in any unethical behaviour in the conduct of the lawfully authorized business of the Authority.

# REPORT OF THE AUDITOR GENERAL

## REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE 2015

#### REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Capital Markets Authority set out on pages 23 to 48, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of comparison of budget and actual amounts and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by RSM Ashvir, auditors appointed under Section 39 of the Public Audit Act, 2003 and in accordance with the provisions of Article 229 of the Constitution of Kenya. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

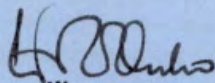
An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Capital Market Authority Act, Cap 485A of the Laws of Kenya.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**10 December, 2015**



## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2015 Shs'000	2014 Shs'000
<b>Revenue from non-exchange transactions</b>			
Capitalization, rights and new issue fees	5	853,337	765,746
Donor fund income	6	60,414	44,102
		913,751	809,848
<b>Revenue from exchange transactions</b>			
Other income	7	78,595	70,955
Total revenue		<b>992,346</b>	<b>880,803</b>
<b>Expenses</b>			
Operating expenditure	31	(715,739)	(660,609)
<b>Total expenses</b>		<b>(715,739)</b>	<b>(660,609)</b>
Other gains/ (losses)			
Gain on disposal of property and equipment	8	690	158
<b>Surplus before tax</b>	9	<b>277,297</b>	<b>220,357</b>
Tax expense	10	(133,045)	(66,690)
<b>Surplus for the year</b>		<b>144,252</b>	<b>153,662</b>

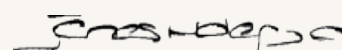
## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2015

	Note	2015 Shs'000	2014 Shs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	11	2,040	1,573
Trade and other receivables from non exchange transactions	12(a)	83,596	75,853
Trade and other receivables from exchange transactions	12(b)	20,457	15,631
Staff loans and advances/guarantee fund	13	33,656	26,132
Held-to-maturity investments	14	333,337	295,386
Staff benevolent fund	15	-	7,882
Cash at bank and in hand	16	183,397	125,193
Investors' Compensation Fund	17	515,119	518,140
		<b>1,171,602</b>	<b>1,065,790</b>
<b>Non-current assets</b>			
Property and equipment	18	104,910	101,341
Intangible assets	19	42,287	85,788
Staff loans and advances/guarantee fund	13	232,569	200,408
Held-to-maturity investments	14	310,444	245,045
Investors' Compensation Fund's investments	17	783,318	358,532
Deferred tax asset	20	-	28,619
		<b>1,473,528</b>	<b>1,019,733</b>
		<b>2,645,130</b>	<b>2,085,523</b>
<b>Total Assets</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Staff benevolent fund	15	-	7,882
Trade and other payables	21	146,766	138,778
Provision for liabilities and charges	22	88,740	46,483
Current tax payable	23	18,003	25,325
Deferred income	24	42,062	83,513
Investors' Compensation Fund	17	515,119	518,140
		<b>810,690</b>	<b>820,121</b>
<b>Non-current liabilities</b>			
Investors' Compensation Fund liabilities	17	783,318	358,532
		<b>1,594,008</b>	<b>1,178,653</b>
		<b>2,645,130</b>	<b>2,085,523</b>
<b>Net assets</b>			
Capital fund	25	27,886	27,886
General fund	26	923,236	878,984
Building fund	27	100,000	-
		<b>1,051,122</b>	<b>906,870</b>
		<b>2,645,130</b>	<b>2,085,523</b>
<b>Total net assets and liabilities</b>			

The financial statements set out on pages 27 to 53 were approved for issue by the board members of the Authority on 23rd September 2015 and were signed on its behalf by:



Ag. Chief Executive  
Date: 23rd September 2015



Chairman of the Board  
Date: 23rd September 2015

## STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2015

	Capital fund Shs'000	General fund Shs'000	Building fund Shs'000	Total Shs'000
<b>At 1st July 2013</b>	27,886	757,322	-	785,208
Surplus for the year	-	153,662	-	153,662
Dividend paid to National Treasury	-	(32,000)	-	(32,000)
<b>At 30th June 2013</b>	<b>27,886</b>	<b>878,984</b>		<b>906,870</b>
<b>At 1st July 2014</b>	<b>27,886</b>	<b>878,984</b>	-	<b>906,870</b>
Surplus for the year	-	144,252	-	144,252
Transfer to building fund	-	(100,000)	100,000	-
<b>At 30th June 2015</b>	<b>27,886</b>	<b>923,236</b>	<b>100,000</b>	<b>1,051,122</b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2015

	Note	2015 Shs'000	2014 Shs'000
<b>Cash flows from operating activities</b>			
<b>Surplus for the year</b>		144,252	153,662
<b>Adjustments for:</b>			
Tax expense	10	133,045	66,690
Depreciation of property and equipment	18	33,181	32,022
Amortisation of intangible assets	19	43,657	49,411
Deferred donor funded income		(41,451)	(43,349)
Gain on disposal of property and equipment	8	(690)	(158)
Interest income	7	(75,221)	(62,645)
<b>Operating profit before working capital changes</b>		<b>236,773</b>	<b>195,633</b>
Decrease/(Increase) in:			
Inventories		(467)	(440)
Trade and other receivables		(12,569)	(4,466)
Staff loans and advances		(39,685)	(59,534)
Increase/(decrease) in:			
Trade and other payables		7,988	20,163
Provision for liabilities and charges		42,257	2,928
Investors' Compensation Fund		291,509	148,918
Staff benevolent fund		(7,882)	651
<b>Cash generated from operations</b>		<b>517,924</b>	<b>303,853</b>
Interest received	7	75,221	62,645
Income tax paid		(111,296)	(100,649)
<b>Net cash generated from operating activities</b>		<b>481,849</b>	<b>265,849</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	18	(38,729)	(16,059)
Purchase of intangible assets	19	(4,800)	(8,371)
Proceeds from disposal of property and equipment		862	427
Purchase of treasury bonds from the Investors' Compensation Fund		(119,244)	(117,000)
(Purchase)/sale of treasury bills from the Investors' Compensation Fund		(62,827)	(11,145)
(Purchase)/sale of treasury bonds		(40,713)	35,000
(Purchase)/sale of treasury bills		(91,369)	(64,168)
Purchase of treasury bills from the Benevolent fund		-	(75)
Surplus payment to National Treasury	26	-	(32,000)
<b>Net cash (used in) from investing activities</b>		<b>(356,820)</b>	<b>(213,391)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>125,029</b>	<b>52,458</b>
<b>Cash and cash equivalents at start of the year</b>		<b>203,996</b>	<b>151,538</b>
<b>Cash and cash equivalents at end of the year</b>	16	<b>329,025</b>	<b>203,996</b>

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	<b>Original budget 2014-2015 Shs'000</b>	<b>Adjustments 2014-2015 Shs'000</b>	<b>Final budget 2014-2015 Shs'000</b>	<b>Actual on comparable basis 2014-2015 Shs'000</b>	<b>Performance difference 2014-2015 Shs'000</b>	
<b>Revenue</b>						
Fee income from NSE	392,500	64,783	457,283	545,786	88,503	a)
Licenses and permits	17,085	(570)	16,515	18,567	2,052	b)
Market development Fees	11,570	491	12,061	12,061	-	c)
Capitalisation and bond approvals	395,000	(126,185)	268,815	276,923	8,108	d)
<b>Fee based income</b>	<b>816,155</b>	<b>(61,481)</b>	<b>754,674</b>	<b>853,337</b>	<b>98,663</b>	
Donor Funding- gifts and services-in-kind	50,000	7,348	57,348	60,414	3,066	e)
Finance income - external investments	60,000	6,870	66,870	75,221	8,351	f)
Gains on disposal, rental income and agency fees	-	-	-	690	690	
Other income	-	-	1,000	3,374	2,374	g)
<b>Total income</b>	<b>927,155</b>	<b>(47,263)</b>	<b>879,892</b>	<b>993,036</b>	<b>113,144</b>	
<b>Expenses</b>						
Personnel cost	325,038	-	325,038	294,150	30,888	h)
Rent and maintenance	42,000	2,000	44,000	42,761	1,239	i)
Equipment maintenance and stationery	32,714	-	34,714	29,955	4,759	j)
Telephone, postage and utilities	17,960	(1,997)	15,963	12,955	3,008	k)
Entertainment and public relations	30,900	2,300	33,200	10,437	22,763	l)
Medical scheme and insurance expenses	20,815	-	20,815	20,443	372	m)
Training and conferences	45,000	17,000	62,000	54,325	7,675	n)
Motor vehicle running expenses	8,000	-	8,000	4,369	3,631	o)
Subscriptions and IOSCO membership	8,500	-	9,100	7,964	1,136	p)
Authority board members' emoluments and allowances	40,761	(8,000)	32,761	27,798	4,963	q)
Professional and market development services	88,450	42,860	131,310	90,507	40,803	r)
Depreciation of property, plant and equipment	34,090	1,468	35,558	33,181	2,377	s)
Amortisation of intangible assets	52,596	2,267	54,863	43,657	11,206	l)
Auditor's remuneration	1,500	-	1,500	620	880	u)
Investors' education and awareness programme	43,300	-	43,300	38,774	4,526	v)
Tribunal expenses	1,500	2,787	4,287	3,593	694	w)
Increase in provision for doubtful debts	-	-	-	250	(250)	x)
<b>Total expenditure</b>	<b>793,124</b>	<b>60,685</b>	<b>856,409</b>	<b>715,739</b>	<b>140,670</b>	
<b>Surplus for the period</b>	<b>134,031</b>	<b>(107,948)</b>	<b>23,483</b>	<b>277,297</b>	<b>253,814</b>	

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS *(CONTINUED)*

### Notes on the significant variances

- a) Heavy trading in December 2014 preceding introduction of capital gains tax and special sale of Helios stake in Equity resulted in the positive performance.
- b) Licences of new products like REITS resulting in a higher income.
- c) No variance.
- e) The budget level was surpassed arising from increased donor funding in the year.
- f) The income level was above budget as the Authority continued investing excess cash per policy.
- g) Other income line was above budget arising from reimbursements for services rendered on behalf of financial sector regulators.
- h) The Authority's staff complement was not fully resourced due to restrictions surrounding financial sector regulators merger process.
- i) This cost is below budget due to alignment of adjusted service charges in the year.
- j) Maintenance program contributed to the low costs.
- k) Cost control strategies contributed to the low costs.
- l) Particular activities (documentary production and airing) were committed but actualisation will be in early 2015/16.
- m) The medical costs were well within the budget allocation.
- n) Deliberate efforts to control costs and maximise benefits generated the underspend.
- o) Cost control strategies (e.g. use of fuel cards, negotiated transport rates) contributed to the low costs.
- p) There was less than anticipated travel on IOSCO activities.
- q) The Board was not fully constituted for part of the year hence the savings.
- r) The underspend is largely due to carry over of activities into next year.
- s) Was lower than budget due to the low capital expenditure owing to the ongoing financial sector regulators merger process.
- t) Was lower than budget due to the low capital expenditure owing to the ongoing financial sector regulators merger process.
- u) Audit fees bidding process placed actual cost lower than budget.
- v) The underspend is largely due to lengthy procurement process leading to carry over of activities into next year.
- w) Minimal meetings were undertaken as the Tribunal was not fully constituted for a better part of the year.
- x) These are long outstanding balances due from two licencees whose licences are in the process of being withdrawn.

# NOTES

## 1. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). In absence of an IPSAS that specifically applies to a transaction, other event or condition, the IFRS has been applied in selecting the accounting policy for that specific transaction, event or circumstance. The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the authority and all values are rounded to the nearest thousand (Shs '000'). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

The Authority adopted IPSAS in the year 2014 following the gazette of the Public Sector Accounting Standards Board (PSASB) which was established by the Public Financial Management Act (PFM) No.18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.

## 2. Summary of significant accounting policies

### a) Revenue recognition

#### i) Revenue from non-exchange transactions

##### Fees

The Authority recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

##### Donor Income

Donor funds are received through Government supported programmes and other development Agencies. These funds are recognised at fair value when there is reasonable assurance that the Authority will comply with the conditions attaching to them and the funds will be received. Donor funds related to purchase of assets are treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets while grants related to expenses are treated as donor fund income in the income statement.

#### ii) Revenue from exchange transactions

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

##### Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

## NOTES *continued*

### **b) Budget information**

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

### **c) Taxes**

#### **Current income tax**

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### **Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### **d) Property and equipment**

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property



## NOTES *continued*

and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	<b>Rate</b>
Motor vehicles	25%
Furniture & fittings	12.5%
Office equipment	20%
Computers, copiers & faxes	25%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining surplus for the year.

### **e) Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

### **f) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life of three years.

The useful life of the intangible assets is assessed as finite.

### **g) Financial instruments**

#### **Financial assets**

##### **Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, Loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

##### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

## NOTES *continued*

### **Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### **Impairment of financial assets**

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i) The debtors or a group of debtors are experiencing significant financial difficulty.
- ii) Default or delinquency in interest or principal payments.
- iii) The probability that debtors will enter bankruptcy or other financial reorganization.
- iv) Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

### **Financial liabilities**

#### **Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

#### **h) Provisions**

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

#### **Contingent liabilities**

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is not remote.

## NOTES *continued*

### **i) Employee benefits**

#### **Retirement benefit plans**

The Authority provides retirement benefits for its employees. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

The Authority and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Authority's contributions are charged to the statement of comprehensive income in the year to which they relate.

#### **j) Gratuity obligations**

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

#### **k) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

The Authority manages the Investor Compensation Fund (ICF) and reports the funds held in the bank, call accounts on behalf of ICF as part of cash and cash equivalents.

#### **m) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

#### **n) Related party**

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties.

#### **o) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

## NOTES *continued*

### 3. Significant judgments and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### **a) Significant judgements made in applying the Authority's accounting policies**

The judgements made by the board members of the Authority in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Whether the Authority has the ability to hold 'held-to maturity' investments until they mature. If the Authority were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

#### **b) Key sources of estimation uncertainty**

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

##### **i) Retirement benefit obligations**

Assumptions made by the actuary in determining the present value of retirement benefit obligations. The carrying amount of the provision and the key assumptions made in estimating the provision are set out in Note 9.

##### **ii) Impairment losses**

Estimates made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset. The movement on the impairment provision is set out in Note 12.

### 4. Risk management objectives and policies

#### **a) Financial risk management**

The Authority's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Authority's overall risk management policies are set out by the board and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Authority's performance by setting acceptable levels of risk. The Authority does not hedge against any risks.

##### **i) Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

## NOTES *continued*

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

The maximum exposure of the Authority to credit risk as at the balance sheet date is as follows:

	<b>Fully performing</b>	<b>Past due but not impaired</b>	<b>Past due and impaired</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>At 30th June 2015</b>				
Held-to-maturity investments	643,781	-	-	643,781
Staff loans and advances/ fund	262,046	2,257	1,922	266,225
Trade receivables	75,729	-	-	75,229
Other receivables	28,824	-	-	28,824
Cash at bank and in hand	183,397	-	-	183,397
Gross financial assets	1,193,277	2,257	1,922	1,197,456
	<b>Fully performing</b>	<b>Past due but not impaired</b>	<b>Past due and impaired</b>	<b>Total</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>At 30th June 2014</b>				
Held-to-maturity investments	540,431	-	-	540,431
Staff loans and advances/ fund	222,361	2,257	1,922	226,540
Trade receivables	58,572	-	-	58,572
Other receivables	32,912	-	-	32,912
Cash at bank and in hand	125,193	-	-	125,193
Gross financial assets	979,469	2,257	1,922	983,648

The ageing analysis of past due but not impaired trade receivables is Over 6 months

<b>2015</b>	<b>2014</b>
<b>Shs' 000</b>	<b>Shs' 000</b>
2,257	2,257
2,257	2,257

## NOTES *continued*

The past due debtors are not impaired and continue to be paid. An impairment provision of Shs 57,866,000 (2014: Shs 57,616,000) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

### ii) Liquidity risk

Liquidity risk is the risk that the Authority will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the Authority's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Authority manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
<b>Year ended 30th June 2015</b>					
Trade and other payables	19,744	2,680	532	-	22,956
Accruals	50,143	11,154	10,122	52,391	123,810
Provision for liabilities and charges	-	-	42,258	46,482	88,740
	<b>69,887</b>	<b>13,834</b>	<b>52,912</b>	<b>98,873</b>	<b>235,506</b>

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
<b>Year ended 30th June 2014</b>					
Trade and other payables	19,692	1,326	792	584	22,394
Accruals	51,619	2,252	10,122	52,391	116,384
Provision for liabilities and charges	2,928	-	-	43,555	46,483
	<b>74,239</b>	<b>3,578</b>	<b>10,914</b>	<b>96,530</b>	<b>185,261</b>

### iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: interest rate risk, price risk and foreign exchange risk.

#### Interest rate risk

Interest rate risk is the risk that the interest rate movement may have a significant impact on Authority's value of investments.

The Authority's investments in fixed rate bonds expose it to fair value interest rate risk. The Authority has no interest bearing liabilities. The Authority considers that a change in interest rates of 2 percentage points in the year ending 30th June 2015 is reasonably possible. If the interest rates on the Authority's held-to-maturity investments at the year-end were to decrease/increase by this number of percentage points, with all other factors remaining constant, the post tax surplus would be lower/higher by Shs 9,013,000 (2014: Shs 7,566,000).

## NOTES *continued*

### Price risk

Marketable instruments held by the Authority include Treasury Bonds and Treasury Bills whose market prices are subject to change. The Authority review the portfolio, set exposure limits and respond to market price changes and conditions to secure both fair values and cash flow from such instruments.

### Foreign exchange risk

Foreign exchange risk would arise where transactions or bank balances are denominated in foreign currency.

The Authority's transactions and bank balances are denominated in Kenya Shillings. Hence the exposure to foreign exchange risk does not exist.

## 5. Revenue from non-exchange transactions

	2015 Shs'000	2014 Shs'000
<b>Fees income</b>		
Capitalization, rights and new issue fees	276,923	285,486
NSE - transaction fees	545,786	452,242
Application and licensing fees	18,567	16,645
Market development fees	12,061	11,373
	<b>853,337</b>	<b>765,746</b>

The Authority charges fees on the following basis :

Capitalization rights issues at a rate of 0.25 percent of the value of the issue.

Approval for listing of Government securities is charged at a rate of 0.075 percent of the amount raised.

New issues / IPOs at a rate of 0.15 percent of the value of the issue.

NSE Transaction fees at a rate of 0.12 percent of the value of the equities traded and 0.0015 percent of the value of bonds traded. Application for license at Kshs 2,500 while annual licensing fees are up to a maximum of Shs 250,000.

Market development fees are charged to listed companies at a rate of 0.01 percent subject to a minimum of Shs 50,000 and a maximum of Shs 100,000 per annum.

## 6. Donor fund income

	2015 Shs'000	2014 Shs'000
Donor fund income	<b>60,414</b>	<b>44,102</b>

The Authority received support worth Shs 19 million (2014: Shs 0.75 million) in the year to support institutional capacity assessment as well as an Islamic Finance deepening study. A further Shs 41.4 million (2014: Shs 43.4 million) was recognized from deferred income related purchase of an Enterprise Resource Planning (ERP) software, Risk Based Supervision System (RBSS) and related Information Communication Technology (ICT) systems.

## NOTES *continued*

### 7. Revenue from exchange transactions - other income

	<b>Note</b>	<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Interest income		75,221	62,645
Miscellaneous income		3,374	8,310
		78,595	70,955

### 8. Gain on disposal on property and equipment

Gain on disposal on property and equipment		690	158
--	--	-----	-----

### 9. Surplus before tax

#### (a) Items charged

The following items have been charged in arriving at net surplus for the year

		<b>2015</b> <b>Shs'000</b>	<b>2014</b> <b>Shs'000</b>
Depreciation of property and equipment	18	33,181	32,022
Amortisation of intangible assets	19	43,657	49,411
Authority board members' emoluments, allowances and other Board related expenses	28	27,798	23,614
Post employment benefits expense (Note 9(b))	9(b)	21,260	19,403
Provision for impairment of financial assets			
Trade and other receivables	12(b)	250	208



## NOTES *continued*

### (b) Employee benefits expense

The following items are included in employee benefits expense:

	2015 Shs'000	2014 Shs'000
Retirement benefit costs		
Defined contribution scheme	21,020	19,180
National Social Security Fund	240	223
	21,260	19,403

The Authority operated an in-house defined benefits pension scheme for its employees and made contributions up to 31 December 2011. The investment of the scheme's assets is managed by an independent fund manager, Genesis Kenya Investment Management Limited, on behalf of the Trustees.

The scheme is subjected to triennial valuations by independent actuaries to fulfill the statutory requirements under the Income Tax (Retirement Benefits) Rules 1994 and the Retirement Benefits Rules 2000. The latest actuarial valuation was carried out as at 30 June 2014. The actuarial valuation method adopted, 'Attained Age Method', entailed the comparison of the scheme's assets at the valuation date with its liabilities and an assessment of the ability of the scheme to meet its obligations to members.

The principal actuarial assumptions applied in the valuation are:

Investment returns	9% per annum
Rates of salary escalation	7% per annum
Rate of pension increases	3% per annum

Based on the actuarial report, the actuaries estimated that the present value of existing assets amounted to Shs 221,904,000 exceeded the present value of past service actuarial liabilities amounting to Shs 164,332,000 as at 30 June 2014, by Shs 57,572,000 at that date. The Surplus results into a funding level of 135percent which is well above the statutory minimum Limit of 100 percent prescribed in the Retirement Benefits Regulations 2000 as amended.

### 10. Tax expense

	2015 Shs'000	2014 Shs'000
Current income tax	104,426	78,154
Deferred income tax (Note 20)	28,619	(11,464)
Income tax expense	133,045	66,690
The tax on the Authority's surplus before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:		
Surplus before income tax	277,297	220,352
Tax calculated at the statutory tax rate of 30%	83,189	66,105
Tax effect of:		
Deferred tax asset not recognised	48,853	-
Income not subject to tax	(4,845)	(4,761)
Expenses not deductible for tax purposes	5,848	5,346
Income tax expense	133,045	66,690

## NOTES *continued*

### 11. Inventories

	<b>2015 Shs'000</b>	<b>2014 Shs'000</b>
Consumables	2,040	1,573

Inventories consist of stationery and computer consumables required for day to day use by the Authority.

#### 12a Trade and other receivables from non exchange transactions

	<b>2015 Shs'000</b>	<b>2014 Shs'000</b>
Trade receivables	76,261	58,783
Statutory management expenses receivable	49,286	49,286
Less: Provision for impairment losses	(57,866)	(57,616)
Net trade receivables	67,681	50,453
Other receivables	15,915	25,400
Trade and other receivables from non exchange transactions	83,596	75,853

#### 12b Trade and other receivables from exchange transactions

	<b>2015 Shs'000</b>	<b>2014 Shs'000</b>
Trade receivables	<b>7,756</b>	<b>8,327</b>
Less: Provision for impairment losses	(208)	(208)
Net trade receivables	7,548	8,119
Prepayments	12,909	7,512
Trade and other receivables from exchange transactions	20,457	15,631
Total trade and other receivables from non exchange and exchange transactions	104,053	91,484
The movement on the provision for impairment losses for non exchange transactions is as follows:		
At 1st July	57,616	58,490
Less: Provision utilised as debts written off	250	(200)
Less: Provision reversed on debt collection	-	(674)
At 30th June	57,866	57,616
The movement on the provision for impairment losses for exchange transactions is as follows:		
At 1st July	208	-
Add: Additional provision	-	208
At 30th June	208	208

### 13. Staff loans and advances

	<b>Current 2015 Shs'000</b>	<b>Current 2014 Shs'000</b>	<b>Non- Current 2015 Shs'000</b>	<b>Non- Current 2014 Shs'000</b>	<b>Total 2015 Shs'000</b>	<b>Total 2014 Shs'000</b>
Car loans	9,440	6,490	25,161	16,261	34,601	22,751
Other loans and advances	2,961	305	-	69	2,961	374
Provision for impairment losses	-	-	(1,922)	(1,922)	(1,922)	(1,922)
Miscellaneous advances	-	-	4,179	4,179	4,179	4,179
House loans/staff mortgage guarantee fund	21,255	19,337	205,151	181,821	226,406	201,158
	33,656	26,132	232,569	200,408	266,225	226,540

## NOTES *continued*

### 14. Held-to-maturity investments - government securities

#### Non-current

Treasury bonds

Maturing after four years

Unamortised premium

#### Treasury bonds

Maturing after one year

Unamortised premium/(discount)

#### Current

Treasury bonds

Maturing within one year

Unamortised premium

#### Treasury bills

#### Unamortised discount

The fair value of the held-to-maturity assets - treasury bonds and treasury bills at the reporting date were:

#### Non-current

Held-to-maturity investments

#### Current

Held-to-maturity investments

### 15. Staff benevolent Funds

Investment in government securities

Unamortised discount on T-bills

Contributions receivable

Cash and cash equivalents (Note 16)

	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	195,000	165,000
	(826)	45
	<b>194,174</b>	<b>165,045</b>
	115,000	80,000
	1,270	-
	<b>116,270</b>	<b>80,000</b>
	<b>310,444</b>	<b>245,045</b>
	80,000	100,000
	-	45
	<b>80,000</b>	<b>100,045</b>
	268,600	203,300
	(15,263)	(7,959)
	<b>253,337</b>	<b>195,341</b>
	<b>333,337</b>	<b>295,386</b>
	<b>643,781</b>	<b>540,431</b>
	310,444	245,045
	333,337	295,386
	<b>2015</b>	<b>2014</b>
	<b>Shs'000</b>	<b>Shs'000</b>
	-	7,200
	-	(100)
	-	713
	-	69
	<b>-</b>	<b>7,882</b>

During the year, the Authority transferred the staff benevolent funds to an independent Staff Welfare Fund registered under the Societies Act. The Staff Welfare Fund where staff contributions are accumulated, is managed by officials elected from the staff component.

## NOTES *continued*

			2015	2014
			Shs'000	Shs'000
<b>16a Banks</b>				
<b>Name of the Bank</b>	<b>Bank account no.</b>	<b>Account currency</b>		
Commercial Bank of Africa Limited	0154690018	Shs	19,567	37,020
<b>16b Cash in hand</b>				
Cash in hand		Shs	64	51
<b>16c Short term deposits</b>				
Commercial Bank of Africa Limited	Call Deposit	Shs	69,499	55,425
Commercial Bank of Africa Limited	Fixed deposit	Shs	94,267	32,697
			163,766	88,122
<b>Total cash in hand and bank</b>			<b>183,397</b>	<b>125,193</b>

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

Short-term bank deposits	163,766	88,122
Cash at bank and in hand	19,631	37,071
Benevolent bank balance (Note 15) - (Commercial bank of Africa)	-	69
Investors Compensation Fund bank balance (Note 17) - (KCB)	6,605	1,711
Investors Compensation Fund bank balance (Note 17) - (Call accounts - KCB)	139,023	77,023
	<b>329,025</b>	<b>203,996</b>

## 17. Investors' Compensation Fund

In accordance with Section 18 of Capital Markets Act, Cap 485A, the Authority is required to maintain a fund to be known as the Investors' Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. This requirement was implemented in July 1995.

The fund derives its income from the following sources:

- Interest accruing on funds received from subscribers to public issues, between the day of closing the issue and making the refunds.
- 0.01 percent of the consideration from sale and purchase of shares through the Nairobi Securities Exchange.
- 0.004 percent of the consideration from sale and purchase of bonds traded through the Nairobi Securities Exchange.
- Interest earned from investment of the funds held in this account.
- Financial penalties imposed on operators for non-compliance with Capital Markets Authority Rules and Regulations.

The movement in the fund balance during the year is as shown below:

	2015	2014
	Shs'000	Shs'000
At beginning of the year	876,662	727,753
Nairobi Securities Exchange transactions fees	81,674	70,271
Interest on investments	101,644	82,633
Financial penalties	111,695	6,028
Management fees	(500)	(500)
Investment in NSE	130,266	-
Compensation to Discount Securities/Nyaga Stockbrokers Ltd investors	(3,004)	(9,523)
At end of the year	1,298,437	876,662

## NOTES *continued*

### 17. Investors' Compensation Fund (continued)

The Investors' Compensation Fund balance is represented by the following assets:

#### Non-current

Equity investment in the Central Depository and Settlement

Equity investment in the P.

Treasury bonds

Maturing after five years

Unamortised discount(premium)

Maturing after one year

Unamortised discount

#### Current

Treasury bonds

Unamortised discount

Treasury bills

Unamortised discount

Fees receivable

Bank balance

Call account

	<b>2015 Shs'000</b>	<b>2014 Shs'000</b>
	7,000	7,000
	130,266	-
	137,266	7,000
	538,150	275,150
	3,634	2,316
	541,784	277,466
	104,000	74,000
	268	66
	104,268	74,066
	646,052	351,532
	783,318	358,532
	74,000	250,000
	32	965
	74,032	250,965
	263,300	177,300
	(12,790)	(7,015)
	250,510	170,285
	44,949	18,155
	6,605	1,711
	139,023	77,024
	190,577	96,890
	515,119	518,140
	1,298,437	876,672

## NOTES continued

### 18. Property and equipment

Cost	Motor vehicles Shs'000	Computers, copiers & Faxes Shs'000	Office equipment Shs'000	Furniture & fittings Shs'000	Capital work- in-progress Shs'000	Total Shs'000
<b>At 1st July 2013</b>	16,008	93,615	16,724	64,971	1,135	192,453
Additions	10,380	4,768	130	35	746	16,059
Disposals	-	(449)	-	(69)	-	(518)
<b>At 30th June 2014</b>	26,388	97,934	16,854	64,937	1,881	207,994
Additions	-	13,604	5,034	20,091	-	38,729
Disposals	(2,200)	(3,118)	(346)	(52)	(1,807)	(7,523)
<b>At 30th June 2015</b>	24,188	108,420	21,542	84,976	74	239,200
<b>Depreciation</b>						
At 1st July 2013	(10,736)	(37,043)	(11,038)	(16,063)	-	(74,880)
Depreciation	(3,826)	(18,098)	(2,266)	(7,832)	-	(32,022)
Accumulated depreciation reversed on disposal	-	197	-	52	-	249
<b>At 30th June 2014</b>	(14,562)	(54,944)	(13,304)	(23,843)	-	(106,653)
Depreciation	(3,632)	(18,161)	(2,349)	(9,039)	-	(33,181)
Accumulated depreciation reversed on disposal	2,200	2,957	345	42	-	5,544
<b>At 30th June 2015</b>	(15,994)	(70,148)	(15,308)	(32,840)	-	(134,290)
<b>Net carrying amount</b>						
<b>At 30th June 2015</b>	<b>8,194</b>	<b>38,272</b>	<b>6,234</b>	<b>52,136</b>	<b>74</b>	<b>104,910</b>
<b>At 30th June 2014</b>	<b>11,826</b>	<b>42,990</b>	<b>3,550</b>	<b>41,094</b>	<b>1,881</b>	<b>101,341</b>

Included above in the items of property and equipment is the cost of fully depreciated assets of Shs 56,786,000 (2014: Shs 48,764,000) which are still in use and have not been impaired.

## NOTES *continued*

### 19. Intangible assets

	<b>Intangible assets Shs'000</b>
<b>Software costs</b>	
<b>Cost</b>	
<b>At 1<sup>st</sup> July 2013</b>	151,335
Additions	8,371
<b>At 30<sup>th</sup> June 2014</b>	159,706
Additions	4,800
Derecognition of intangible asset	(4,644)
<b>At 30<sup>th</sup> June 2015</b>	159,862
<b>Amortisation</b>	
<b>At 1<sup>st</sup> July 2013</b>	24,507
Amortisation	49,411
At 30 <sup>th</sup> June 2014	73,918
Amortisation	43,657
At 30 <sup>th</sup> June 2015	117,575
Net book value	
<b>At 30<sup>th</sup> June 2015</b>	42,287
<b>At 30<sup>th</sup> June 2014</b>	85,788

The derecognized amount relates to a credit note issued by a supplier to correct the cost of software purchased in the year 2012/2013.

## 20. Deferred income tax

Deferred tax assets and liabilities, and the deferred tax charge (credit) in the profit and loss account and in other comprehensive income are attributable to the following items:

<b>Year ended 30<sup>th</sup> June 2015</b>	<b>At 1<sup>st</sup> July 2014</b>	<b>Credited/ (charged) to profit or loss</b>	<b>At 30<sup>th</sup> June 2015</b>
	<b>Shs'000</b>	<b>Shs'000</b>	<b>Shs'000</b>
<b>Deferred income tax asset</b>			
Accrued leave	2,865	(2,865)	-
Provision for pending law suits	13,945	(13,945)	-
Staff gratuity provision	5,477	(5,477)	-
Provision for bonus - staff and board members	7,173	(7,173)	-
Provision for impairment losses	62	(62)	-
Intangible assets	911	(911)	-
	<b>30,433</b>	<b>(30,433)</b>	<b>-</b>
<b>Deferred income tax liability</b>			
Property and equipment	(1,814)	1,814	-
	<b>(1,814)</b>	<b>1,814</b>	<b>-</b>
<b>Net deferred tax asset</b>	<b>28,619</b>	<b>(28,619)</b>	<b>-</b>
<b>Deferred tax not recognised</b>	<b>(28,619)</b>	<b>28,619</b>	<b>-</b>

As at 30th June 2015 the Authority had estimated deferred tax asset of Shs 28,619,000 to carry forward and offset against future taxable profits. On 20th March 2015, The National Treasury issued PFMA regulation No 34 which under Section 219 exempts the Authority from paying taxes in the future. The Authority will however be required to submit 90% of its surplus to the National Treasury. This being the case, the Board members of the Authority have determined that it would not be prudent to continue carrying the associated deferred tax asset in this financial statements and have been written off.

## 21. Trade and other payables

	<b>2015 Shs'000</b>	<b>2014 Shs'000</b>
Trade payables	22,956	22,394
Accruals	123,810	116,384
	<b>146,766</b>	<b>138,778</b>

Included under accruals are the provisions for various services whose movement has been presented below:

	<b>Leave benefits Shs'000</b>	<b>Performance bonus Shs'000</b>	<b>Consultancies Shs'000</b>	<b>Other provisions Shs'000</b>	<b>Total Shs'000</b>
At 1 July 2014	9,550	23,910	14,248	68,676	116,384
Additional provisions raised	10,821	19,907	9,514	46,657	86,899
Provision utilized/reversed	(9,550)	(23,910)	(14,248)	(31,765)	(79,473)
At 30 June 2015	10,821	19,907	9,514	83,568	123,810

## 22. Provision for liabilities and charges

At 1st July	46,483	43,555
Add: Additional provision	46,935	5,133
Less: Provision written back	(4,678)	(2,205)
At 30th June	88,740	46,483

The Authority being the Capital Markets regulator in Kenya, is subject to legal proceedings in the normal course of business. While it is not possible to forecast or determine the final results of all pending legal proceedings, the Authority assesses the adequacy of its provisions periodically against case developments and related legal costs.



## NOTES *continued*

### 23. Current tax payable

Current year tax

2015 Shs'000	2014 Shs'000
18,003	25,325

### 24. Deferred income

In line with the Authority's accounting policy, Shs 42,061,000 (2014: Shs 83,513,000) of the donor funded income has been deferred for future periods.

At 1 July  
Recognised in the year  
At 30 June

2015 Shs'000	2014 Shs'000
83,513	126,862
(41,451)	(43,349)
42,062	83,513

### 25. Capital fund

At 1st July 2014 and at 30th June 2015

2015 Shs'000	2014 Shs'000
27,886	27,886

Capital fund represents the initial contribution by the Government of Kenya towards the establishment of the Capital Markets Authority.

### 26. General fund

At 1 July  
Dividend paid to National Treasury  
Transfer to building fund (Note 27)  
At 30 June

2015 Shs'000	2014 Shs'000
878,984	757,322
-	(32,000)
(100,000)	-
923,236	878,984

General fund represents accumulated surpluses over the years.

### 27. Building fund

At 1 July  
Appropriation from general fund (Note 26)  
At 30 June

2015 Shs'000	2014 Shs'000
-	-
100,000	-
100,000	-

Building fund represents an appropriation from the general fund towards the construction of the Authority's future building. The construction of the building had not started as at 30th June 2015.

## NOTES *continued*

### 28. Related party transactions

#### 1) Board members of the Authority remuneration

	2015 Shs'000	2014 Shs'000
Honoraria	215	957
Retainer	9,128	5,390
Sitting allowances	3,880	7,680
Training expenses	6,285	636
Others (medical, mileage, bonus)	8,290	8,951
	27,798	23,614

#### ii) Key management compensation

Gross salaries	78,753	80,084
Pension	4,549	4,224
Gratuity	6,751	7,482
	90,053	91,790

### 29. Commitments

#### Contracted for but not recognised

Capital expenditure and recurrent expenditures authorised and contracted for, and authorised but not contracted for at the balance sheet date and not recognised in the financial statements is as follows:

Capital expenditure authorised but not yet contracted for

100,000

28,000

Recurrent expenditure contracted for

22,450

-

#### Operating lease commitments

Operating lease commitments represent rentals payable by the Authority for rented office space. Rental expenses during the year amounted to Shs 42,760,712 (2014: Shs 43,884,833).

The future minimum lease payments under operating leases are as follows:

Not later than 1 year

42,761

42,074

Later than 1 year and not later than 5 years

92,748

77,491

135,509

119,565

The board members of the Authority are of the view that future net revenues and funding will be sufficient to cover these commitments.

### 30. Contingent liabilities

- A former employee of the Authority had filed a suit against the Authority for wrongful dismissal and is seeking damages amounting to Shs 46 million. The cost has not been recognised in the books, since based on professional advice, it is likely that the outcome of the suit will be in favour of the Authority and will not materially impact on these financial statements.
- In the normal course of operation, Kenya Revenue Authority (KRA) had completed a tax audit for the period 2007 to 2012 and had issued an assessment notice. The total tax liability arising from the year 2012 assessment was Shs 46 million. The Authority in conjunction with its tax agents has been following up on the outstanding tax issues raised. Principal tax arrears amounting to Shs 12 million were paid in the previous years and the Authority had applied for set-off of tax paid in error in previous years amounting to Shs 14.8 million. The Authority had also applied for waiver of interest and penalties amounting to Shs 19 million providing mitigating grounds in support of the waiver. The current status is that all principal taxes were settled in full, the balance on the Statement of Account comprises of penalties and interest for which waiver was applied for and is being addressed by KRA. Based on the professional advice received and the mitigating grounds provided, the Authority is of the opinion that no material liability is expected to arise to have an impact on these financial statements.

## NOTES *continued*

### 31. Operating expenditure

#### 31.1 Employment expense

Consolidated pay, leave pay and passages	259,442	261,639
Staff uniform expenses	96	223
Staff welfare and other costs	6,601	5,447
Staff retirement benefits	21,020	19,180
Staff gratuity	6,751	7,482
National Social Security Fund (NSSF)	240	223

**2015**  
**Kshs'000**

**2014**  
**Kshs'000**

259,442	261,639
96	223
6,601	5,447
21,020	19,180
6,751	7,482
240	223
294,150	294,194

#### 31.2 Other administrative expenses

Rent and maintenance	42,761	43,885
Equipment maintenance and stationery	29,955	13,383
Telephone, postage and utilities	12,955	11,246
Entertainment and public relations	10,,437	11,060
Medical scheme and insurance expenses	20,443	17,548
Training and conferences	54,325	38,158
Motor vehicle mning expenses	4,369	6,612
Subscriptions and [OSLO membership	7,964	4,211
Authority board members' emoluments and allowances	27,798	23,614
Professional and market development services	90,507	86,334
Depreciation of property and equipment	33,181	32,022
Amortisation of intangible assets	43,657	49,411
Auditor's remuneration	620	539
Investors' education and awareness programme	38,774	27,464
Tribunal expenses	3,593	720
Provision for impairment losses	250	208

42,761	43,885
29,955	13,383
12,955	11,246
10,,437	11,060
20,443	17,548
54,325	38,158
4,369	6,612
7,964	4,211
27,798	23,614
90,507	86,334
33,181	32,022
43,657	49,411
620	539
38,774	27,464
3,593	720
250	208
421,589	366,415

#### Total expenditure

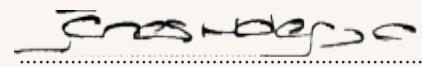
715,739	660,609
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**PROGRESS ON FOLLOW UP OF AUDITOR RECOMENDATIONS**

Reference No. on the external audit Report	Issue/ Observations from Auditor	Management Comments	Focal Point person to resolve the issue (Name and Designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	There were no issues reported in the prior period (2013/2014) management letter				



**Ag. Chief Executive**  
Date: 23rd September 2015



**Chairman of the Board**  
Date: 23rd September 2015

## ORGANIZATIONAL UPDATES

### MARKET SUPERVISION DEVELOPMENTS

#### Supervision

The Authority is a member of the East Africa Securities Regulatory Authorities (EASRA). This is a forum comprising of all the five securities regulators within the East African Community (EAC) and holds quarterly regional meetings on rotation to deliberate on a wide range of issues affecting the securities markets in the region. During the year EASRA deliberated the need for securities regulators to share knowledge and information for more effective regulation, risk management and supervision of conglomerates across the region. This would be achieved through creation of supervisory colleges.

Supervisory colleges are defined as flexible, coordination structures that bring together regulatory authorities involved in the supervision of financial markets. Supervisory colleges are a mechanism for the exchange of information between home and host regulators for the planning and performance of key supervisory tasks in a coordinated manner or jointly, including all aspects of ongoing supervision, and also for the handling of emergency situations. One of the fundamental tasks for supervisory authorities as members of supervisory colleges is reaching joint decisions on the oversight of cross-border groups and their subsidiaries. Supervisory colleges will therefore be used to carry out joint inspections, investigations and sharing of information on supervision, operations and surveillance of the markets and stakeholders based on the risk based supervision approach. Our risk-based supervision model was implemented from 2009 and the same model was eventually rolled out across region in 2012.

The May 2010 IOSCO report on principles regarding cross-border supervisory cooperation highlights that supervisory colleges should be based on mutual trust enabling authorities to consult, cooperate and share information to assist each other in fulfilling their respective supervisory and oversight responsibilities for regulated entities operating across borders. The formation of supervisory colleges in the East African

regional securities markets will assist securities regulators in developing better understanding of the risk profile of the regional markets, products and players as well as information sharing through different forums.

It's therefore on this understanding that CMA Kenya and CMA Uganda commenced implementation of this initiative during the year. In this regard, one (1) joint inspection was carried out in Kenya and Uganda in March with another scheduled for the first quarter of the next Financial Year. This has created a platform for better sharing of experiences by the supervision teams in the region for purposes of enhanced oversight of cross listed securities and intermediaries operating across the borders. Besides the above engagements, the Authority has also continued to execute its investor protection mandate by closely monitoring the market through risk profiling of intermediaries conducting onsite inspections of 56 intermediaries in the 2014/2015 financial year. Further, the Authority has also hosted supervision teams from Ghana, Botswana and Uganda for one week each who were keen to learn our risk based supervision approach.

#### Surveillance

Market surveillance is a proactive tool and 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 abuses and avoiding disruptions to the market from anomalous trading activity, including market and price manipulation, insider trading and front running.

The Authority has multiple sources of information that is useful for market supervision as well as for research. The information is received from both within the Authority and external sources. This information is contained in different databases maintained by the respective departments within its four Directorates. The Authority recognized the need to ensure easier access to information and therefore created an online reporting platform in the Risk Based Supervision system (RBSS) which was procured in 2013.

The RBSS is an interactive online system that provides an efficient and timely interface between the Authority and its key stakeholders. Internally the RBSS system has been used to automate functions in market operations such as approvals, continuous reporting, complaints reporting, risk profiling, relationship management and inspections.

The Authority further recognized the need to ensure that information within the Authority is directed to a central database for ease of access. In this regard, the Authority developed an information repository framework which is to guide the establishment of a platform for collection of inter-related information maintained across a network on multiple servers. The repository will facilitate a comprehensive review and approach to processes for faster decision making and analysis by the surveillance team. In addition the Authority subscribed to digital newspapers which enable the members to access real time information with ease and at a relatively lower cost.

Integration of key market infrastructure for proper oversight has been a key focus of the Authority. In this regard progress has been made for the surveillance systems both at the Exchange and at the Authority to integrate for purposes of smooth running and market oversight. The Authority has also continued to enhance the capabilities of its current Market Surveillance System to address new challenges in a bid to curb market misconduct.

In the year, The Authority hosted teams from Botswana and Uganda for training in surveillance practices. The exchange programs at the request of the respective jurisdictions are a valuable way used to exchange experiences and build exposure within the regulatory teams.

## LICENSING AND APPROVALS

### New Licenses

During the 2014/2015 financial year, the Authority issued new licenses to the following:-

- a) Kenya Commercial Bank Limited – REIT Trustee;
- b) ICEA Lion Asset Managers Limited – REIT Manager;
- c) Kestrel Capital (East Africa) Limited – upgrade to an Investment Bank;

- d) Stratagem Capital Management Limited – Investment Adviser;
- e) Liaison Financial Services Limited – Investment Adviser;
- f) I & M Capital Limited – Fund Manager;
- g) Chase Bank Kenya Limited – Authorized Depository;
- h) Nabo Capital Limited – REIT Manager;
- i) Metropol Corporation Limited – Credit Rating Agency; and
- j) Fusion Investment Managers Limited – Fund Manager.

### New Collective Investment Schemes

During the year under review, the Authority granted approval to the following Collective Investment Schemes:

- a) Equity Investment Bank Collective Investment Scheme;
- b) Nabo Africa Funds; and
- c) Car & General Employee Share Ownership Plan.

### Total Number of Licensees and Approved Institutions

During the period under review, there were one hundred twenty four (124) licensees and approved institutions as follows:-

- a) One (1) Securities Exchange;
- b) One (1) Central Depository;
- c) Three (3) Credit Rating Agencies;
- d) One Venture (1) Capital Company;
- e) Fourteen (14) Investment Banks;
- f) Nine (9) Stockbrokers;
- g) Twenty Four (24) Fund Managers;
- h) Seventeen (17) Investment Advisers;
- i) Fourteen (14) Authorized Depositories;
- j) Six (6) REIT Managers;
- k) Three (3) REIT Trustees;
- l) Twenty (20) Collective Investment Schemes; and
- m) Eleven (11) Employee Share Ownership Plans.

### License Revocation

The following license was revoked during the financial year:

- Emerging Africa Capital Limited.

## ENFORCEMENT ACTIONS FOR THE YEAR ENDED 30 JUNE 2015

Licensee/ Listed company	Nature of breach	Sanction Imposed
<b>Zimele Asset Management Company Limited</b>	The firm had a liquid capital deficit as at 30 November 2013 contrary to the requirements of regulation 30(4) of the Capital Markets (Licensing Requirements) (General) Regulations,2002	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 11(3)(cc) and 25A(1)(a)(i) of the Capital Markets Act, a Public Reprimand</li> <li>• Pursuant to section 11(3)(i) of the Capital Markets Act directive to furnish the Authority with a confirmation of injection of additional capital as at 30 June 2014 and 31 July 2014.</li> <li>• Pursuant to section 24(4) and 25A(i)(a)(iv)of the Capital Markets Act and subject to the company’s full compliance with the requirements of regulation 30(4) of the Capital Markets Markets (Licensing Requirements) (General)Regulations,2002 before close of business 31 July 2014, the company’s license was restricted by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, including engaging in any agreements, contracts or other like arrangements for the purposes of carrying on the regulated business.</li> </ul>
<b>Citidell Limited</b>	The firm had a liquid capital deficit as at 30 November 2013 contrary to the requirements of regulation 30(4) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 11(3)(cc) and 25A(1)(a)(i) of the Capital Markets Act, a Public Reprimand</li> <li>• Pursuant to section 11(3)(i) and 13(1) of the Capital Markets Act, an Enforcement Directive to furnish the Authority with a confirmation of injection of additional capital as at 30 June 2014 and 31 July 2014, so as to reach the Authority by the 5th day of the succeeding month.</li> <li>• Pursuant to Section 24(4) and 25A(1)(a)(iv) of the Capital Markets Act, and subject to the company’s full compliance with the requirements of Regulation 30 (4) of the Capital Markets (Licensing Requirements) (General) Regulations,2002 before 31 July 2014, the license of Citidell was restricted by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, including engaging in any agreements, contracts or other like arrangements for purposes of carrying on the regulated business.</li> <li>• The Authority rescinded the conditional suspension contained in its letter of 23 April 2014 and pursuant to Section 11(3)(i) of the Capital Markets Act, the Authority issued an Enforcement Directive to Citidell Limited to settle a previous penalty of Kshs.159,999.84.</li> </ul>

<b>Dyer and Blair Investment Bank</b>	<p>The firm had a liquid capital deficit as at 30 November 2013 contrary to the requirements of regulation 44(4) of the Capital Markets(Licensing Requirements) (General) Regulations, 2002</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 11(3)(cc) and 25A(1)(a)(i) of the Capital Markets Act, a Public Reprimand</li> <li>• Pursuant to section 11(3)(i) and 13(1) of the Capital Markets Act, an Enforcement Directive to furnish the Authority with Monthly Bank Reconciliation Statements prepared and endorsed by Dyer and Blair for every calendar month, so as to reach the Authority by the 5th day of every succeeding month.</li> <li>• Pursuant to Section 24(4) and 25A(1)(a)(iv) of the Capital Markets Act, and subject to the company’s full compliance with the requirements of Regulation 44 (4) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002 before 31 July 2014, the license of Dyer and Blair was restricted by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, or engaging in any agreements, contracts or other like arrangements for purposes of carrying out or profiting from any corporate advisory transactions (effective from 1 August 2014).</li> </ul>
<b>Suntra Investment Bank Limited</b>	<p>The firm had a liquid capital deficit as at 30 September 2013 and 30 November 2013 contrary to the requirements of regulation 16(3) of the Capital Markets(Licensing Requirements) (General) Regulations,2002</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 11(3)(cc) and 25A(1)(a)(i) of the Capital Markets Act, a Public Reprimand</li> <li>• Pursuant to Section 11(3)(i) and 13(1) of the Capital Markets Act, and Enforcement Directive to furnish the Authority with monthly Statements on collections relating to the company’s Rights Issue, prepared and endorsed by Suntra for every calendar month, so as to reach the Authority by the 5th day of every succeeding month.</li> <li>• Pursuant to Section 24(4), 25A(1)(a)(iv) and 26(1) of the Capital Markets Act, the company’s license was restricted; <ul style="list-style-type: none"> <li>i) by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, or engaging in any agreements, contracts or other like arrangements for purposes of carrying out or profiting from any business of a sponsoring stockbroker; and</li> <li>ii) Pursuant to section 26(1) of the Capital Markets Act, subject to the full compliance with the requirements of Regulation 16(3) of the Capital Markets (Licensing Requirements) (General) Regulations,2002 before 31 July 2014, Suntra will be deemed suspended from trading at the NSE, effective 1 August 2014</li> </ul> </li> </ul>



<p><b>Amana Capital Limited</b></p>	<p>The firm had a Liquid capital deficit as at 30 November 2013 contrary to the requirements of regulation 30(4) of the Capital Markets(Licensing Requirements) (General) Regulations, 2002</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 11(3)(cc) and 25A(1)(a)(i) of the Capital Markets Act, a Public Reprimand</li> <li>• Pursuant to section 11(3)(i) and 13(1) of the Capital Markets Act, an Enforcement Directive to furnish the Authority with a confirmation of injection of additional capital as at 30 June 2014 and 31 July 2014, so as to reach the Authority by the fifth day of the succeeding month.</li> <li>• Pursuant to Section 24(4) and 25A(1)(a)(iv) of the Capital Markets Act, and subject to the company's full compliance with the requirements of Regulation 30(4) of the Capital Markets (Licensing Requirements) (General) Regulations,2002 before 31 July 2014, the license of Amana Capital Limited was restricted by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, including engaging in any agreements, contracts or other like arrangements for purposes of carrying on the regulated business (effective 1 August 2014)</li> </ul>
<p><b>Suntra Investment Bank Limited</b></p>	<p>Effecting erroneous credit on a complainant's account contrary to Regulation 20(b) of the Capital Markets (Licensing Requirements) (General) Regulations,2002</p> <p>Failing to detect an erroneous credit on the client account 5 months after it was effected contrary to Regulation 20(c) of the Capital Markets (Licensing Requirements) (General) Regulations,2002</p> <p>Effecting a purchase of 33,780 shares without written instructions from the client contrary to Regulation 23(a) as read together with Regulation 23(b) of the Capital Markets (Licensing Requirements) (General) Regulations,2002</p> <p>Effecting an erroneous credit on the client account and subsequently effecting an unauthorized transaction on a client account contrary to Regulation 22(b) of the Capital Markets (Licensing Requirements) (General) Regulations,2002</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to section 25A of the Capital Markets Act, a Public Reprimand</li> </ul>

<p><b>NIC Capital Limited</b></p>	<p>Advising an Issuer to market the bond as a partially secured bond and by advising the issuer to unilaterally amend the approved coupon rate from 13.5% to 17%, or in the alternative, negligently failing to advise the Issuer against amending this to 17%, and further, by leading the Issuer to believe that the amendments to the Information Memorandum had been approved by the Authority, or by knowingly influencing, advising or otherwise causing the Issuer to purport to include new terms and conditions to the issuer, NIC Capital Limited was in contravention of the terms of approval issued by the Authority and was in further contravention of Regulation 3(b) and (c) of the Capital Markets (Conduct of Business) Regulations</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• A Regulatory Caution against NIC Capital to ensure that its future operations as a lead arranger are conducted in full compliance of the Capital Markets Regulatory framework</li> </ul>
	<p>Advising and/or causing the Issuer to market the bond as a partially secured bond, or in the alternative, negligently failing to advise the Issuer against marketing the same as a secured bond, and further, by advising the Issuer to market the bond contrary to the approved terms as detailed, in the full knowledge that the information was misleading, erroneous and/or false to the public, with the intention, among others, to induce the public to subscribe to the securities, NIC Capital Limited acted contrary to Section 30D (1) and Section 32H (a) of the Capital Markets Act</p>	<ul style="list-style-type: none"> <li>• Restriction of NIC Capital's license for a period of 90 days pursuant to sections 24 (4) and 25 (1) (a) (iv) of the Capital Markets Act by being prohibited from acquiring, attempting to acquire or taking any steps that may be interpreted by the Authority to be primarily intended to acquire new clients, customers or associates, or engaging in any agreements, contracts or other like arrangements for purposes of carrying out or profiting from any transaction advisory services.</li> </ul>
	<p>Failing to apply for an extension of the Offer Period before the lapse of the same and thereby causing subsequent non-compliance to the Approved Timetable contrary to the terms of approval given by the Authority and Regulation 3(b) and (c) of the Capital Markets (Conduct of Business) Regulations</p>	<ul style="list-style-type: none"> <li>• An enforcement directive pursuant to section 11 (3)(cc)(ii) of the Capital Markets Act to submit a comprehensive report to the Authority on measures currently in place and those proposed to be implemented, including timelines for implementation, relating to the weaknesses in the company's processes and procedures that led to these contraventions of the regulatory framework; and</li> </ul>
	<p>Misinforming the Issuer that the Authority had approved a revised Offer Timetable with the full knowledge that the Authority had not approved any application for a revision, contrary to Regulation 3 (b) and (c) Capital Markets (Conduct of Business) Regulations and Section 32I(c) of the Capital Markets Act</p>	<ul style="list-style-type: none"> <li>• An enforcement directive pursuant to section 11 (3) (cc) (ii) of the Capital Markets Act to facilitate full reimbursement of all investors who submitted applications and funds as subscribers to the offer.</li> </ul>
	<p>Misinforming the Authority that an Investor had made a subscription of Kshs. 250,000,000/- in the full knowledge that the Investor had made no such subscription, NIC Capital Limited acted contrary to Section 26(1)(i) and 30G(g) of the Act.</p>	

<p><b>Home Afrika Limited</b></p>	<p>By marketing the bond as a partially secured bond and further commencing the process of encumbering the assets of a subsidiary of the Issuer, and by purporting to revise the Coupon Rate to 17%, the Issuer was in contravention of the terms of approval issued by the Authority.</p> <p>In the knowledge that the changes above were inconsistent with the approved Information Memorandum and contrary to the terms of approval issued by the Authority thereby causing the publication and marketing of unapproved terms of a public offer, in contravention of Section 30A (4) of the Capital Markets Act</p> <p>By marketing an unapproved Information Memorandum, the Issuer knowingly misinformed the public in a false, misleading and /or deceptive manner that the issue was a partially secured bond in contravention of Section 30D (1) of the Capital Markets Act</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• A Regulatory caution pursuant to section 30G of the Capital Markets Act;</li> <li>• Pursuant to Section 11(3)(cc)(ii) and 30G of the Capital Markets Act, an enforcement directive to the Issuer to ensure full reimbursement of all the investors who submitted applications and funds as subscribers to the offer.</li> </ul>
<p><b>Kingdom Securities Limited</b></p>	<p>Failing to exercise due care and skill in advising the Issuer to market the bond as a secured bond, or in the alternative, negligently failing to advise the Issuer against unilaterally amending the approved coupon rate from 13.5% to 17%, or in the alternative, negligently failing to advise the Issuer against amending this to 17% and further, failing to advise the Issuer to fully adhere to the terms of the approved Information Memorandum by failing to confirm the Authority's approval of the amended terms with the Authority and instead placing reliance on a third party, Kingdom Securities Limited was in contravention of the terms of approval issued by the Authority and Regulation 3 (b) and (c) of the Capital Markets (Conduct of Business) Regulations.</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• A Regulatory caution against Kingdom Securities Limited to ensure that its future operations as a Sponsoring and Placing Agent are conducted in full compliance with the requirements of the regulatory framework;</li> <li>• An Enforcement directive pursuant to section 11 (3)(cc)(ii) of the Capital Markets Act to submit a comprehensive report to the Authority on measures currently in place and those proposed to be implemented, including timelines for implementation, relating to the weaknesses in the company's processes and procedures that led to these contraventions of the regulatory framework; and</li> <li>• An enforcement directive pursuant to section 11 (3) (cc) (ii) of the Capital Markets Act to facilitate full reimbursement of all investors who submitted applications and funds as subscribers to the offer.</li> </ul>
<p><b>Cembe Millers Limited</b></p>	<p>Cembe Millers Limited placed an advertisement constituting a public offer of securities without the approval of the Authority as required by section 30A of the Capital Markets Act</p>	<p><b>Enforcement Action</b></p> <p>Notice to Cease and desist pursuant to Section 11(3)(i) of the Capital Markets Act</p>

<p><b>Henry Ngati Nugi</b></p>	<p>Undertaking a purchase of 1,000 and 4,500 Kenya Orchardsshares on 25 April and 15 August 2014 at Kshs. 6.55 and Kshs. 10.50 respectively and subsequently selling the same mainly in lots of 100 shares at progressively increasing prices of between Kshs. 11.50 and Kshs. 190 on diverse dates between 20 August 2014 and 24 October 2014, and thereby occasioning an artificially induced market price rally, leading other participants in the market to purchase the security on the mistaken belief that the “inflated price” reflected a true value for the underlying company contrary to the provisions of Section 31 (7) (e) of the Capital Markets Act.</p> <p>Conducting subsequent sales of Kenya Orchards shares in lots of 100 at progressively increasing prices of between Kshs. 11.50 and Kshs. 190, whereby as the party dominating sale of the shares, played a critical role in determining the prevailing price for the shares on diverse dates between 20 August 2014 and 24 October 2014, causing an increase in the price of securities with the intention of inducing other persons to purchase securities in the company contrary to the provisions of Section 32F (1) (a) of the Capital Markets Act.</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Disgorgement of all the capital gains earned amounting to Kshs. 374, 926.75 pursuant to Section 11 (3) (cc) (i) and Section 25A (2) of the Capital Markets Act</li> <li>• An Enforcement directive to ensure that the amount of disgorged profits amounting to Kshs. 374,926.75 is paid to the Investor Compensation Fund Bank Account;</li> <li>• A Freeze Order on the Investor’s CDS Account in accordance with Section 11 (3) (t) and (u) of the Capital Markets Act effective until the disgorged amounts are fully settled.</li> </ul>
<p><b>Standard Investment Bank</b></p>	<p>Effecting and thereby facilitating numerous transactions in the CDS account of an Investor who was selling Kenya Orchards Ltd shares and leading to increasing prices contrary to the provisions of Section 31 (5) of the Capital Markets Act.</p> <p>Playing a dominant role as the selling broker of Kenya Orchards Ltd shares on behalf of an investor who undertook trades which led to the price rally of the shares contrary to Regulation 24 (d) of the Capital Markets (Licensing requirements) (General) Regulations.</p>	<p><b>Enforcement Action</b></p> <ul style="list-style-type: none"> <li>• Pursuant to Section 11 (3) (cc) (ii) and Section 11 (3) (w) of the Capital Markets Act, a disgorgement order over the illicit commissions amounting to Kshs. 9,004.93.</li> <li>• A financial penalty pursuant to Section 25A (1) (a) (vi) of the Capital Markets Act amounting to Kshs. 758,858.43.</li> <li>• A regulatory caution pursuant to Section 25A (1) (a) (i) of the Capital Markets Act to ensure that it maintains due regard for its obligations under the provisions of the capital markets regulatory framework on market manipulation;</li> <li>• An enforcement directive under section 11 (3) (i) of the Act that the firm conducts an independent systems audit to establish the status of compliance of their Operating Trading System with their regulatory framework; and submit the System’s Audit Report to the Authority.</li> </ul>

<b>Faida Investment Bank Limited</b>	<ul style="list-style-type: none"> <li>The firm's online share trading facility lacked any and/or sufficient internal controls to identify, flag and prevent client orders which adversely affected efficiency, orderliness and fairness in the trading process contrary to the provisions of Regulation 22(b) and (d) of the Capital Markets (Licensing Requirements) (General) Regulations 2002</li> <li>The firm was party to a price manipulation scheme which directly/indirectly interfered with market price formation and fair trading process through the provision of an online share trading facility whereby client transactions instructions were input without any and/or sufficient oversight contrary to the provisions of Regulation 24(d) of the Capital Markets (Licensing Requirements) (General) Regulations 2002</li> </ul>	<b>Enforcement Action</b> Pursuant to section 25A(1)(a)(i) of the Capital Markets Act, a Regulatory caution
<b>SBG Securities</b>	<ul style="list-style-type: none"> <li>The firm's online Share Trading facilities lacked any and/or sufficient internal controls to identify, flag and prevent client orders which adversely affected efficiency, orderliness and fairness in the trading process contrary to the provisions of Regulation 22(b) and (d) of Capital Markets (Licensing Requirements)(General) Regulations 2002</li> <li>The firm was a party to a price manipulative scheme which directly/indirectly interfered with market price formation and fair trading process through the provision of an Online Share Trading facility whereby client transaction instructions were input without any and/or sufficient oversight contrary to the provisions of Regulation 24(d) of Capital Markets (Licensing Requirements)(General) Regulations 2002</li> </ul>	<b>Enforcement Action</b> Pursuant to section 25A(1)(a)(i) of the Capital Markets Act, a Regulatory caution
<b>Dyer &amp; Blair Investment Bank</b>	<ul style="list-style-type: none"> <li>The firm's Online Share Trading facilities lacked any and/or sufficient internal controls to identify, flag and prevent client orders which adversely affected efficiency, orderliness and fairness in the trading process contrary to the provisions of Regulation 22(b) and (d) of Capital Markets (Licensing Requirements)(General) Regulations 2002</li> <li>The firm was a party to a price manipulative scheme which directly/indirectly interfered with market price formation and fair trading process through the provision of an Online Share Trading facility whereby client transaction instructions were input without any and/or sufficient oversight thereby adversely affecting fair trading process contrary to the provisions of Regulation 24(d) of Capital Markets (Licensing Requirements)(General) Regulations 2002</li> </ul>	<b>Enforcement Action</b> Pursuant to section 25A(1)(a)(i) of the Capital Markets Act, a Regulatory caution

<b>Mazars Certified Public Accountants</b>	Failing to disclose overdraft/credit facilities in a market intermediary's Audited Accounts for the period ending 31 December 2012, contrary to Regulation 55A (2) (a) & (c), and Regulation 55A (5) of the Capital Markets (Licensing requirements) (General) Regulations 2002.	<b>Enforcement Action</b> <ul style="list-style-type: none"> <li>• A Regulatory reprimand pursuant to Section 25A (1) (a) (i) for failing to disclose the existence of credit facilities in the financial statements of the Firm prepared for the period ending 31 December 2012</li> <li>• An enforcement directive pursuant to Section 11 (3) (i) of the Act for the Audit firm to seek the Authority's clearance where it seeks to engage in any capital markets transactions or the undertaking of activities that are subject to the Authority's approval for a period of twelve months.</li> </ul>
<b>Tsavo Securities Limited</b>	<p>Knowingly misrepresenting the existence of a counterparty for a Sale Buy Back (SBB) transaction and thereby inducing its client to enter into an SBB for Kshs. 200 Million Bonds in the full knowledge that the SBB transaction had no existing counter party contrary to Section 31 (5) of the Capital Markets Act.</p> <p>Recommending to its client a Sale Buy Back proposal which did not have an existing counterparty in the full knowledge of the client's investment objectives and requirements and knowing that such a transaction was unsuitable to the client, contrary to the provisions of Regulation 33(1) (a) of the Capital Markets (Licensing Requirements) (General) Regulations 2002</p>	<b>Enforcement Action*</b> <p>A Regulatory reprimand was issued pursuant to Section 25A (1) (a) (i) for:</p> <ol style="list-style-type: none"> <li>Knowingly and intentionally misrepresenting to the client that there was a counterparty to the transaction; and,</li> <li>Recommending a Sale Buy Back transaction which did not have a counterparty in the full knowledge of the investment objectives and requirements of its client which indicated that such a transaction was not suitable for the client.</li> </ol>

**NB:** \* The Enforcement Action has been challenged by way of a Constitutional Petition No. 146 of 2015 which is yet to be determined.

<p><b>Sterling Capital Limited</b></p>	<p>Count 1</p> <ul style="list-style-type: none"> <li>By taking a position between the seller and the buyer prior to the intended sale buy back transaction contrary to the provisions of Regulation 24(1)(d) of the Capital Markets (Licensing Requirements) (General) Regulations 2002</li> </ul> <p>Count 2</p> <ul style="list-style-type: none"> <li>Misrepresenting to the purchasing client that there was a counterparty in the sale buy back transaction through its duly appointed agents contrary to the provisions of Section 31(5) of the Capital Markets Act</li> </ul> <p>Count 3</p> <ul style="list-style-type: none"> <li>Entering into a sale buy back transaction between its client and proprietary dealing subsidiary and subsequently failing to undertake the 2<sup>nd</sup> leg of the sale buy back transaction contrary to the provisions of Regulation 22(b) &amp; (d), 23(a),(b),(f) and (h), 24(1)(d) of the Capital Markets (Licensing Requirements)(General) Regulations 2002</li> </ul> <p>Count 4</p> <ul style="list-style-type: none"> <li>Misrepresenting through its duly appointed agents the existence of a counterparty for a sale buy back transaction contrary to the provisions of Section 31(5) of the Capital Markets Act, Regulation 22(b) &amp;(d), Regulation 23(a),(b),(f), and (h) and Regulation 24(1) (d) of the Capital Markets (Licensing Requirements)(General) Regulations 2002</li> </ul> <p>Count 5</p> <ul style="list-style-type: none"> <li>Failure by the Market Intermediary to disclose overdraft facilities/credit facilities.</li> <li>Failing to disclose the existence of credit facilities extended to its dealing subsidiary in the audited financial reports for the period ending 31 December 2012 contrary to the provisions of Regulation 51A(1) of the Capital Markets (Licensing Requirements)(General) Regulations 2002</li> </ul>	<p><b>Enforcement Action</b></p> <p>Count 1</p> <ul style="list-style-type: none"> <li>Disgorgement of the illicit profit and commissions amounting to Kshs. 1,170,000/- which were earned by the market intermediary through its dealing subsidiary pursuant to section 11(3)(i) of the Capital Markets Act</li> <li>Penalty of Kshs.2,340,000/- by virtue of the breach of Regulation 24(1)(d) of Capital Markets (Licensing Requirements) (General) Regulations 2002, pursuant to the provisions of Section 11(3)(cc)(i) and Section 25 A(1) (a)(v) of the Capital Markets Act</li> </ul> <p>Count 2</p> <ul style="list-style-type: none"> <li>A Directive to the Market Intermediary to make arrangements as are necessary to complete the second leg of the outstanding transaction pursuant to the provisions of Section 11(3)(cc)(ii), Section 11(3)(i) of the Capital Markets Act.</li> </ul> <p>Count 3</p> <ul style="list-style-type: none"> <li>Complaint withdrawn by complainant</li> </ul> <p>Count 4</p> <ul style="list-style-type: none"> <li>A Directive for the Market Intermediary to pay the sum of Kshs.15,119,856/- to the purchasing client being restitution for the loss incurred by virtue of the failure to complete the second leg of the transaction pursuant to Section 25A(2) of the Capital Markets Act</li> </ul> <p>Count 5</p> <ul style="list-style-type: none"> <li>A regulatory reprimand against the Market Intermediary pursuant to Section 25A(1)(a)(i) of the Capital Markets Act for failing; <ul style="list-style-type: none"> <li>- to disclose the existence of credit facilities which were granted to its dealing subsidiary in the financial statements of the firm prepared for the period ending 31 December 2012.</li> <li>-to comply with the provisions of Section 31(5) of the Capital Markets Act, Regulation 22(b) &amp;(d), Regulation 23(a), (b),(f) and (h) and Regulation 24(1)(d) of the Capital Markets (Licensing Requirements)(General) Regulations 2002 with respect to the conduct and omissions of the firms in counts 1-3 , which adversely affected the efficient and orderly operations of the capital market with respect to fixed income securities.</li> </ul> </li> </ul>

<b>Nairobi Securities Exchange</b>	Failing to make settlement of the due interest amount outstanding from the initial public offer in continued contravention of the Terms of Approval issued by the Authority in contravention of Section 18(2)(e), Section 30G (ii) as read with Sections 30G(b) and (c) of the Capital Markets Act.	<b>Enforcement Action</b> <ul style="list-style-type: none"> <li>• A Financial Penalty pursuant to Section 25A (6) (c) of the Capital Markets Act amounting to Kshs. 1,943,076 for failure to comply with Section 18 (2) (e) of the Act, Section 30G (ii) and Section 30G (b) and (c) of the Act;</li> <li>• An Enforcement Directive suspending consideration of all applications submitted by NSE for the Authority's approval pursuant to Sections 11(3) (i) and (w), 30G (iii), and Sections 30G(b), (c), (d) and (h) of the Capital Markets Act.</li> </ul>
<b>EBI Investments Corporation Kenya Limited</b>	Failing to publish the full year audited accounts for the period ended 31 December 2014 in contravention of Regulation 51 (A)(2) of the Capital Market (Licensing Requirements) (General) Regulations in at least two daily newspapers of national circulation	<b>Enforcement Action</b> Regulatory caution pursuant to section 25A(1)(a)(i) of the Capital Markets Act.
<b>Kingdom Securities Limited</b>	<ul style="list-style-type: none"> <li>• Failing to inform the client of the status of the sale and if the sale order was executed in time contrary to the requirements of Regulation 7(2) of the Capital Markets(Conduct of Business) (Market Intermediaries) Regulations 2011</li> <li>• Failing to execute client orders contrary to the requirements of Regulation 23 of the Capital Markets(Licensing Requirements) (General) Regulations 2002</li> <li>• Failing to notify the client that the sale order was not executed and the reasons thereof, contrary to the requirements of Regulation 22(b) of the Capital Markets (Licensing Requirements) (General) Regulations 2002</li> </ul>	<b>Enforcement Action</b> Regulatory caution pursuant to section 25A(1)(a)(i) of the Capital Markets Act.
<b>Uchumi Supermarkets Limited</b>	The company delayed in payment of dividend payment for the year ended 30 June 2014 contrary to Paragraph B.02 Fifth Schedule Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002:	<b>Enforcement Action</b> <ul style="list-style-type: none"> <li>• An enforcement directive pursuant to Section 11 (3) (i) of the Capital Markets Act to publish a Public Apology to shareholders in at least 2 (two) newspapers of national circulation;</li> <li>• An enforcement directive pursuant to Regulation 63 (7) Capital Markets (Licensing Requirements) (General) Regulations 2002 to submit a draft of the Public Notice under (a) above for approval before publication.</li> </ul>
<b>Mumias Sugar Company Limited</b>	<p>Late submission of half year reports for the period ended 31 December 2014 contrary to Paragraph B.07 Fifth Schedule Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002.</p> <p>Discrepancy in financial reports for the period ended 31 December 2014 due to erroneous statement of total assets contrary to Section 34 of the Capital Markets Act</p>	<b>Enforcement Action</b> <ul style="list-style-type: none"> <li>• A Regulatory Caution for the late submissions and failure to ensure the financial statements were accurate and provided a true and fair view of the position of the company pursuant to Section 25A(1) (a) (i) of the Capital Markets Act.</li> </ul>



## HUMAN CAPITAL AND ADMINISTRATION

### Capacity Building

The Authority has continued to develop staff competencies at all levels. During the year, members of staff attended local, online and overseas training. Local training included individual and group training aimed at enhancing technical and behavioral skills. For succession planning and career development, the Authority sponsored staff for long term courses. To enable staff understand best practice in their roles, they were exposed to workshops and study tours in various overseas jurisdictions such as U.S.A., India, South Africa, Malaysia and Uganda. The Authority also participated in regional and International securities commission forums organized by various bodies such as International Organization of Securities Commission (IOSCO) and Asia-Pacific Economic Cooperation. In total the Authority undertook 178 trainings for the 94 staff members of the Authority.

### ISO 9001:2008

The Authority has continued to implement, maintain and continually improve its Quality Management System as evidenced by continued certification granted to the Authority.

### Performance Management

The Authority continued to implement the balanced score card performance management system by aligning key performance measures with strategy at all levels of the organization for improved performance and overall efficiency.

## INVESTOR EDUCATION AND PUBLIC AWARENESS

In the continued and more robust investor education and public awareness program, the Authority implemented several effective initiatives during the year in review. As key examples and to complement the initiatives from the previous financial year, the Authority undertook various targeted initiatives in collaboration with stakeholders which targeted all the constituents of the Authority's programme

including the Counties, Structured Forums targeting various groups such as the Law Society of Kenya; the media, key Government institutions, licensed intermediaries, listed companies, as well as potential issuers (equities and debt), including corporate entities, the youth (through forums, Capital Markets National Trivia) and the Diaspora. Similar to last financial year, the Authority continued to use various outreach mediums such as print and electronic media, forums, workshops, exhibitions, regional road shows and open days. Below are some of the key initiatives undertaken during the year;

- The Authority is cognizant that investing in our youth will produce great drivers of the Vision 2030 economy; it is in this regard that the Authority continued to engage them on a constant basis through various fora. As examples, the Authority hosted students from Kenyatta University, Maseno University, Mount Kenya University, and Pwani University.
- In addition to several workshops held at the CMA offices, the Authority held a Capital Markets National Trivia Competition from October 6th to November 17th, 2014. The competition was open to the general public who were current or potential investors in the capital markets. University students and the youth in general were encouraged to participate in the competition. This was the first ever trivia competition leveraging mobile phone technology that has been conducted by a public institution in Kenya. Participants responded to a set of questions that were provided by the Authority on a weekly basis by sending an SMS to specific code. The competition received interest from all 47 Counties with 7,522 participants and 12,394 SMS's in total.
- Given that participation in capital markets by investors is mainly through IPOs as informed by recent studies, the Authority continuously engaged potential investors through structured group forums targeting among others women, professional groups, various income levels etc. The main objective was to encourage a culture of not only acquiring but also appropriately trading of shares. The target groups were largely informed by a Capital Markets Profile Study that was conducted in the financial year to provide the

Authority with scientific data that would inform its investor education program. In addition, the Authority also organized several forums targeting SMEs with potential to list at the Nairobi Securities Exchange.

- The Authority in collaboration with stakeholders in the capital markets industry organized the third Annual Capital Markets Open Day from the 7th to 9th May, 2015 at the Kenyatta International Convention Center (KICC). This was a follow up to two previous successful Open Days held in 2013 and 2014, respectively. The event presented an opportunity for current and potential investors and issuers to meet face to face with the various capital market intermediaries to synergize their thoughts to better understand and access information that will assist them to make informed decisions with the ultimate goal being wealth creation.
- To enhance the value proposition of the event, five themed conferences were organized to run concurrently with the exhibition during the Open Day which were hosted by the Authority and included several speakers from the industry. Approximately 6,000 members of the public visited the Open Day. This was a significant improvement compared to the Open Day held last year which had approximately 5,000 attendees. There was a notable increase in the number of students and young entrepreneurs keen on learning how to start investing in the capital markets as an alternative avenue for investment.
- Counties continued to be a major target group for the Authority's investor education strategy given that they represent the backbone of our economy. The Authority conducted forums for various groups such as the youth, women as well as the business community in Kisumu, Mombasa and Embu Counties. Further, the Authority held road shows in Murang'a, Bomet and Kericho Counties to create awareness. In addition to structured forums, the Authority continued to leverage media as an effective outreach medium by using vernacular radio during the Open Days in Kisumu and Mombasa Counties.
- On the national campaign front, the Authority leveraged the media by use of popular television shows to impart capital market information in a simplified manner. Capital market themes were

featured on "Beba Beba", "Inspekta Mwala" and "Gavana" shows that are popular on Kenyan television. In addition, the Authority leveraged social media to share messages with the public.

- The Authority's continued robust investor education initiatives could not be achieved without strategic partnerships. The Authority organized fora in collaboration with stakeholders such as the Association of Chartered Certified Accountants (ACCA) and the Media Council of Kenya targeting the media and SMEs. The events provided a platform to discuss the opportunities for raising capital to finance long term infrastructure projects through the capital markets.
- The Authority is aware that investor education cannot be effective without tailored information on capital markets targeting the various constituents. As an example, the Authority updated all brochures and presentations to be more effective in delivering the message. Further, the Authority created a Key Terminologies of Capital Markets brochure that was translated in Kiswahili.
- Lastly, and to take advantage of the momentum during the 2014 Smithsonian Folk life Festival in Washington DC, the Ministry of Foreign Affairs and International Trade in collaboration with the Corporate Council of Africa organized an investment conference dubbed 'Doing Business in Kenya' that was held on the July 9th, 2014 in Washington DC. The Authority presented on capital markets updates and developments in addition to participating in B2B meetings which were held at the Kenya Embassy in Washington DC.

## INFORMATION, COMMUNICATION & TECHNOLOGY

ICT plays an increasingly critical role in regulation by enabling the delivery of better regulatory services, improving the efficiency of internal operations and supporting open engagement with stakeholders. To this end, the Authority continues to use ICT to drive better service delivery, improve on operations, drive productivity, and to engage with the investors, stakeholders and the wider public in general.

During the year under review, the Authority continued a program it began in 2014 to implement Information Systems to support its regulation activities. The Authority continued to enhance and roll out more features of the Risk Based Supervision System (RBSS); a comprehensive system that automates the Authority's Market Operations activities including licensing, approvals of public issues, inspections, online filing analysis of returns, investigations and enforcement.

To this end, the Authority was recognized by Microsoft Corporation with the 2014 Dynamics Business: Small and Medium Business Award as part of the Microsoft Dynamics Customer Excellence Awards programme. The awards luncheon was held on 5 November 2014 at Convergence 2014 Europe, the premier Microsoft Dynamics user conference, held in Barcelona, Spain. The 2014 Customer Excellence Awards, which are presented in 15 categories, recognize organizations that have achieved notable accomplishments using their Microsoft Dynamics solutions. CMA sourced software and support infrastructure for its Enterprise Resource Planning systems in 2013 to facilitate business process re-engineering, aimed at enhancing efficiency and service delivery.

CMA invested Ksh127 million in Risk-Based Supervision (RBS) and Enterprise Resource Planning (ERP) systems with funding from the World Bank through the National Treasury's Financial and Legal Sector Technical Assistance Project (FLSTAP). The above funding also assisted with the upgrade of the ICT infrastructure in the Authority in general. Some of the notable improvements with regards to infrastructure include state of the art redundant and secure Wide Area Network (WAN) and high speed Local Area Network (LAN) that included highly secure wireless LAN. The Authority now prides itself with hosting applications on a cloud platform including its Online Services portal, ERP system, RBS system among others. Some of the critical services can be rendered on-the-go, anywhere, anytime.

In recognition of the importance of disaster recovery planning in today's world, the Authority installed a secure data centre to host critical systems and implemented a high availability offsite disaster recovery facility.

The Authority continued its engagement with stakeholders online through a revamped website [www.cma.or.ke](http://www.cma.or.ke). Through the website the Authority disseminates investor education material, market statistics, publications, news of interest to the public as well as maintaining engagement with stakeholders and the investing public.

As part of the enhancement of security the Authority also implemented an Access Control & time and attendance systems. Installation of this system has allowed improved time management, more flexible working hours leading to enhanced staff productivity. It has at the same time improve physical security at the Authority's premises.

With the continued enhancement of systems and introduction of online services a new challenge arose relating to availability of sufficient and consistent power. This challenge was addressed by installing a new electric power supply system so as to ensure each system powered through two different power source of clean power to enhance redundancy. This has resulted in enhanced resilience and up-time of our systems.

## **CAPITAL MARKETS FRAUD AND INVESTIGATION UNIT**

The year 2015, has been a dynamic and potentially latent with emerging trends in cybercrime in combination with the identity fraud within the industry, compared to the previous years. The efforts by the Unit saw a reduction of the number of cases reported as compared to the year 2012 and 2013.

The Unit has noted a significant increase in electronic fraud that involves the unauthorized access and attempt or theft of high net worth clients' accounts through theft of identity fraud and the changing of client's information in the broker and Central Depository and settlement and corporation database to facilitate fraud by within the market players. Measures have however been put in place to proactively prevent the fraud by use operational and strategic information collection skills to stem out the vice.

Through this initiative, the Unit closely works with the market players and actively encourages them to give information of any suspicious activity that may lead to fraud risk with the overall aim of restoring investor confidence in the market.

From January this year (2015) to date, the Unit has investigated a total of 36 cases ranging from Pending Before court, Pending under Investigations, Pending Arrest of Known Accused, Recommendation for Enforcement action and settlement after withdrawal of complaint as shown in the table below.

	2013	2014	2015
<b>POSITION OF CASES</b>			
Pending Before Court (PBC)	5	5	6
Pending Arrest of Known Accused (PAKA)	3	3	4
Pending Under Investigation (PUI)	15	10	22
Recommendation for Enforcement actions	2	1	3
Forwarded to Director DCI for further action	-	-	1
Withdrawal by Complainant after settlement	5	3	-
<b>TOTAL</b>	<b>30</b>	<b>22</b>	<b>36</b>

Source: Capital Markets Authority

The Unit is currently under the command of Mr. Michael K. Sang (SP) deputized by C.I James Mutua and seven other officers and a secretary. In April 2015, the Unit experienced a changeover whereby new officers were transferred into the Unit as the old team was deployed to other parts of the country. In view of this, the Authority and Directorate of Criminal investigations signed a Memorandum of Understanding (MOU) to streamline planning.

## DERIVATIVES UNIT

An in-principle license approval was granted to the NSE to establish derivatives exchange services on the grounds that a license would be issued within six months on full compliance with the Capital Markets (Futures Exchanges) Licensing Regulations, 2013. Further, the tax framework for derivatives market was developed and discussed with high level policy makers, including the Kenya Revenue Authority, The National Treasury and the Vision 2030 Delivery Board covering hedge accounting, exemption of market makers from capital gains tax and tax treatment of unrealized gains/losses from hedging, speculation and arbitrage in December 2014 in order to identify and deal with any possible impediments. Further, five experts are set to be recruited to the newly established Derivatives Unit in the next Financial Year to handle among other functions: review

and approval of derivatives contracts and market research; price and market surveillance; licensing, audit, inspections and compliance; and risk analysis and stress testing. The Authority is also cognizant of the crucial role of capacity building and public sensitization on derivatives market take-off and during the period under review, several stakeholders' domestic and international sensitization and capacity building programmes were conducted for potential derivatives market intermediaries, institutions of higher learning, policy makers and the media conducted workshop to prepare them for its launch.

## CORPORATE COMMUNICATIONS

During the year, Corporate Communications strategies and activities were targeted to support the achievement of objectives outlined in the Strategic Plan 2013-2017 and the 10-year Capital Market Master Plan. Our focus was to work with stakeholders including media to garner support for the Authority's objectives, mission and vision.

The department contributed to the Authority's efforts to establish a robust and facilitative legal framework for capital market development, by supporting and facilitating engagement with institutional investors and industry participants during the development

of a Stewardship Code for Institutional Investors, which will complement the new Code of Corporate Governance Practices for Issuers of Securities to the Public, once it is enacted.

To ensure that legal frameworks developed are responsive and comprehensive, media professionals joined industry stakeholders during a Policy Proposals Roundtable held in November 2014, to seek industry input on possible policy proposals that could be submitted to the National Treasury for consideration and which are key to the deepening and development of the capital markets.

Awareness of capital markets opportunities and developments was enhanced through production of three documentaries and a television commercial (docmercial) to improve uptake of available capital markets products by retail investors. The documentaries and docmercial had three broad themes informed by research undertaken earlier in the year: the role and mandate of the Authority, an overview of the capital markets industry and how to invest in the capital markets.

In the production of documentaries and docmercial, 20 stakeholders were interviewed, representing each stakeholder category in the capital markets including retail and institutional investors. The documentaries and docmercials will be aired on national television in the next financial year.

The Corporate Communications Department further promoted awareness and interest in the capital markets through a media training session on the Capital Market Master Plan to impart understanding and appreciation for the industry's ambitions over the next 10 years. Further, we positioned the Authority as a credible, reliable, and timely source of information for media by sharing pertinent information.

Opportunities and developments available in the capital markets were highlighted through high-level stakeholder engagements facilitated and supported by the department such as the Capital Markets Roundtable attended by the Lord Mayor of the City of London and investors from the City of London.

The forum held in Nairobi in September 2014 was facilitated jointly with the British High Commission, Barclays Bank of Kenya, and the National Treasury. It culminated in the signing of a Memorandum of Understanding between the Authority and the Chartered Institute for Securities and Investments (CISI).

This sets the stage for the implementation of a certification programme for players in the capital markets sector in Kenya with a view to adoption within other East African Community partner states in due course. The MoU marked a key milestone towards the achievement of Nairobi International Financial Centre status as espoused in the Capital Market Master Plan, for which a highly skilled workforce is a prerequisite.

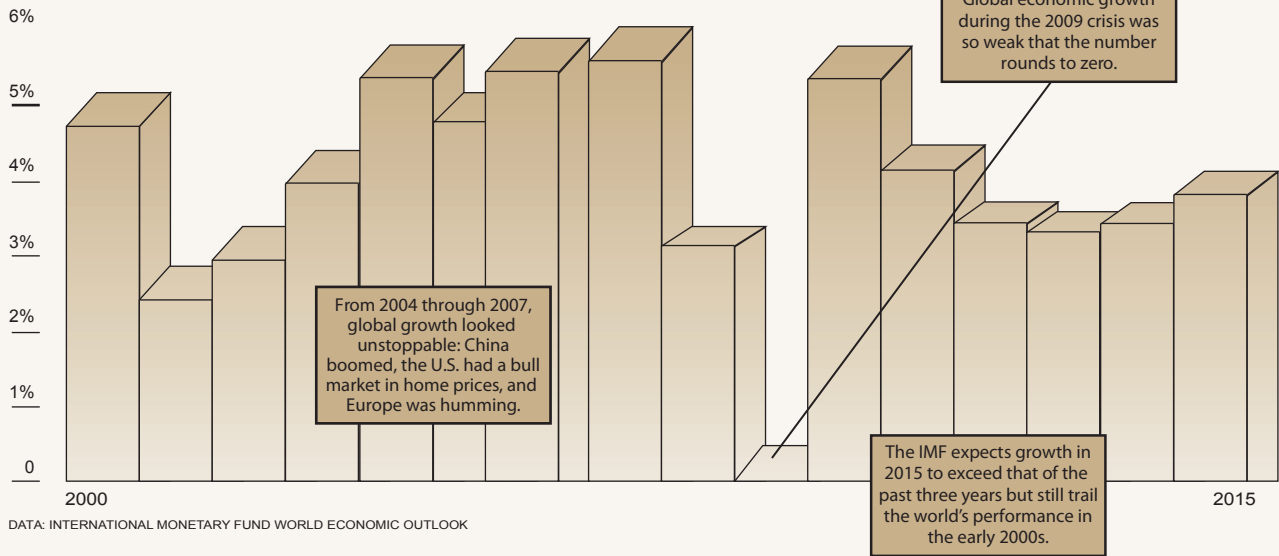
## OPERATING ENVIRONMENT

### THE GLOBAL ECONOMY

According to the International Monetary Fund World Economic Outlook for June 2015, global growth is projected at 3.3 percent in 2015, marginally lower than in 2014, with a gradual pickup in advanced economies and a slowdown in emerging market and developing economies. In 2016, growth is expected to strengthen to 3.8 percent. Its chief economist observes that "Secular stagnation in advanced economies remains a concern" and emerging markets can't grow as fast as they used to without inflation.

The unifying theme is that the global economy is taking longer than expected to recuperate from the bursting of the debt bubble during the last decade. Three years ago, the IMF projected that the world economy would be back on track by 2015, growing at 4.8 percent. The disappointments, says the IMF, have been the BRIC nations—Brazil, Russia, India, and China—as well as parts of the Middle East, Europe, and Japan. That's led the IMF to reduce its forecast for 2015 global growth to 3.3 percent. Nevertheless, the strongest growth is projected to be in South and East Asia as well as much of Africa.

## Growth rate of world economy



## MACROECONOMIC PROSPECTS FOR AFRICA

According to the African Development Bank's African Economic Outlook 2015, Africa's gross domestic product (GDP) growth is expected to strengthen to 4.5 in 2015 and 5 in 2016 after subdued expansion in 2013 (3.5) and 2014 (3.9). The 2014 growth was about one percentage point lower than expected, as the global economy remained weaker and some African countries saw severe domestic problems.

Domestic demand has continued to boost growth in many countries while external demand has remained mostly subdued because of flagging export markets. On the supply side, many African countries have improved their investment climate and conditions for doing business, which enhance long-term growth prospects. On the supply side Africa's growth has been mainly driven by agriculture, extractive industries, construction and services. On the demand side, the boost has come from private consumption and infrastructure investment.

So far African economies have been relatively resilient to the sharp fall of international commodity prices. Production has often increased despite the lower prices, and growth has also been boosted by other sectors. But if commodity prices remain low or decline further, growth shortfalls in resource-rich countries would increase as governments need to

cut spending. Governments will be keeping a close watch on conditions in key markets, especially Europe and China.

In countries where inflationary pressures have eased, policy interest rates have been reduced to stimulate growth. Yet in several countries exchange rates came under pressure and central banks responded by tightening policies to stabilise exchange rates and contain inflation. Consequently, most African countries continued their prudent fiscal policies to keep budget deficits at sustainable levels. But in several countries, including oil exporters, fiscal positions weakened despite efforts to limit spending and to improve tax revenues.

Going forward, the continent poised to resume its medium-term growth trend. However, looking beyond 2016, a number of internal and external factors may alter the context in which African policy makers seek to accelerate growth and deepen structural transformation. African economies have to take those changes into account and adapt their development strategies accordingly.

## DOMESTIC ECONOMIC ENVIRONMENT

Kenya's economy is estimated to have grown by 5.4 in 2014 and is projected to grow by 6 in 2015. The resilience is likely to continue with the economy expanding at 6.6 in 2016 and 6.5 in 2017, according

to the World Bank Group's economic analysis. The Kenya Economic Update by World Bank states that Kenya is emerging as one of Africa's key growth centres and is also poised to become one of the fastest growing economies in East Africa, supported by lower energy costs, investment in infrastructure, agriculture, manufacturing and other industries. Consequently, Kenya has been ranked third in a global survey of economies projected to register the fastest growth this year, placing the country ahead of other emerging markets in Africa. According to a Bloomberg survey of 57 countries, Kenya's projected 6 growth rate this year would see it join China, India, Philippines and Indonesia as the only economies attaining growth rate of at least 5 in 2016.

According to the most recent KNBS data, the country's economic performance improved to 4.9 during the first quarter of 2015 compared to the 4.7 growth realized in the corresponding quarter in 2014. The growth was mainly supported by strong expansion in sectors such as: Construction; Finance and Insurance; Information and Communication; Electricity and Water Supply; Wholesale and Retail Trade; and Transport and Storage. All the sectors of the economy recorded positive growths of varying magnitudes except the Hotels and Restaurant whose growth contracted for the fifth consecutive time mainly due to low hotel occupancy rates arising from insecurity concerns mainly by international visitors.

Against this environment, Kenya's economy was resilient during the first half of 2015, despite various

macro-economic shocks. The Kenyan Shilling depreciated significantly against the US Dollar as at June 2015, on account of a widening current account deficit despite cheaper oil prices mainly due to a significant increase in the import bill against a contraction in export earnings, coupled with the strengthening of the US economy and increased global demand for the US Dollar. These two factors placed the Kenya Shilling at 98.64 units to the USD as at the end of June 2015, a 13 year on year depreciation, from Kenya Shillings 87.6 during a similar period in 2014. Subsequently, the Central Bank Rate (CBR) which had been maintained at 8.5 for most of the first half of the year was increased by an unprecedented 150 basis points to 10 in June 2015, considerably tightening liquidity in the market. The move effectively set the stage for higher interest rates on credit. Overall Inflation rates also increased from 5.5 in January 2015 to 7 in June 2015 largely due to a rise in fuel prices during the review period.

## MARKET PERFORMANCE

### PRIMARY EQUITY MARKETS

The Nairobi Securities Exchange (NSE) self-listed on its Main Investment Market Segment (MIMS) through an IPO. The IPO which was conducted between 24 July and 12 August 2014 raised Kshs.4.789 billion against a target of Kshs.627 million, implying a 763.92 per cent subscription level, the most oversubscribed offer since the bourse was founded 60 years ago.

**Table 1: Initial Public Offers (IPOs) 2000-2015\***

Company	Shares on Issue	Year of Issue	Issue Price	Sum Raised	Subscription level
	Ordinary Shares	Year/Month	Kshs	Kshs.	%
African Lakes (Delisted in 2003)	4,000,000	2000 March	94.50	378,000,000.00	150%
Mumias Sugar Company	300,000,000	2001 November	6.25	1,125,000,000	60%
Kengen	658,900,000	2006 April	11.90	7,840,910,000.00	333%
Scangroup	69,000,000	2006 June	10.45	721,050,000.00	620%
Eveready	63,000,000	2006 Aug	9.50	598,500,000.00	830%
Access Kenya	80,000,000	2007 March	10.00	800,000,000.00	363%
Kenya Re	240,000,000	2007 July	9.50	2,280,000,000.00	334%
Safaricom	10,000,000,000	2008 June	5.00	50,000,000,000.00	532%
Co-op Bank	701,000,000	2008 October	9.50	5,400,000,000.00	81%
British American	660,000,000	2011 September	9.00	3,515,103,000	60%
Nairobi Securities Exchange	66,000,000	2014 September	9.50	627,000,000.00	764%
<b>TOTAL</b>	<b>15,541,900,000</b>			<b>73,285,563,000.00</b>	

\*up to June; Source: Capital Markets Authority

**Table 2: Additional Offers (AOs) and POs 2000-2015\***

Company	Shares on Issue	Type of issue	Year of Issue	Offer Price	Sum Raised	Subscription level
	Ordinary Shares	AOs/POs	Year	Kshs	Kshs.	%
Pan African Insurance Holdings	24,000,000	AO	2000	21.50	516,000,000.00	100%
ICDC	8,948,725	AO	2001	37.00	211,905,808.00	64%
Mumias Sugar Company	91,999,220	AO	2006	49.50	4,320,000,000.00	95%
Deacons Kenya	12,800,000	PO	2010	62.50	700,990,000.00	87.5%
UAP	12,500,000	PO	2012	60.00	971,910,000	129.59%
SMEP DTM	145,454,546	PO	2012	11.00	266,658,887.00	16.67%
<b>TOTAL</b>	<b>295,702,491</b>				<b>6,987,464,695.00</b>	

\*up to June; Source: Capital Markets Authority

**Table 3: Introductions 2000-2015\***

Company	Shares on Issue	Year of Issue	Offer Price
Equity Bank	90,500,000	2006	90.00
CFC Insurance Holdings	515,270,364	2011	6.15
Transcentury Limited	267,038,090	2011	50.00
Longhorn Publishers	58,500,000	2012	14.00
CIC Insurance	2,179,615,440	2012	3.50
Umeme	1,623,878,005	2012	8.80
Home Afrika Ltd.	405,300,000	2013	12.00
Flame Tree	24,287,500	2014	8.00
Kurwitu Ventures	102,272	2014	1250.00
<b>TOTAL</b>	<b>5,164,491,671</b>		

\*up to June; Source: Capital Markets Authority: N/A – Not Applicable



## PRIMARY BOND MARKETS

### TREASURY BONDS

During the review period, Sixteen (16) Treasury bonds (i.e. nine new issues and seven re-opening) were issued as the Government sought to raise KES 195 billion. KES.232 billion worth of bond applications were received, with the Government accepting KES 163 billion. In addition, 2 new infrastructure bonds were issued seeking to raise KES 40 billion. KES 90 billion worth of bond applications were received with the Government accepting KES 40 billion.

In December 2014, the government reopened the two billion US dollar sovereign bond it issued in June 2014 through a process known as a Tap. Kenya raised an extra Kshs 67 billion (\$750 million) from the international bond market at an average interest rate of 5.5 per cent, a price lower than that of the initial Sh180 billion (\$2 billion). The offer was oversubscribed by 400 per cent, as the country received bids over 3 billion US dollars from its target of 750 million US dollars showing continued investor confidence in Kenya. The reopening of the Eurobond allowed the Republic of Kenya to increase the size of the existing bond by 750 million US dollars to 2.75 billion US dollars, up from 2 billion.

**Table 4: Issued and re-opened bonds FY 2014/2015**

Bond Issue	Tenor	Due Date	Offered (Kshs bn)	Bids (Kshs bn)	Accepted (Kshs bn)	Performance Rate (%)	Coupon Rate	Average Yield
<b>Q3. 2014</b>								
<b>Jul. 2014</b>								
FXD 2/2014/2 (Re-Open)	2-year	23/05/2016	10.00	20.25	7.87	202.48%	10.793%	11.034%
<b>Aug. 2014</b>								
FXD2/2013/5 (Re-Open)	5-year	25/08/2014	15.00	24.42	13.52	186.34%	11.305%	11.126%
SDB1/2011/30 (Re-Open)	30-year			3.53	1.53		12.000%	13.775%
<b>Sep. 2014</b>								
FXD 1/2014/10 (Re-Open)	10-year	15/01/2024	15.00	17.03	15.49	113.53%	12.180%	12.296%
<b>Q4.2014</b>								
<b>Oct. 2014</b>								
IFB 1/2014/12 (New issue)	12-year	12/10/2026	15.00	38.77	15.81	258.47%	11.00%	11.26%
<b>Nov.2014</b>								
FXD 1/2010/15 (Re-Open)	10-year	24/11/2014	15.00	11.81	10.62	78.73%	10.25%	12.42%
<b>Dec.2014</b>								
FXD 3/2014/2 (New issue)	2-year	22/12/2014	20.00	13.11	8.91	85.05%	10.89%	10.89%
FXD 1/2013/15 (New issue)	15-year			13.90	11.92		11.25%	12.77%
<b>Q1.2015</b>								

Jan.2015								
FXD 1/2014/5 (Re-Open)	5-year	22/04/2019	20.00	14.11	8.03	134.74%	10.87%	11.58%
FXD 1/2012/20 (Re-Open)	20-year	1/11/2032		12.84	12.36		12.00%	13.62%
Feb.2015								
FXD 1/2015/2 (New issue)	2-year	20/2/2017	25	28.74	23.59	204.53%	11.47%	11.47%
FXD1/2013/10 (Re-Open)	10-year	19/06/2023		22.39	11.66		12.37%	12.79%
Mar.2015								
IFB 1/2015/12 (New issue)	12-year	3/15/2027	25.00	51.66	25.70	206.63%	11.00%	11.56%
Q2 2015								
April 2015								
IFB 1/2015/12 (Tap sale)	12-year	3/15/2027	25.00	51.66	24.02	97.53%	11.00%	11.56%
May 2015								
FXD3/2014/2 (Reopen)	2-Year	19/12/2016	20.00	24.25	20.22	162.79%	10.89%	11.77%
FXD1/2015/10 (Reopen)	10-Year	15/1/2024		8.30	5.06		12.18%	12.89%
June 2015								
FXD 2/2015/2 (New issues)	2-Year	26/06/2017	20.00	8.55	7.19	84.24%	12.63%	12.62%
FXD1/2015/5 (New Issues)	5-Year	22/06/2020		8.30	5.57		13.19%	13.19%

## CORPORATE BONDS

During the review period, eight (8) corporate bond offers were issued. These included offers by Britam, UAP Insurance, NIC Bank, CIC Insurance, Commercial Bank of Africa, East African Breweries Ltd, Chase Bank and Centum.

**Table 5: Corporate Bond Issues as at June 2015**

Issuer	Approved Amount (Kshs Mn)	Issued Amount (Kshs Mn)	Date of approval	Maturity	Tenor	Outstanding (Kshs Mn)	Yield (%)
<b>BARCLAYS KENYA</b>							
Barclays Bank FXD (MTN) / 2008/7YR	1,500	1300	14-Jul-08	15-Jul-15	7yrs	1,300.0	- Fixed rate of 0.75% above the spot 7-year Treasury yield rate, with an indicative fixed coupon rate of 11.5%.
Barclays Bank K Ltd FR (MTN) /7YR		700	14-Jul-08	15-Jul-15	7yrs	700.0	- Floating rate equivalent to the spot 182-day Treasury Bill yield rate plus a margin of 1%.
<b>MABATI ROLLING MILLS</b>							
Mabati Rolling Mills FR (MRM)/2008/8YR	2,000	1,378.50	27-Oct-08	3-Jan-17	8yrs	1,273.5	182 Day T-Bill rate + 1.75% re-priced semi-annually
Mabati Rolling Mills FXD(MRM)/2008/8YR		621.50	27-Oct-08	3-Jan-17	8yrs	726.5	FXD 13.00%
<b>SHELTER AFRIQUE</b>							
Shelter Afrique FXD 2/2012/3YR - 2nd tranche	500	500	17-Dec-12	14-Dec-15	3yrs	500.0	FR: 1.5-2% above the prevailing 182-day but capped at 13.5%. FXD 12.75%
<b>CFC STANBIC</b>							
CFC Stanbic FR (CFC Stanbic) 2009/7YR	2,500	97.9	7-Jul-09	7-Jul-16	7yrs	97.91	FR: +1.75% above prevailing 182-day T-Bill rates
CFC Stanbic FXD (CFC Stanbic) 2009/7YR		2,402	7-Jul-09	7-Jul-16	7yrs	2,402.09	FXD: 12.5%
<b>HOUSING FINANCE</b>							
FXD (HFCK) 02/2012/7YR	10,000	2,969.10	22-Oct-12	14-Oct-19	7yrs	2,969.0	FXD: 13%
FR (HFCK) 2010/7YR		1,166.50	26-Oct-10	2-Oct-17	7yrs	1,166.50	FR: 182 day + 3% with a floor of 5% and a cap of 9.5%
FXD (HFCK) 2010/7YR		5,864.40	26-Oct-10	2-Oct-17	7yrs	5,864.40	FXD: 8.5%
<b>KENGEN</b>							
FXIB 1/2009/10YR	25,000	20312.50	2-Nov-10	31-Oct-19	10yrs	19,042.97	FXD: 12.5%
<b>CONSOLIDATED BANK</b>							
Consolidated Bank CON.BD-FR (SN)/2012/7YR	2,000.0	1.0	30-Jul-12	24-Jul-19	7yrs	1.0	Senior FR notes (182-day T-bill + 2%)
Consolidated Bank CON.BD-FXD (SBN)/2012/7YR		196.5	30-Jul-12	24-Jul-19	7yrs	196.5	Subordinated FXD notes (13.60%)
Consolidated Bank CON.BD-FXD (SN)/2012/7YR		1,480.6	30-Jul-12	24-Jul-19	7yrs	1,480.6	Senior FXD notes (13.25%)

CENTUM							
CENTUM CTNB. BD.18.09.17/13.50; Senior Unsecured FXD Rate Notes		2,917.1	26-Sep-12	18-Sep-17	5yrs	2,917.1	Senior unsecured FXD 13.5%
CENTUM CTNB. BD.18.09.17/12.75; Senior Unsecured Equity-Linked Notes	4,167.9	1,250.8	26-Sep-12	18-Sep-17	5yrs	1,250.8	FXD rate of 12.75 percent payable semi-annually and will participate in an equity upside linked to the growth of the Company's NAV subject to a maximum of 15% of the par value of the notes.
INVESTMENT & MORTGAGES							
I & M FXD I & M-01/13/5.25		226	13-Dec-13	8-Mar-18	5.25yrs	3,429.0	FXD: 12.5%
I & M FRN I & M-01/13/5.25	3,655.0	3,429	13-Dec-13	8-Mar-18	5.25yrs	226.0	FR: 182 day + 2%
BRITAM MEDIUM TERM NOTE							
BRTB.BD.22/07/19-0037-13	6,000.0	6,000.0	22-Jul-14	15-Jul-19	5yrs	6,000.0	FXD: 13.0%
UAP HOLDINGS MEDIUM TERM NOTE							
UAP.BD.22.07.2019	2,000.0	2,000.0	28-Jul-14	28-Jul-19	5yrs	2,000.0	FXD: 13.0%
NIC MEDIUM TERM NOTE							
NIC.BD.09/09/19-0039-12.5	5,514.0	5,514.0	8-Sep-14	8-Sep-19	5yrs	5,514.0	FXD:12.5%
CIC INSURANCE GROUP LIMITED MEDIUM TERM NOTE							
CIC.BD.2.10.2019	5,000.0	5,000.0	8-Oct-14	2-Oct-19	5yrs	5,000.0	FXD:13%
SAFARICOM							
SAFARICOM LTD DOMESTIC MEDIUM TERM NOTE FXD2 (Safaricom Ltd) 2009/5Yr		4,287	20-Dec-10	20-Dec-15	5 yrs	4,287	FXD: 7.75%
SAFARICOM LTD DOMESTIC MEDIUM TERM NOTE ( FR2 (Safaricom Ltd) 2009/5Yr)	6,287	2,000	20-Dec-10	20-Dec-15	5 yrs	2,000	TB(182)+1.85%
COMERCIAL BANK OF AFRICA							
CBA BD 14/12/20-0041-12.27	7,000	7,000	22-Dec-14	14-Dec-20	6 yrs	7,000	FXD: 12.75% p.a. payable semi-annually in areas
EABL							
EABB FXD 19/03/18-0041-12.75	9,047	9,047	23-Mar-15	19-Dec-18	3 yrs.	9,047	FXD: 12.25% p.a. payable semi-annually in areas
CHASE BANK							
CHBD.BD.02/06/22-0044-13.5	10,000	3,000	10th June 2015	2nd June 2022	7yrs	3,000	Issue price 100 per cent of aggregate Nominal Amount FXD:13.1%
<b>TOTAL</b>	102,170					89,391.87	

Source: Capital Markets Authority

## RIGHTS ISSUES

Four (4) Rights issues were offered during the year. These included Diamond Trust Bank, NIC Bank, Uchumi Supermarkets Ltd and Housing Finance. All issues were oversubscribed managing to raise KES 19 billion during the review period.

**Table 8: Rights Issues 2004 - 2015\***

Company	Shares on Issue	Date of Issue	Offer Price	Sum Raised	Subscription level
KCB	50,000,000	2004	49.00	2,750,125,000.00	112%
Uchumi	120,000,000	2005	10.00	1,269,600,000.00	106%
CfC Bank	12,000,000	2005	62.00	744,000,000.00	100%
DTB	15,527,343	2006	50.00	2,305,810,436.00	297%
Olympia Capital	30,000,000	2007	14.00	428,400,000.00	102%
DTB	23,291,015	2007	70.00	2,902,060,469.00	178%
NIC Bank	16,482,910	2007	70.00	1,719,167,513.00	149%
HFCK	115,000,000	2008	20.00	2,369,000,000.00	103%
KCB	221,777,777	2008	25.00	8,122,024,075.00	146%
KCB	887,111,110	July 2010	17.00	12,500,000,000.00	82.5%
TPS East Africa	24,701,774	September 2010	48.00	1,185,685,152.00	135%
Standard Chartered	15,109,323	October 2010	165.45	2,499,837,490.00	161%
KPLC	488,630,245	November 2010	19.50	9,830,340,000.00	103%
KQ	1,477,169,549	March 2012	14.00	14,487,949,714.00	70.06%
DTB	24,455,566	June 2012	74.00	3,369,522,734	186.2%
NIC	98,724,391	September 2012	21.00	7,007,457,273.00	338%
CFC Stanbic Holdings	121,637,427	October 2012	33.00	4,495,719,302.00	112%
Standard Chartered Bank	22,080,000	October 2012	145.00	8,272,934,400.00	258%
Diamond Trust Bank	22,010,009	August 2014	165.00	3,631,651,485.00	440.27%
NIC Bank	42,663,040	September 2014	49.25	4,647,422,715.25	221%
Uchumi supermarket	99,534,980	October 2014	9.00	1,644,646,140	184%
HFCK	116,666,667	January 2015	30	9,011,836,920	257%
<b>TOTAL</b>	<b>3,945,038,146</b>			<b>98,903,121,963.00</b>	

Source: NSE/CMA

\*As at June 2015

## SECONDARY MARKETS

The review period witnessed a moderate rise in equity turnover to KES 222 billion, 21% higher than the corresponding period last year, mainly driven by foreign investor demand, following the Nairobi Securities Exchange increased profile as one of the highest return markets in the world. The NSE closed the year as the second top performing African market on the global MSCI Frontier Markets Index, with an annualized return of 24% putting Kenya on the radar of international investors who have appetite for risk exposure in frontier markets. Total bond turnover amounted to Kshs 447 billion compared to Kshs 411 billion registered in a similar comparable period the previous year, an increase of 9 percent.

**Table 10: Market Statistics 2014/2015**

YEAR	MONTH	EQUITY TURNOVER (KSHS BILLION)	SHARE VOLUME (MN)	NSE 20 SHARE INDEX	MARKET CAPITALIZATION (KSHS BILLION)	BOND TURNOVER (KSHS BILLION)
2014	July	15	626	4,906	2,125	29
	August	16	629	5,139	2,217	50
	September	19	767	5,256	2,294	55
	October	19	501	5194	2,248	37
	November	14	631	5156	2,307	50
	December	32	823	5112	2,301	38
2015	January	10	414	5,212	2,350	38
	February	16	593	5,491	2,461	45
	March	21	614	5,346	2,452	46
	April	15	488	5,091	2,430	25
	May	21	684	4,788	2,368	22
	June	24	681	4,906	2,302	12
TOTAL FY 2014/2015		222	7,451	4,906	2,302	447
TOTAL FY 2013/2014		183	7,706	4,885	2,107	411
Percent Change		21.3%	(3.3%)	0.4%	9.3%	8.8%

Source: NSE

## Market Outlook

During the first half of the year, the equity market experienced increased trading activity in the review period as investors remained bullish on the Kenyan market. The NSE-20 Index has however only edged up 0.4% while market liquidity remained fairly stable year-on-year, with the cumulative trade volumes decreasing marginally by 3%. Foreign investors emerged as net sellers, accounting for 52% of market turnover in the 12 months to June 2015. However, during the second half, the NSE 20 Index has dropped 12% from a high of 5,491 points in February 2015 to 4,906 points in June 2015. The bear run has persisted and is mainly attributable to a rise in interest rates, a weakening shilling as well a general drop in earnings by listed companies.

Going forward, it is not highly likely that the NSE will experience as much of the bull-run as enjoyed in 2013 and 2014. The bear run is expected to continue for the remainder of the year mainly attributable to price correction playing a big part as valuation in the market become attractive as well as the continued foreign outflows as the dollar continues to strengthen against the Kenya shilling. Nevertheless, the scrapping of a 5% Capital Gains Tax on securities trading is expected to give a boost to market activity.

## TRENDS IN FOREIGN INVESTORS PORTFOLIO ACTIVITY

The review period witnessed a net portfolio outflow amounting to KES 808 million, mainly as a result of increased profit taking by foreign investors.

**Table 11: Foreign Investor Net Cash Inflow Activity (Kshs Millions)**

	2010	2011	2012	2013	2014	2015*
January	2,517	1,987	(812)	2,133	(876)	(273)
February	489	622	795	(3,927)	(1,505)	201
March	1,998	1,552	2,651	1,810	(399)	(3,085)
April	151	(3,024)	1,771	3,026	1409	(67)
May	(325)	(3,334)	1,099	3,475	(2578)	(2,030)
June	1,601	(1,597)	1,639	2,602	2586	(447)
July	1,159	1,173	828	1,625	142	
August	471	621	1,048	9,839	3,253	
September	1,206	535	3,286	2,063	(850)	
October	2,147	719	2,965	2,723	(1,208)	
November	2,526	31	4,335	884	2,535	
December	1,186	935	2,129	(690)	1,021	
<b>NET CASH FLOW</b>	<b>15,126</b>	<b>220</b>	<b>21,734</b>	<b>25,563</b>	<b>3,530</b>	<b>(5,701)</b>

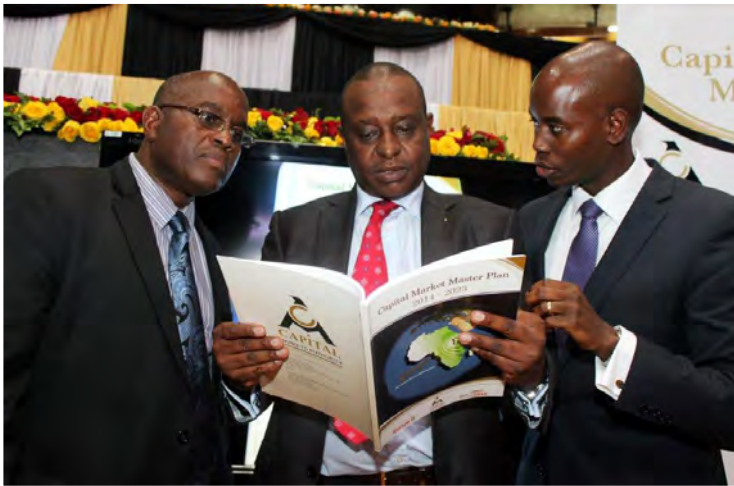
\*Up to June; Source: NSE

## CORPORATE ACTIONS

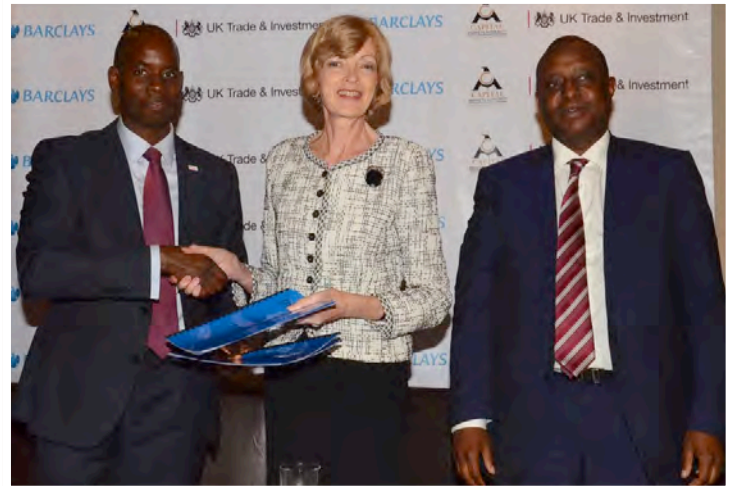
Company	Announcement Date	Corporate Action	Amount(Kshs.)/ Ratio
BAT	10-07-14	Interim	3.50
HOUSING FINANCE	17-07-14	Interim	0.75
OLYMPIA CAPITAL HOLDINGS	01-09-14	1st & Final	0.25
UCHUMI	08-09-14	1st & Final	0.30
UNGA	26-09-14	1st & Final	0.75
LONGHORN	26-09-14	Final	1.20
LONGHORN	26-09-14	Bonus	3:20
NIC BANK	26-09-14	Right Issue	1:14
UCHUMI	14-10-14	Rights	3:8
KPLC	22-10-14	Final	0.30
KENGEN	24-10-14	Final	0.40
SASINI	19-12-14	Final	0.25
CAR & GENERAL	22-12-14	Final	0.60
EA CABLES	11-02-2015	Final	0.50
EABL	13-02-2015	Interim	1.50
KPLC	18-02-2015	Interim	0.20
KCB	26-02-2015	Final	2.00
CFC STANBIC	26-02-2015	Final	5.20

BAT	27-02-2015	Final	39.00
PANAFRIC	27-02-2015	Bonus 1&2	1:2
NIC	3-03-2015	Final	1.00
NATIONAL BANK	03-03-2015	Bonus	1:10
BAMBURI	06-03-2015	Final	6.00
EQUITY	10-03-2015	Final	1.80
DTB	12-03-2015	Final	2.40
CIC	13-03-2015	Final	0.10
STANDARD GROUP	16-03-2015	Final	0.50
CO-OPERATIVE	18-03-2015	Final	0.50
BRITAM	20-03-2015	First and final	0.30
JUBILEE	25-03-2015	Bonus	7.50
KENOL	25-03-2015	Final	7.50
KAKUZI	25-03-2015	Final	3.75
STANCHART	26-03-2015	Final	12.50
NSE	27-03-2015	Final	0.38
KENYA RE	27-03-2015	Final	0.38
HFCK	27-03-2015	Final	0.75
UMEME	30-03-2015	Final	19.50
I&M	30-03-2015	Final	2.90
TOTAL	4/1/2015	1 <sup>st</sup> & Final	0.70
B.O.C	4/2/2015	Final	3.00
LIM TEA	8/4/2015	1 <sup>st</sup> & Final	1.00
LIBERTY	9/4/2015	1 <sup>st</sup> & Final	0.50
TPSEA	4/29/2015	Final	1.35
CROWN PAINTS	5/4/2015	Bonus	2:1
CROWN PAINTS	5-4-2015	Final	1.75
SAFARICOM	5-7-2015	Final	0.64
LIM TEA	5-12-2015	Share Split	1:2
WTK	6-15-2015	Final	40.00
WTK	6-15-2015	Bonus	1:1
KAPCHORUA	6-15-2015	Dividend	5.00
KAPCHORUA	6-15-2015	Bonus	1:1





From left: Mr. Paul Ngugi, Director Capital Markets Authority, Mr. Henry Rotich, Cabinet Secretary National Treasury and Mr. Paul Muthaura, Acting Chief Executive Capital Markets Authority peruse through a copy of the Capital Markets Master Plan during the launch of the 10-year industry blueprint in November 2014



The Capital Markets Authority Acting Chief Executive, Mr Paul Muthaura (left), and the Lord Mayor of the City of London, Alderman Fiona Woolf (centre), exchange a Memorandum of Understanding (MOU) between the Capital Markets Authority and the Chartered Institute of Securities and Investments of the UK in September 2014. Looking on is the National Treasury Cabinet Secretary Mr. Henry Rotich. The MOU paved the way for the introduction of international certification standards for the capital markets in Kenya and the region.



Capital Markets Authority Board Director Mrs. Judy Thuo (left) hands over a cheque of Kshs50,000 to Mr. Andrew Ngaruro (right), the second runner-up of the Capital Markets National Trivia Competition in December 2014.



The National Treasury Cabinet Secretary Mr. Henry Rotich (centre) cuts a ribbon to mark the official opening of the Capital Markets Open Day in Nairobi County in May, 2015 assisted by the Capital Markets Authority Chairman, Mr James Ndegwa (left). Looking on is the Authority Director, Dr Chris Kiptoo. The open day took place from 7- 9 May, 2015.



The Capital Markets Authority Acting Chief Executive, Mr Paul Muthaura (5th from left back row), during board and committee meetings of the International Organization of Securities Commissions held in Seoul, South Korea in February 2015



Investors in Kericho county follow proceedings during an investor education forum held by the Authority in May 2015 in partnership with the County Government of Kericho and the Kenya National Chamber of Commerce and Industry Kericho branch



Acting Director Regulatory Policy and Strategy Mr. Luke Ombara (speaking) with Mr. Vadhi, Kenya National Chambers of Commerce and Industry (KNCCI) Vice Chairman Embu County, and Dr. Musomi, the County Executive in charge for Investment and Industrialization at the official opening of the Embu County Capital Markets Open Day in March 2015.



Capital Markets Authority's Konrad Afande (standing) gives a token of appreciation to an investor in Bomet County during an investor education forum held by the Authority in partnership with the County Government of Bomet and the Kenya National Chamber of Commerce and Industry Bomet branch in June 2015. The Authority's robust investor education strategy targets all 47 counties to disseminate information on how to participate in the capital markets in Kenya.



Capital Markets Authority staff get involved in activities during the annual team building event held in September 2014



A snapshot of the Capital Markets Authority Murang'a road show held in June 2015

# APPENDICES

## ENABLING LEGISLATION:

### a) Main Acts

#### i) The Capital Markets Act, Cap 485A

This Act establishes the Capital Markets Authority for the purpose of promoting, regulating and facilitating the development of an orderly, fair and efficient securities market as well as reduce systemic risk in the Kenyan capital markets and for connected purposes.

#### ii) The Central Depositories Act, No. 4 of 2000

This Act was operationalized in June 2003. The objective of the Act is to facilitate the establishment, operation and regulation of central depositories, to provide for the immobilization and eventual dematerialization of, and dealings in securities deposited therewith in Kenya, and for connected purposes.

### b) Regulations

#### i) The Capital Markets (Collective Investment Schemes) Regulations, 2001

The Collective Investment Schemes Regulations are aimed at facilitating specialized mutual funds, unit trusts or special form of collective investment schemes and offer a unique opportunity to investors in terms of professional management, economies of scale and diversification of portfolio and risk.

#### ii) The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002

These Regulations primarily govern public offers, disclosure requirements and listings of securities. Broadly, the Regulations prescribe the approval process for the public offers of securities, requirements of information memoranda, eligibility requirements for public offers and listing of securities at securities exchanges. The Regulations also prescribe detailed disclosure requirements for each of the market segments as well as continuing reporting obligations for listed companies.

#### iii) The Capital Markets (Licensing Requirements) (General) Regulations, 2002

These Regulations provide the requirements for licensing and approvals as well as other general requirements and reporting obligations of capital markets intermediaries including securities exchanges.

#### iv) The Capital Markets (Takeovers & Mergers) Regulations, 2002

These Regulations govern the procedure and timelines of the takeovers and mergers of listed companies and set out the obligations of parties to the transactions.

#### v) The Capital Markets (Foreign Investors) Regulations, 2002

These Regulations govern foreign investor participation in the Kenyan Capital Markets.

#### vi) The Capital Markets Tribunal Rules, 2002

These Rules prescribe the procedures of Appeals made to the Capital Markets Tribunal by persons aggrieved by a decision made by the Authority.

#### vii) The Central Depositories (Regulation of Central Depositories) Rules, 2004

These Rules provide the detailed regulatory requirements for applicable to licensed Central depositories.

#### viii) The Capital Markets (Asset Backed Securities) Regulations, 2007

These Regulations apply to all offers of asset backed securities to the public or a section thereof in Kenya including issues by state corporations and other public bodies.

#### ix) The Capital Markets (Registered Venture Capital Companies) Regulations, 2007

These Regulations prescribe the requirements for

a venture capital company to become registered for the purposes of the Income Tax (Venture Capital Company) Rules 1997, through which venture capital investors may seek a tax waiver on the income arising from their designated venture capital investments.

#### **x) The Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011**

The objective of these Regulations is to enhance corporate governance practices by all capital markets intermediaries by way of prescribing the minimum standards. .

#### **xi) The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011**

The Regulations stipulate the minimum standards of business conduct to be observed by all market intermediaries, licensed under the Capital Markets Act, with the objective of streamlining their business activities.

#### **xii) Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations Legal Notice No. 116 of 2013**

The REITs regulatory framework seeks to promote the pooling of capital and channeling the investments into real estate assets through Real Estate Investment Trusts (REITs). The framework provides for investments in both income producing real estate and in development and construction projects. The benefits expected to accrue from investment through REITs include -

- ✓ enhanced mobilization of savings to the real estate sector of the economy to increase availability of housing which is a priority area championed under Vision 2030;
- ✓ introduction of additional capital markets instruments to both retail and institutional investors for investment and diversification of risk;
- ✓ make real estate investing easy and efficient, since REITs will be listed on securities exchanges and hence reduce the risk of illiquidity; and

- ✓ enable low cost exposure to real estate with professional investment management at a relatively low transaction and management cost.

#### **xiii) Capital Markets (Futures Exchanges) (Licensing Requirements) Regulations, Legal Notice No. 108 of 2013**

This regulatory instrument provides the framework for licensing of futures exchanges which are set to provide the trading facilities for derivatives. Regulated futures markets will provide, amongst others, the necessary financial instruments for hedging of currency and interest rate fluctuations as well as enhancing stability in the prices of commodities.

#### **c) Guidelines**

##### **i) The Capital Markets Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya**

These Guidelines set out requirements for corporate governance for public listed companies and other issuers of securities in the capital markets and are both prescriptive (the principles) and non-prescriptive (best practices).

##### **ii) The Capital Markets Guidelines on the Approval and Registration of Credit Rating Agencies**

These Guidelines prescribe requirements for registration, accreditation and approval of rating agencies for the purpose of rating issuers of debt securities through the capital markets. Credit rating is an objective and independent opinion on the general credit worthiness of an issuer of a debt instrument and its ability to meet its obligations in a timely manner over the life of the financial instrument based on relevant risk factors including the ability of the issuer to generate cash in the future. Ratings rank the issue within a consistent framework to compare risk among the different debt instruments in the market and assign a risk grade.

##### **iii) Guidelines On Financial Resource Requirements For Market Intermediaries**

These Guidelines set out the framework for the implementation of financial resource requirements for capital market intermediaries in order to enhance the implementation of Risk Based Supervision.

#### iv) Management Supervision Internal Control Guidelines May 2012

These are standards developed to ensure the proper conduct of a licensed or an approved business to ensure, on a continuous basis and on a timetable

determined by CMA that licensed entities which are members of a Self-Regulatory Organization (SRO) (exchange or a clearing house) or other entities undertaking licensed activities, are complying with the applicable laws, rules and regulations.

### LICENSEES AS AT 30 JUNE 2015

<b>APPROVED INSTITUTIONS</b>	
<p><b>SECURITIES EXCHANGE</b></p> <p><b>The Nairobi Securities Exchange</b> The Exchange Building, 55 Westlands Road P.O. Box 43633-00100, Nairobi Tel: 254 20 2831000 Fax: 254 20 224200 Email: info@nse.co.ke Website: www.nse.co.ke</p>	<p><b>DEPOSITORY AND SETTLEMENT SYSTEM</b></p> <p><b>Central Depository and Settlement Corporation Ltd</b> Nation Centre, Kimathi Street, 10th Floor P. O. Box 3464-00100, Nairobi Tel: +254 (20) 2912000, 2229407/08 Fax: +254 20 222 9405254 Email: helpdesk@cdskenya.com</p>
<b>REGISTERED VENTURE CAPITAL COMPANY</b>	
<p><b>Acacia Fund Limited</b> Norfolk Towers, Kijabe Street 1st Floor P.O. Box 43233, Nairobi Tel: 254 20 228870 Fax: 254 20 330120 E-mail: general_manager@kcpafrica.com Website: www.kcpafrica.com</p>	
<b>CREDIT RATING AGENCIES</b>	
<p><b>Agusto &amp; Company Limited</b> 7th Floor Eden Square, Block 1, Chiromo Road, Westlands P.O. Box 856-00606, Nairobi Tel: 254 20 3673 763 Mob: 254 703 041 763 E-mail : info@agusto.com Website : www.agusto.com</p>	<p><b>Metropol Corporation Limited</b> Hazina Towers, 13th Floor Monrovia Street P.O. Box 35331-00200 NAIROBI</p>
<p><b>Global Credit Rating Company</b> 3rd Floor, Right Wing, 82 Grayston Drive, Sandton 2196 South Africa Telephone +27 11 784 - 1771 Fax: +27 11 784 - 1770 Email: joffe@globalratings.net</p>	
<b>INVESTMENT BANKS</b>	
<p><b>African Alliance Kenya Investment Bank Ltd.</b> 4th Floor, Kenya Re Towers, Upper Hill P.O. Box 27639 – 00506, Nairobi Tel : 254 20 2710978/2718720 Fax : 254 20 2710247 Email : enquiries@africanalliance.co.ke</p>	<p><b>Barclays Financial Services Limited</b> The West End Building Waiyaki Way P.O. Box 30120-00100, Nairobi Tel: 254 20 332230 Fax : 254 20 213915 Email : barclays.kenya@barclays.com Website : www.barclays.com</p>

<p><b>Dyer &amp; Blair Investment Bank Ltd</b> Loita House, 10th Floor Loita Street P.O Box 45396 – 00100, Nairobi Tel: 020 3240000 Fax: 254 20 218633 E-mail: admin@dyer.africaonline.com Website: www.dyerandblair.com</p>	<p><b>Standard Investment Bank</b> ICEA Building, 16th floor Kenyatta Avenue P. O Box 13714 – 00800, Nairobi Tel: +254 (020) 2220225, +254 (020) 2228963/7/9 Fax: 254 20 240297 Email: info@sib.co.ke Website: www.sib.co.ke</p>
<p><b>Renaissance Capital (K) Limited</b> PurshottamPlace, 7th Floor Chiromo Road, Westlands P. O. Box 40560-00100, Nairobi Tel: 254 20 3673737 Fax: 254 20 3601100 Email: pmweheire@rencap.com</p>	<p><b>NIC Capital Limited</b> NIC House, Masaba Road P. O. Box 44599-00100, Nairobi Tel: 254 20 2888000 Fax: 254 20 2888505 Email: service@nic-capital.com</p>
<p><b>Faida Investment Bank Limited</b> Crawford Business Park, Ground Floor, State House Road Nairobi P.O. Box 45236-00100 Tel: +254 020 7606026-37 Mobile lines: 0701 346594,0735 188167 Fax: +254 20 2243814 Email: info@fib.co.ke</p>	<p><b>Equity Investment Bank Ltd</b> Equity Centre, Ground Floor Hospital Road, Upper Hill P.O. Box 74454 - 00200 Tel : 254 20 2736620 Fax : 254 20 2737276 Website : www.equitybank.co.ke</p>
<p><b>Genghis Capital Limited</b> Prudential Assurance Building, 6th Floor Wabera Street P. O. Box 9959-00100, Nairobi Tel: 254 20 2774195/199 Fax: 254 20 2246334 Email: info@genghiscapital.co.ke</p>	<p><b>EBI Investment Corporation Kenya Limited</b> 1st floor, Ecobank Towers Muindi Mbingu Street, P.O. Box 49584-00100, NAIROBI Tel : +254 20 2883000 Fax : +254 20 2883304</p>
<p><b>KCB Capital Limited</b> Kencom Hose, 6th Floor Moi Avenue P.O. Box 48400-00100 NAIROBI</p>	<p><b>SBG Securities Limited</b> CFC Stanbic Center, Chiromo Road Westlands P.O. Box 47198 - 00100, Nairobi Tel. 254 20 3752900/1 Fax. 254 20 3752905/7 Email: enquiries@cfcbank.co.ke</p>
<p><b>CBA Capital Limited</b> Mara and Ragati Roads, Upper Hill, Nairobi PO Box 30437 – 00100, Nairobi Tel : +254 20 2884444 Fax: +254 20 2734616 Email: cbacapital@cba.co.ke Website: www.cba.co.ke</p>	<p><b>Kestrel Capital (East Africa) Limited</b> ICEA Building, 5th Floor Kenyatta Avenue P. O. Box 40005 – 00100, NAIROBI Tel: +254 (0) 20 225 1758 Email: info@kestrelcapital.com Website: www.kestrelcapital.com</p>
<b>STOCK BROKERS</b>	
<p><b>AIB Capital Limited</b> Finance House,9th Floor, Loita Street P. O. Box 11019-00100, Nairobi Tel: 254 20 2210178/2212989 Fax: 254 20 2210500 Email: info@afrikainvestmentbank.com</p>	<p><b>Old Mutual Securities Limited</b> IPS Building, 6th Floor Kimathi Street P. O. Box 50338 – 00200,Nairobi Tel: +254 20 224 1379 Fax: 254 20 241392 E-mail: reliable@gt.co.ke Website: www.oldmutualkenya.com</p>

<p><b>ABC Capital Limited</b>  IPS Building, 5th Floor  Kimathi Street  P.O. Box 34137-00100, Nairobi  Tel: 254 20 2241046  Fax: 254 20 316144  Email: headoffice@abccapital.co.ke</p>	<p><b>NIC Securities Limited</b>  NIC House, Masaba Road  P. O. Box 44599-00200, Nairobi  Tel: 254 20 2888000  Fax: 254 20 2888505  Email: info@nic-bank.com</p>
<p><b>Suntra Investments Limited</b>  7th Floor Nation Centre,  Kimathi Street  P.O.Box 74016-00200, Nairobi  Tel: +254 20 2870 000  Fax:254 20 2224327  E-mail:info@suntra.co.ke  Website: www.suntra.co.ke</p>	<p><b>Kingdom Securities Ltd</b>  Co-operative Bank House, 5th Floor  Haile – Selassie Avenue  P. O. Box 48231-00100, Nairobi  Tel: 254 20 3276676/311898/310540  Fax: 254 20 2210279  Email: info@kingdomsecurities.co.ke</p>
<p><b>Sterling Capital Ltd</b>  Barclays Plaza, 11th Floor, Loita Street  P. O. Box 45080-00100, Nairobi  Tel: 254 20 2220225/227004/2213914  Fax: 254 20 240297  Email: info@sib.co.ke</p>	<p><b>Francis Drummond &amp; Company Limited</b>  Hughes Building, 2nd Floor  P.O. Box 45465 – 00100, Nairobi  Tel: 254 20 318686/318689  Fax: 254 20 223061  E-mail: info@francisdrummond.com  Website: www.francisdrummond.com</p>
<p><b>Kestrel Capital (EA) Limited</b>  ICEA Building, 5th Floor  Kenyatta Avenue  P.O Box 40005 – 00100, Nairobi  Tel: 254 20 251758/251893  Fax: 254 20 243264  Email: info@Kshstrelcapital.com</p>	<p><b>Apex Africa Capital Limited</b>  Rehani House (HFCK), 4th Floor  Corner of Kenyatta Avenue and Koinange Street  P.O. Box 43676-00100, Nairobi  Tel : 254 20 422170  Fax : 254 20 215554  Email : hak@insightkenya.com</p>
<b>AUTHORISED SECURITIES DEALER</b>	
<p><b>Chase Bank Limited</b>  Delta Towers  Waiyaki Way  P. O. Box 28987-00200, Nairobi  Tel: 254 20 2774000/4454803/4/6/8  Fax: 254 20 4454816  Email: info@chasebank.co.ke</p>	
<b>FUND MANAGERS</b>	
<p><b>PineBridge Investment (EA) Ltd</b>  Africa Re- Centre 5th Floor  Hospital Road, Upperhill  P.O Box 67262 – 00200, Nairobi  Tel: 2733400/8  Fax: 2733410</p>	<p><b>Old Mutual Investment Group Limited</b>  Old Mutual building, Mara Road, Upper Hill  P.O Box 11589 - 00400, Nairobi  Tel: 2711309/2730466  Fax: 2711066  E-mail: omam@omamkenya.com  Website: www.oldmutualkenya.com</p>
<p><b>Dry Associates</b>  Dry Associates House  Brookside Grove/Matundu Lane  P.O Box 684 Sarit Centre 00606, Nairobi  Tel: 254 20 4450520/1/2/3/4, 4440546  Fax: 254 20 4441330  E-mail: dryassoc@wananchi.com  Website: www.dryassociates.com</p>	<p><b>FCB Capital Limited</b>  Prudential Assurance Building, 1st Floor  Wabera Street  P. O. Box 56793 – 00300,Nairobi  Tel: 254 20 3580866  Fax: 254 20 213582  Email: info@fcbtakafulagency.co.ke</p>

<p><b>Aureos Kenya Managers Ltd</b>  Norfolk Towers, 1st Floor, Kijabe Street,  P.O. Box 43233 – 00100, Nairobi  Tel: 254 20 228870-/337828  Fax: 254 20 330120/219744  E-mail: mails@aureos.co.ke  Website: www.aureos.com</p>	<p><b>Pan African Asset Management (Kenya) Limited</b>  Pan Africa Life House, 4th Floor  Kenyatta Avenue  P.O. Box 7848 - 00100  NAIROBI</p>
<p><b>Co-op Trust Investment Services Ltd.</b>  Co-operative House, 13th Floor  Haile Selassie Avenue  P.O. Box 48231 - 00100, Nairobi  Tel: 254 20 3276100  Email: customerservice@co-opbank.co.ke</p>	<p><b>ICEA Lion Asset Management Ltd.</b>  ICEA Lion Centre  Riverside Park, Chiromo Road  P.O. Box 46143 – 00100, Nairobi  Tel: 254 20 340365/6  Fax: 254 20 338089  E-mail: iisl@icea.co.ke</p>
<p><b>Amana Capital Limited</b>  Saachi Plaza, Block C. Suite C5  Argwings Kodhek Road, Kilimani  P.O. Box 9480 Nairobi 00100  Tel. (020) 235 1735 or (020) 235 1741/42  E-Mail. info@amanacapital.co.ke  Website: amanacapital.co.ke</p>	<p><b>Genesis (K) Investment Management Ltd</b>  Arlington Block, 1st Floor  14 Riverside Business Park, Off Riverside Drive  P.O. Box 79217 - 00200  Tel: +254 (20) 2323343/44  Fax: 254 20 250716  E-mail: support@genesis.co.ke</p>
<p><b>Zimele Asset Management Co. Ltd.</b>  Ecobank Towers, 7th Floor  Muindi Mbingu Street  P.O. Box 76528 – 00508, Nairobi  Tel: +254-20-2246273  Fax: 254 20 2722953  E-mail: info@zimele.net</p>	<p><b>Britam Asset Managers (Kenya) Limited</b>  Britak Centre  Mara/Ragati Road Junction  Upperhill  P.O. Box 30375-00100, Nairobi  Tel: 254 20 2710927  Fax: 254 20 2717626  E-mail: britak@britak.co.ke  Website: www.britak.com</p>
<p><b>CIC Asset Management Ltd</b>  CIC Plaza, Mara Road  P. O. Box 59485-00100, Nairobi  Tel : 254 20 2823000  Email : cic@cic.co.ke</p>	<p><b>Standard Chartered Investment Services Limited</b>  Standard Chartered@chiromo  48 Westlands Road  P. O. Box 30003-00100, Nairobi  Tel : 254 20 3276100  Fax : 254 20 223380  Email : Talk.To-Us@standardchartered.com</p>
<p><b>Madison Asset Management Services Ltd</b>  Madison Insurance House, 2nd Floor  Upper Hill  P. O. Box 20092-00100, Nairobi  Tel: 254 20 2721340  Fax: 254 20 2723344  Email: info@mams.co.ke</p>	<p><b>Old Mutual Investment Services (K) Ltd</b>  Old Mutual Building, 2nd Floor  Corner of Mara &amp; Hospital Road  P. O. Box 30059-00100, Nairobi  Tel: 254 20 2829333/2829000  Fax: 254 20 2722415</p>
<p><b>I&amp;M Capital Limited</b>  I&amp;M Bank House  2nd Ngong Avenue  P.O. 30238-00100, Nairobi</p>	<p><b>Centum Asset Managers Limited</b>  International House, 5th Floor  Mama Ngina Street  P.O.Box 10518 – 00100, Nairobi</p>



<p><b>Apollo Asset Management Co. Ltd</b>  Apollo Centre, 3rd Floor  Vale Close, Off Ring Road  P. O. Box 30389-00100, Nairobi  Tel: 254 20 3641010  Cell: 0722 276556/254/ 0733676556  Fax: 254 20 3641100  Email: assetmanagement@apollo.co.ke</p>	<p><b>Stanlib Kenya Limited</b>  CFC House, 1st Floor  Mamlaka Road  P.O.Box 30550 - 00100  NAIROBI</p>
<p><b>Fusion Investment Management Limited</b>  ACK Garden House, Block A, Ground Floor  1st Ngong Avenue, off Bishops Road.  P.O Box 47538 - 00100  NAIROBI</p>	<p><b>Alpha Africa Asset Managers Limited</b>  4th Floor, Crowford Business Park,  State House Road  P.O Box 34530-00100  NAIROBI</p>
<p><b>Cannon Asset Managers Limited</b>  Gateway Park, Block D  Mombasa Road  P.O.Box 30216 - 00100  NAIROBI</p>	<p><b>Natbank Trustee &amp; Investment Services Ltd.</b>  National Bank Building  Harambee Avenue  P. O Box 72866-00200  NAIROBI</p>
<p><b>UAP Investments Limited</b>  I &amp; M Bank House, 3rd floor  2nd Ngong Avenue  NAIROBI</p>	
<b>INVESTMENT ADVISERS</b>	
<p><b>Price Waterhouse Coopers Associates Ltd</b>  PwC Towers  Waiyaki Way  P. O. Box 43963-00100, Nairobi  Tel: 254 20 2855000  Fax: 254 20 2888505  Email: pwc.com/ke</p>	<p><b>VFS International (K) Limited</b>  Village Market  P.O.Box 400621, Nairobi  Tel: 254 20 7120361  Email : info@vfsint.com  Website : www.vfsint.com</p>
<p><b>Cititrust (K) Limited</b>  Citibank House,  P.O. Box 30711 – 00100, Nairobi  Tel: 254 20 2711221/222248  Fax: 254 20 2714811  Website: www.citinri.com  Email: nri.africa@citigroup.com</p>	<p><b>Lifestyle Management Limited</b>  6th Floor, Delta Towers  Chiromo Road, Westlands  P. O. Box 1342-00606, Nairobi  Tel: 254 20 8034246  Cell: 0735 821 336  Email: info@ilsmafrica.com</p>
<p><b>Bora Capital Limited</b>  Longonot Place 7th Floor  Harry Thuku Road, Kijabe street  P O Box 26718 - 00100 Nairobi  Fax. +254 (0) 20 311724  Tel. +254 (0) 20 3599135  Mobile. 0722 407206</p>	<p><b>J. W. Seagon and Company Ltd</b>  Mobil Plaza, 1st Floor  P. O. Box 16658 – 00620, Nairobi  Tel: 254 20 513600/6  Email: info@jwseagon.com  Website: www.jwseagon.com</p>
<p><b>Burbidge Capital Limited</b>  4thFloor, Nivina Towers  Westlands Road, MuseumHill, Westlands  PO Box 51525-00100  NAIROBI  E-mail: edward.burbidge@burbidgecapital.com</p>	<p><b>The ProFin Group (K) Limited</b>  39 Longonot Place,  P. O. Box 9980 – 00100, Nairobi  Tel: 254 20 2043476/68  Fax: 254 20 2043461  Email: douglaswekhomba@theprifingroup.com</p>

<p><b>Winton Investment Services Ltd.</b> Prudential Assurance Building, 6th Floor Wabera Street P.O. Box 607-00621, Nairobi Tel: 254 20 7121771 Fax: 254 20 7121742 Cell: 0722 509 269/ 0733 339047 E-mail: info@winton-investments.com</p>	<p><b>Citidell Company Limited</b> itidell Company Limited F7, Karen Professional Centre, Karen Road P.O. Box 185 - 00606 NAIROBI Tel: 254 20 2714728 Cell: 0735 380388/0728 625015 Email: Gregory.atoko@citidell.com</p>
<p><b>Megraj Capital Limited</b> Delta Riverside, Block 4, Ground Floor Riverside Drive Box 51783- 00200 NAIROBI E-mail: soundy@mtc-trust.com</p>	<p><b>Orchid Capital Limited</b> 6th Floor Prudential Assurance Building, Wabera Street NAIROBI</p>
<p><b>Cooperative Consultancy &amp; Insurance Agency Ltd</b> Co-operative House, 13th Floor Haile Selassie Avenue P.O. Box 48231 - 00100, Nairobi Tel: 020 277 6000/ 0703027000/ 0736 690101 Email: customerservice@co-opbank.co.ke</p>	<p><b>Deloitte Financial Advisory Ltd</b> Deloitte &amp; Touche Kirungii Road, Westlands P. O. Box 40092-00100, Nairobi Tel: 254 20 4441344/5-12 Fax: 254 20 4448966 Email: mcs@deloitte.co.ke</p>
<p><b>Regnum Consultants Limited</b> Methodist Guest House &amp; Conference Centre, 1st Floor, North Wing, Oloitoktok Rd P.O Box: 11431-00400 Tom Mboya St. Tel: +254-203862333 Fax: +254-203862335</p>	<p><b>Liaison Financial Services</b> Liaison House, State House Avenue, P.O. Box 58013, 00200 City Sq. Tel: +254703 071 000 Mail: info@liaisongroup.net</p>
<p><b>Stratagem Capital Management</b> P. O. Box 58013 – 00200 NAIROBI</p>	
<b>AUTHORIZED DEPOSITORIES</b>	
<p><b>Barclays Bank of Kenya Ltd</b> The West End Building, Waiyaki way P.O. Box 30120, Nairobi Tel: 254 20 332230/313405/313364 Fax: 254 20 312392 Website: www.barclays.com</p>	<p><b>CFC Stanbic Bank Ltd.</b> CFC Stanbic Centre, Chiromo Road, Westlands P.O. Box 72833-00200, Nairobi Tel: 254 20 363800 Fax: 254 20 3752906/5/7 E-mail: cfstanbic@stanbic.com Website: www.stanbicbank.co.ke</p>
<p><b>Kenya Commercial Bank Ltd.</b> Kencom House, Moi Avenue P.O. Box 30664 - 00100, Nairobi Tel: 254 2 339441 Fax: 254 2 339415 Email: custody@kcb.co.ke Website: www.kcb.co.ke</p>	<p><b>National Bank of Kenya Ltd</b> National Bank Building, Harambee Avenue P.O. Box 72866 - 00200, Nairobi Tel: 254 2 339690 Fax: 254 2 330784 E-mail: vicki@nationalbank.co.ke Website: www.nationalbank.co.ke</p>
<p><b>National Industrial Credit (NIC) Bank Ltd</b> NIC Hse, 2nd Floor Masaba Road/Uhuru Highway P.O.Box 44599-00200, Nairobi Tel: 254 20 718200/229251 Email: info@nic.bank.com Website: www.nic-bank.com</p>	<p><b>Cooperative Bank of Kenya</b> Co-operative House Haile Selassie Avenue P.O. Box 48231-00100, Nairobi. Tel: 254 20 32076000/32076100 Website : www.co-opbank.co.ke</p>

<p><b>African Banking Corporation Limited</b>  ABC Bank House, Mezzanine Floor,  Westlands  P.O. Box 46452-00100, Nairobi  Tel : 254 20 2223922  Fax : 254 20 2222437  Email : headoffice@abcthebank.com  Website : www.abcthebank.com</p>	<p><b>Equity Bank (K) Limited</b>  Equity Centre, Hospital Road, Upperhill  P. O. Box 75104-00200, Nairobi  Tel : 254 20 2736620  Fax : 254 20 2737276  Website : www.equitybank.co.ke</p>
<p><b>Prime Bank Limited</b>  Riverside Drive  P. O. Box 43825-00100, Nairobi  Tel: 254 20 42300/4203116/4203148  Fax: 254 20 4451247  Email: headoffice@primebank.co.ke</p>	<p><b>I &amp; M Bank Limited</b>  I &amp; M Bank Tower, Kenyatta Avenue  P. O. Box 30238-00100, Nairobi  Tel : 254 20 3221200/246552  Fax : 254 20 2211160/2212947/2216732  Email : invest@imbank.co.ke  Website : www.imbank.com</p>
<p><b>Bank of Africa (K) Ltd</b>  Head Office; Reinsurance Plaza, Taifa Road  P.O Box 69562-00400 Nairobi, Kenya  Tel: 020 327 5000  Email: customerservice@boakenya.com</p>	<p><b>Transnational Bank Limited</b>  Trans-National Building, 2nd Floor  City Hall Way  P. O. Box 34353-00100, Nairobi  Tel: 254 20 2224235/6/252188/90/91  Fax: 254 20 252225  Email: info@tnbl.co.ke</p>
<p><b>Chase Bank Kenya Ltd</b>  Delta Towers  Waiyaki Way  P. O. Box 28987-00200, Nairobi  Tel: 254 20 2774000/4454803/4/6/8  Fax: 254 20 4454816  Email: info@chasebank.co.ke</p>	<p><b>Standard Chartered Bank Kenya Ltd</b>  Standard Chartered  Chiromo, 48 Westlands Road  P. O. Box 30003-00100, Nairobi  Tel: 254 20 2710821/2  Fax: 254 20 2711331  Email: Talk.To-Us@standardchartered.com</p>
<b>APPROVED COLLECTIVE INVESTMENT SCHEMES</b>	
<p><b>1. African Alliance Kenya Unit Trust Scheme:</b>  (i) African Alliance Kenya Shilling Fund.  (ii) African Alliance Kenya Fixed Income Fund  (iii) African Alliance Kenya Managed Fund  (iv) African Alliance Kenya Equity Fund</p>	<p><b>2. Old Mutual Unit Trust Scheme:</b>  (i) Old Mutual Equity Fund.  (ii) Old Mutual Money Market Fund.  (iii) Old Mutual Balanced Fund.  (iv) Old Mutual East Africa Fund  (v) Old Mutual Bond Fund</p>
<p><b>3. British American Unit Trust Scheme:</b>  (i) British American Money Market Fund.  (ii) British American Income Fund.  (iii) British American Balanced Fund.  (iv) British American Managed Retirement Fund.  (v) British American Equity Fund.</p>	<p><b>4. Stanbic Unit Trust Scheme:</b>  (i) Stanbic Money Market Fund.  (ii) Stanbic Flexible Income Fund.  (iii) Stanbic Managed Prudential Fund  (iv) Stanbic Equity Fund  (v) Stanbic Balanced Fund</p>
<p><b>5. Commercial Bank of Africa Unit Trust Scheme:</b>  (i) Commercial Bank of Africa Money Market Fund.  (ii) Commercial Bank of Africa Equity Fund.</p>	<p><b>6. Zimele Unit Trust Scheme:</b>  (i) Zimele Balanced Fund  (ii) Zimele Money Market Fund</p>
<p><b>7. ICEA Unit Trust Scheme.</b>  (i) ICEA Money Market Fund  (ii) ICEA Equity Fund  (iii) ICEA Growth Fund  (iv) ICEA Bond Fund</p>	

<p><b>9. Standard Investment Trust Funds:</b></p> <ul style="list-style-type: none"> <li>(i) Standard Investment Equity Growth Fund</li> <li>(ii) Standard Investment Fixed Income Fund</li> <li>(iii) Standard Investment Balanced Fund</li> </ul>	<p><b>10. Dyer and Blair Unit Trust Scheme:</b></p> <ul style="list-style-type: none"> <li>(i) Dyer and Blair Diversified Fund</li> <li>(ii) Dyer and Blair Bond Fund</li> <li>(iii) Dyer and Blair Money Market Fund</li> <li>(iv) Dyer and Blair Equity Fund</li> </ul>
<p><b>11. Genghis Unit Trust Funds</b></p> <ul style="list-style-type: none"> <li>(i) Gencap Hazina Fund</li> <li>(ii) Eneza Fun</li> <li>(iii) Gencap Hela Fund</li> <li>(iv) Gencap Iman Fund</li> <li>(v) Gencap Hisa Fund</li> </ul>	<p><b>12. Amana Unit Trust Funds Scheme:</b></p> <ul style="list-style-type: none"> <li>(i) Amana Money Market Fund</li> <li>(ii) Amana Balanced Fund</li> <li>(iii) Amana Growth Fund</li> </ul>
<p><b>13. Diaspora Unit Trust Funds Scheme</b></p> <ul style="list-style-type: none"> <li>(i) Diaspora Money Market Fund</li> <li>(ii) Diaspora Equity Fund</li> <li>(iii) Diaspora Bond Fund</li> </ul>	<p><b>14. First Ethical Opportunities Fund</b></p>
<p><b>15. CIC Unit Trust Fund</b></p> <ul style="list-style-type: none"> <li>(i) CIC Money Market Fund</li> <li>(ii) CIC Balanced Fund</li> <li>(iii) CIC Fixed Income Fund</li> <li>(iv) CIC Equity Fund</li> </ul>	<p><b>16. Madison Asset Unit Trust Fund</b></p> <ul style="list-style-type: none"> <li>(i) Madison Asset Equity Fund</li> <li>(ii) Madison Asset Balanced Fund</li> <li>(iii) Madison Asset Money Market Fund</li> <li>(iv) Madison Asset Treasury Bill Fund</li> <li>(v) Madison asset Bond Fund</li> </ul>
<p><b>17. UAP Investments Collective Investment Scheme</b></p> <ul style="list-style-type: none"> <li>(i) UAP Money Market Fund</li> <li>(ii) UAP High Yield Bond Fund</li> <li>(iii) UAP Enhanced Income Fund</li> <li>(iv) UAP Dividend Maximizer Fund</li> </ul>	<p><b>18. Pan Africa Unit Trust Scheme, comprising:</b></p> <ul style="list-style-type: none"> <li>(i) (Pan Africa Money Market Fund (Pan Africa Pesa Plus Fund)</li> <li>(ii) Pan Africa Dividend Plus Fund (Pan Africa Faida Plus Fund)</li> <li>(iii) Pan Africa Balanced Fund (Pan Africa Chama Plus Fund)</li> </ul>
<p><b>19. Equity Investment Bank Collective Investment Scheme, comprising:</b></p> <ul style="list-style-type: none"> <li>(i) Equity Investment Bank Money Market Fund</li> <li>(ii) Equity Investment Balanced Fund</li> </ul>	<p><b>20. Nabo Unit Trust Fund, comprising:</b></p> <ul style="list-style-type: none"> <li>(i) Nabo Africa Money Market Fund</li> <li>(ii) Nairi</li> <li>(iii) Nabo Africa Money Market Fund</li> <li>(iv) Nabo Africa Balanced Fund</li> <li>(v) Nabo Africa Fixed Income Fund</li> <li>(vi) Nabo Africa Equity Fund</li> </ul>

#### APPROVED EMPLOYEE SHARE OWNERSHIP PLANS (ESOPS):

1. EABL Employee Share Ownership Plan.
2. KENOL Employee Share Ownership Plan.
3. ARM Employee Share Ownership Plan.
4. Scangroup Employee Share Ownership Plan.
5. Safaricom Employee Share Ownership Plan
6. Equity Employee Share Ownership Scheme
7. KCB Employee Share Ownership Plan
8. Housing Finance Employee Share Ownership Plan
9. Kenya Airways Employee Share Ownership Plan
10. I & M Bank Employee Share Ownership Plan
11. Car & General Employee Share Ownership Plan

<b>REIT TRUSTEES</b>	
<b>1. Housing Finance Co. (K) Ltd.</b> Rehani House Kenyatta Avenue / Koinange Street P. O. Box 30088-00100 NAIROBI	<b>2. Co-operative Bank of Kenya Ltd.</b> Co-operative House Haile Selassie Avenue P. O. Box 48231-00100 NAIROBI
<b>3. Kenya Commercial Bank Limited</b> P. O. Box 48400-00100 NAIROBI	
<b>REIT MANAGERS</b>	
<b>1. UAP Investment Limited</b> Head Office Bishop Gardens Towers, Bishops Road P.O. Box 43013-00100 NAIROBI	<b>2. Fusion Investment Management Limited</b> ACK Garden House, Block A 1st Ngong Avenue P.O. Box 47538 – 00100 NAIROBI
<b>3. CIC Asset Management Limited</b> CIC PLAZA, Mara Road Upper Hill. P.O. Box 59485 – 00200 NAIROBI	<b>4. Stanlib Kenya Limited.</b> CFC House, 1st Floor Mamlaka Road P.O. Box 30550 – 00100 NAIROBI
<b>5. Centum Asset Managers Limited</b> 5th Floor, International House Mama Ngina Street P.O. Box 10518-0100 NAIROBI	<b>6. ICEA Lion Asset Management Ltd</b> P.O. Box 46143-00100 NAIROBI

## **NSE LISTED COMPANIES**

<b>AGRICULTURAL</b>
Eaagads Ltd Ord 1.25
Kakuzi Ltd Ord.5.00
Kapchorua Tea Co. Ltd Ord Ord 5.00
The Limuru Tea Co. Ltd Ord 20.00
Rea Vipingo Plantations Ltd Ord 5.00 (Suspended)
Sasini Ltd Ord 1.00
Williamson Tea Kenya Ltd Ord 5.00
<b>AUTOMOBILES &amp; ACCESSORIES</b>
Car & General (K) Ltd Ord 5.00
CMC Holdings Ltd Ord 0.50
Marshalls (E.A.) Ltd Ord 5.00
Sameer Africa Ltd Ord 5.00

<b>BANKING</b>
Barclays Bank of Kenya Ltd Ord 0.50
CFC Stanbic of Kenya Holdings Ltd ord.5.00
Diamond Trust Bank Kenya Ltd Ord 4.00
Equity Bank Ltd Ord 0.50
Housing Finance Co.Kenya Ltd Ord 5.00
I&M Holdings Ltd Ord 1.00
Kenya Commercial Bank Ltd Ord 1.00
National Bank of Kenya Ltd Ord 5.00
NIC Bank Ltd Ord 5.00
Standard Chartered Bank Kenya Ltd Ord 5.00
The Co-operative Bank of Kenya Ltd Ord 1.00
<b>COMMERCIAL AND SERVICES</b>
Express Kenya Ltd Ord 5.00 AIMS
Hutchings Biemer Ltd Ord 5.00 (Suspended)
Kenya Airways Ltd Ord 5.00
Longhorn Kenya Ltd Ord 1.00 AIMS
Nation Media Group Ltd Ord. 2.50
Scangroup Ltd Ord 1.00
Standard Group Ltd Ord 5.00
TPS Eastern Africa Ltd Ord 1.00
Uchumi Supermarket Ltd Ord 5.00
<b>CONSTRUCTION &amp; ALLIED</b>
ARM Cement Ltd Ord 1.00
Bamburi Cement Ltd Ord 5.00
Crown Paints Kenya Ltd Ord 5.00
E.A.Cables Ltd Ord 0.50
E.A.Portland Cement Co. Ltd Ord 5.00
<b>ENERGY &amp; PETROLEUM</b>
KenGen Co. Ltd Ord. 2.50
KenolKobil Ltd Ord 0.05
Kenya Power & Lighting Co Ltd Ord 2.50
Kenya Power & Lighting Ltd 4% Pref 20.00
Kenya Power & Lighting Ltd 7% Pref 20.00
Total Kenya Ltd Ord 5.00
Umeme Ltd Ord 0.50

<b>INSURANCE</b>
British-American Investments Co.(Kenya) Ltd Ord 0.10
CIC Insurance Group Ltd Ord.1.00
Jubilee Holdings Ltd Ord 5.00
Kenya Re Insurance Corporation Ltd Ord 2.50
Liberty Kenya Holdings Ltd Ord.1.00
Pan Africa Insurance Holdings Ltd Ord 5.00
<b>INVESTMENT</b>
Centum Investment Co Ltd Ord 0.50
Olympia Capital Holdings Ltd Ord 5.00
Trans-Century Ltd Ord 0.50 AIMS
<b>INVESTMENT SERVICES</b>
Nairobi Securities Exchange Ltd Ord 4.00
<b>MANUFACTURING &amp; ALLIED</b>
A.Baumann & Co Ltd Ord 5.00 AIMS (Suspended)
B.O.C Kenya Ltd Ord 5.00
British American Tobacco Kenya Ltd Ord 10.00
Carbacid Investments Ltd Ord 1.00
East African Breweries Ltd Ord 2.00
Eveready East Africa Ltd Ord.1.00
Kenya Orchards Ltd Ord 5.00 AIMS
Mumias Sugar Co. Ltd Ord 2.00
Unga Group Ltd Ord 5.00
<b>TELECOMMUNICATION &amp; TECHNOLOGY</b>
Safaricom Ltd Ord 0.05
<b>GROWTH ENTERPRISE MARKET SEGMENT (GEMS)</b>
Home Afrika Ltd Ord 1.00
Atlas development Company Limited
Flame Tree Group
Kurwitu Ventures Ltd









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