

## DEALERS



### Compliance with License requirements

Section 29 of the *Capital Markets Act, Part III of the Capital Markets (Licensing Requirements) (General) Regulations, 2002 and the Capital Markets (Corporate Governance)(Market Intermediaries) Regulations, 2011*

	Requirement	Y/N/ NA	Comment
1.	Duly completed application form (Form 1) in duplicate		
2.	Certified copy of the Certificate of Incorporation		
3.	Certified copy of the Memorandum and Articles of Association ( <i>with objects that authorize the company to carry out the business for which the license is sought</i> ).		
4.	A statement of the un-audited accounts for the period of accounting year ending not earlier than 6 months prior to application and audited annual accounts for the preceding two years.		
	<ul style="list-style-type: none"> <li>▪ Paid up share capital (x ≥ Kshs 20,000,000)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Evidence of minimum paid up share capital.</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Shareholders' funds (x ≥ Kshs 20,000,000)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Working capital (x ≥ The higher of 20% of share capital or 3 times monthly average of operating costs)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Unsecured Advances to related parties (x ≤ 10% of shareholders' funds)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Bank overdraft/paid up capital (x ≤ 40%)</li> </ul>		
5.	Evidence of investment capital of a minimum of Kshs. 20 million in cash or portfolio of listed		



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	securities.		
6.	Dealer's borrowings except for overdraft shall be for the purpose of investment and shall not exceed 40% of shareholder funds or market value of the listed securities portfolio whichever is higher		
6.	Lodging of guarantee with the CDSC		
7.	Financial year of dealers shall end on 31 <sup>st</sup> December in each year		
8.	Business plan with details as follows:		
	<ul style="list-style-type: none"> <li>▪ Management structure</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Board of Directors which should comprise of:               <ul style="list-style-type: none"> <li>- A minimum of 3 directors a third of whom must be natural persons</li> <li>- At least one third should be independent and non-executive directors</li> <li>- Not more than one third of the directors who are close relations of any director</li> </ul> </li> </ul>		
	<ul style="list-style-type: none"> <li>▪ A director should not hold more than 2 directorships in market intermediaries unless they are subsidiaries or holding companies</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ The Chairman of the Board must be a non-executive Director</li> </ul>		



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	<ul style="list-style-type: none"> <li>▪ Declaration that no person is a director or holds beneficial interest either directly or indirectly in more than one member of a securities exchange.</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Company Secretary (indicate name of individual and CPS Number)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ External auditor</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Shareholding Structure detailing the number of shares, the percentage holding and including the ultimate beneficial shareholding of all corporate shareholders and any existing Trusts if applicable.</li> </ul> <p>(Please note the shareholding structure requirements as stipulated under section 29(5) of the Capital Markets Act)</p>		
	<ul style="list-style-type: none"> <li>▪ Name and competencies of Chief Executive</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Financial projections for 3 years</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Operating and IT system (<i>describe the system in place or the system to be put in place once licensed</i>)</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ One (1) letter of bank reference</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Two (2) Letters of business reference</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Details of premises</li> </ul>		
	<ul style="list-style-type: none"> <li>▪ Details of staff (please note the requirement for chief</li> </ul>		



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	financial officer, risk management officer, compliance officer and internal audit functions as per the Corporate Governance Regulations) The internal auditor and chief financial officer must be members of ICPAK and the internal auditor must not be the compliance officer)		
	<ul style="list-style-type: none"> <li>▪ External Auditor</li> </ul>		
9.	<p>Submission of a board charter that:</p> <ul style="list-style-type: none"> <li>▪ confirms the Board's responsibility for adoption of strategic plans, monitoring operational performance, the determination of policies and processes that ensure the intermediary's risk management and internal controls;</li> <li>▪ reserves specific powers to itself and delegates other matters to the management of a market intermediary</li> <li>▪ provides a code of conduct that addresses conflict of interest relating to directors and management which shall be regularly reviewed and updated as necessary;</li> <li>▪ identifies the key risk areas that require regular monitoring.</li> </ul>		
10.	Fit and Proper documentation		
	Certificates of good conduct from directors and key personnel*		
	Duly completed Fit and Proper forms of directors and key personnel		
	Comprehensive CVs of directors and key personnel		

\* Key personnel is defined in the Capital Markets Act “a person who manages or controls the activities of a licensed or a regulated person and includes-

- (a) the chief executive officer, chief financial officer, chief compliance officer, secretary to the Board, chief internal auditor or any manager; and
- (b) any person who holds a position or discharges responsibilities of any person referred to in paragraph (a);”