



PUBLIC NOTICE
CHANGES AFFECTING THE CAPITAL MARKETS INDUSTRY
CONTAINED IN THE 2010/2011 BUDGET

<p>Following the presentation of the Budget Speech for 2010/2011 by the Honourable Deputy Prime Minister and Minister for Finance, the Capital Markets Authority would like to bring to the attention of the stakeholders and the general public the following changes that affect the capital markets industry.</p>		
Issue	Change	Implication
<p>Proposed changes to the Capital Markets Act cap 485 through the Finance Bill 2010. The amendments become effective on 1st January 2011 unless specified otherwise.</p>		
Sharing information with other regulatory authorities	Section 13 of the Capital Markets Act is amended by inserting the a new subsection (3) to allow the Authority to shay information with other regulatory authorities	This will allow the Authority to share information with other regulators to strengthen regulatory oversight
Demutualization of the NSE	<p>Section 2 of the Capital Markets Act is amended by deleting the definition of a “member” and inserting a definition for a “trading participant” which means a licensee of the Authority with rights to trade at an approved securities exchange</p> <p>Section 20 of the Capital Markets Act is amended by deleting subsection (2) and substituting therefor a new subsection – (2) granting the Authority powers to approve a person as a securities exchange if it is satisfied that the applicant meets the requirements.</p>	<p>This is expected to facilitate demutualization of the Nairobi Stock Exchange by separating ownership and trading rights within 3 years of the passage of the proposed amendment.</p> <p>The NSE will be required to convert to a limited liability company and reconstitute its board of directors in a manner prescribed by the Authority.</p>
<p>Other proposals and amendments likely to impact the Capital market industry</p>		
Establishment of a Commodities Futures Exchange	In the course of the 2010/11 financial year, Government will develop the institutional and legal framework to introduce commodities futures exchange as indicated in paragraph 80 of the Budget Speech, to allow farmers trade their produce through warehouse receipts and futures contracts.	Once operational, it will further deepen the financial markets and provide a better opportunity to hedge against volatility of commodity prices. The Authority is a key stakeholder and is expected to play a critical part in the process.

EAC Common Market Protocol	The EAC Common market protocol comes into effect on 1 st July 2010 and the Government is committed to ensure Kenya fully implements the protocol.	This will lead to increased opportunities for investors and issuers with a larger East African market as it allows free movement of Goods, Labour, Services and Capital across the region.
Stamp duty	Stamp duty on mortgages, charges and debentures reduced as indicated in Finance Bill 2010 (41) by 50% from 0.2% to 0.1%.	This is expected to spur activity in the mortgage industry and increase demand for capital which can be sourced through issuance of Asset Backed Securities.
Islamic Banking products	The government proposes to embrace Islamic banking in the Kenyan financial markets and proposes to use the word “returns” instead of “interest” by amending sections 36, 38 and 45 of the CBK Act as indicated in Finance Bill 2010 (68), to accommodate Islamic banking products.	This will further deepen the financial markets by enhancing avenues for resource mobilization and allocation.
<p>Full details of these proposals are available in the budget speech of June 11 2010 and the Finance Bill 2010.</p> <p style="text-align: center;">CAPITAL MARKETS AUTHORITY Reinsurance Plaza, 5th Floor, Taifa Road, P. O. Box 74800-00200, NAIROBI. Tel. 254-20-2221910/2221869 Fax. 254-20-2228254 Email: corporate@cma.or.ke</p>		