


*Enhancing Accountability*

**REPORT**

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	02 MAR 2023
	DAY: Thursday
TABLED BY:	Leader of the Majority Party
CLERK-AT THE-TABLE:	Joyce Keme Kelle

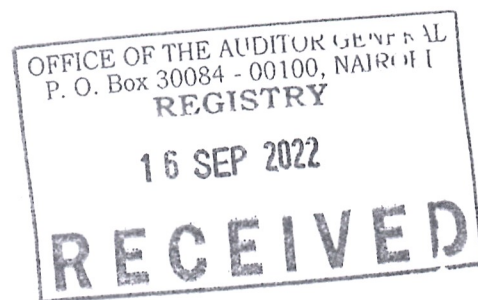
**OF**

**THE AUDITOR-GENERAL**

**ON**

**CAPITAL MARKETS AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

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Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

TABLE OF CONTENTS

1.	KEY ENTITY INFORMATION AND MANAGEMENT .....	ii
2.	THE BOARD OF DIRECTORS/ BOARD MEMBERS .....	vi
3.	MANAGEMENT TEAM .....	xii
4.	CHAIRMAN'S STATEMENT .....	xv
5.	REPORT OF THE CHIEF EXECUTIVE OFFICER .....	xviii
6.	STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22 .....	xxiv
7.	MANAGEMENT DISCUSSION AND ANALYSIS .....	xlviii
8.	ENVIRONMENTAL AND SUSTAINABILITY REPORTING .....	li
9.	REPORT OF THE DIRECTORS .....	liv
10.	STATEMENT OF DIRECTORS RESPONSIBILITIES .....	lv
11.	REPORT OF THE INDEPENDENT AUDITOR FOR THE CAPITAL MARKETS AUTHORITY .....	lvi
12.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022 .....	1
13.	CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....	2
14.	CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....	3
15.	INVESTOR COMPENSATION FUND (ICF) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022 .....	4
16.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022 .....	5
17.	CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	6
18.	CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	7
19.	INVESTOR COMPENSATION FUND (ICF) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022 .....	8
20.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	9
21.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED) .....	10
22.	NOTES TO THE FINANCIAL STATEMENTS .....	12
	APPENDICES: .....	38
	APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	38
	APPENDIX II- INTER ENTITY TRANSFERS .....	39
	APPENDIX III: RECORDING OF TRANSFERS FROM DONORS .....	40

**1. KEY ENTITY INFORMATION AND MANAGEMENT**

**a) Background information**

The Capital Markets Authority (the '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.

The Authority is composed of a Board constituted as follows:

- i. A Chairman appointed by the President on the recommendation of the Cabinet Secretary of The National Treasury;
- ii. Six other members appointed by the Cabinet Secretary;
- iii. The Principal Secretary of The National Treasury or a person deputed by him;
- iv. The Governor of the Central Bank of Kenya (CBK) or a person deputed by him;
- v. The Attorney General or a person deputed by him; and
- vi. The Chief Executive Officer (CEO) of the Authority.

The chairman and the six members are persons who have experience and expertise in legal, financial, banking, accounting, economics or insurance matters, serve for a period of three years and are eligible for re-appointment for another three years.

**b) Principal Activities**

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

The CMA is a regulatory body charged with the prime responsibility of supervising, licensing, and monitoring the activities of market intermediaries, including the stock exchange and the Central Depository and Settlement System and all the other persons licensed under the Capital Markets Act. It plays a critical role in the economy by facilitating mobilization and allocation of capital resources to finance long-term productive investments.

**Our Vision**

To be an innovative regulator of a robust and globally competitive capital market

**Our Mission**

To make Kenya's capital market the premier choice for investors and issuers through robust regulation, supporting innovation and enhanced investor protection.

**Core Values**

To fulfil its mandate, pursue the Vision and accomplish its Mission the CMA will be guided by its core values of:

1	<b>Integrity</b>	We are committed to acting at all times with honesty, fairness, accountability, transparency, ethically and above board in all our operations.
2	<b>Commitment</b>	We shall perform our duties with the highest level of professionalism, dedication with a view to exceeding the expectations of our clients and stakeholders;
3	<b>Responsiveness</b>	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;
4	<b>Innovation and Continuous learning</b>	We are committed to facilitating continuous learning and innovation; and
5	<b>Collaboration and Teamwork</b>	We are committed to teamwork within the Authority and collaboration with our partners in the provisions of our services.

**c) Key Management**

CMA's day-to-day management is under the following key organs:

- Board of Directors (BOD).
- The Chief Executive Officer (CEO).
- Senior Leadership Team (SLT).
- Senior Management Team (SMT).

#### d) Fiduciary Management

The key management personnel who held office during the Financial Year (FY) ended 30<sup>th</sup> June 2022 and who had direct fiduciary responsibility were:

Designation	Name
1. Chief Executive Officer	Wyckliffe Shamiah
2. Director Corporate Services	Edwin Nyaga Njamura
3. Director, Policy & Market Development	Luke Ezekiel Ombara
4. Director Market Operations	Abubakar Hassan
5. Director Internal Audit	Esther J. Maiyo
6. Director Legal Affairs & Corporation Secretary	Hellen Ombati
7. Director Technology, Research and Knowledge Management	Solomon Kirwa
8. Senior Manager, Approvals, Analysis, and Issuer Governance	Daniel Ngenga Warutere
9. Senior Manager, Education, Certification and Awareness	Samuel Kamunyu Njoroge
10. Senior Manager, People and Culture	Andrew Muthabuku
11. Senior Manager, Information Communications & Technology	Richard Chirchir
12. Senior Manager, Accounting and Finance	John Njoroge
13. Senior Manager, Commodities	Matthew Mukisu
14. Senior Manager, Strategic Risks and Projects	James Kivuva
15. Senior Manager, Market Supervision	Willyson Nyale
16. Senior Manager, Policy & Regulatory Framework	Jairus Muaka
17. Senior Manager Research and Analytics	Wilberforce Ongondo
18. Head, Capital Markets Fraud Investigation Unit	Michael Wiso

#### e) Fiduciary Oversight Arrangements

##### 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 (ToRs). Other committees are formed on an ad-hoc basis as need arises. During the period under review, the Board constituted the following committees:

##### The Finance and Planning Committee

This committee consists of four members all of whom are non-executive members of the Board. The committee was chaired by Mr. Peter Mungai up to 2nd May 2022. This committee has oversight on all financial issues including budgets, financial reporting process and controls and procurement. The committee met six times during the year under review.

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

This committee consists of five (5) members all of whom are non-executive members of the Board. The committee was chaired by Dr. Freshia Mugo – Waweru. It has oversight responsibility for reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes. This committee is also responsible for examining internal and external audit reports and recommendations as well as overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of Annual Report and Financial Statements. The committee met five (5) times (see the table) in the year.

##### The Human Resource and Communication Committee

This committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. John Birech. It is responsible for human resource matters including recruitment, management succession as well as the corporate communication function. The committee met four times during the year and had five special meetings.

### The Technical and Policy Committee

The committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Ms. Christine Okoth up to 2<sup>nd</sup> May 2022. 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 eight times during the year and had one special meeting.

### Ad hoc Board Committees

The following were the Ad hoc Committees in the Financial Year:

- i. **The Implementation Committee for the Capital Markets Master Plan:** Launched in 2015. The Capital Markets Master Plan Implementation Committee was established to ensure effective and efficient implementation of the Capital Market Master Plan. The objective of the Committee is to provide overall coordination, implementation and monitoring of the Capital Market Master Plan. It draws representation from Vision 2030, National Treasury and Planning, Central Bank of Kenya, International Finance Corporation, Financial Sector Deepening Africa, Nairobi, International Financial Center Authority, the Four Working Group Chairpersons and is chaired by the Chief Executive of the Capital Markets Authority. The key responsibilities of the Implementation Committee include: Functioning as the secretariat for the implementation of the Capital Market Master Plan. Coordinating the implementation of actions, including liaising with the various Working Groups and other relevant parties. Identifying and managing the resolution of issues which may arise during implementation. Undertaking the monitoring of progress and evaluation of performance based on specific targets; and, Coordinating the communication program for the Capital Market Master Plan. The committee met twice during the financial year 2021/2022 on 23 July, 2021 and 7 June, 2022.
- ii. **ICT Ad hoc Committee:** The Board established the ICT Adhoc Committee in February 2017. This committee consists of five members three of whom are recruited from the ICT Industry with ICT Technical Skills. The committee was chaired by Mr. David Luusa. It consists of two non-executive members of the Board, and three external experts from ICT industry. It is responsible for continuous assessment of opportunities/innovation to improve service delivery through ICT, provide oversight and guidance on the initiative to automate and deliver effective technological solutions to access and provide inputs on strategies to deliver reliable ICT infrastructure and ensure Security (Confidentiality, Integrity and Availability) of ICT systems and to provide strategic guidance to ensure ICT operations, processes and resources are managed prudently. The committee met six times in the year.
- iii. **Ad hoc Committee on Chase Bank.** This committee consisted of seven members four of whom were appointed from the industry with finance, auditing and legal skills. Mr. John Birech chaired the committee. The committee was appointed to conduct enforcement proceedings against former Board members of Chase Bank Limited among others, in an effort aligned with its mandate of protecting investors.
- iv. **Financial Markets Law Review Panel** The Board of the Capital Markets Authority (CMA), in line with the targets set out in the Capital Market Master Plan (2014-2023), established a Financial Markets Law Review Panel of 16 leading domestic and international financial market lawyers and practitioners. The Panel will play a key advisory role to the Board in exercising its mandate to ensure that capital markets law remains responsive to market realities and appropriately facilitative to evolving market expectations from both a domestic and international perspective.

<b>Registered office</b>	3 <sup>rd</sup> Floor, Embankment Plaza Longonot Road, Upper Hill P.O. Box 74800, 00200 Nairobi, Kenya.
<b>Authority contacts</b>	Telephone: (254) 2221910/2264900/2221869/2226225 E-mail: corporate@cma.or.ke Website: www.cma.or.ke
<b>Principal bankers</b>	NCBA Bank Kenya PLC Mara / Ragati Roads Upper Hill P.O. Box 30437, 00100 Nairobi, Kenya.  HFC Limited Kenyatta Avenue/Koinange Street, Rehani House P.O. Box 30088, 00100 Nairobi, Kenya.  KCB Mortgage Centre, Salama House, Mama Ngina Street P.O. Box 45129, 00100 Nairobi, Kenya.
<b>Authorized independent auditor</b>	Mbaya & Associates Certified Public Accountants 3 <sup>rd</sup> Floor, Westlands Heights Karuna Road, Westlands P.O. Box 45390, 00100 Nairobi, Kenya
<b>On behalf of</b>	The Auditor-General Office of the Auditor General Anniversary Towers University Way P.O. Box 30084, 00100 Nairobi, Kenya
<b>Principal legal adviser</b>	The Attorney General State Law Office Harambee Avenue P.O. Box 40112, 00200 Nairobi, Kenya

## 2. THE BOARD OF DIRECTORS/ BOARD MEMBERS

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

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

### COMPOSITION OF THE BOARD

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

#### 1. Mr. Nicholas A. Nesbitt, OGW, EBS (Appointed on 6<sup>th</sup> October 2021)



Mr. Nesbitt is the Chairman of the Board of the East African Business Council (EABC) and most recently the Chairman of the Kenya Private Sector Alliance (KEPSA). In addition to these Board positions, he holds and has held Board seats with Vision 2030, the Central Bank of Kenya, the Commercial Bank of Africa (now NCBA), the American Chamber of Commerce, AMREF Flying Doctors, the Kenya School of Monetary Studies, and Multimedia University.

He also chairs the private sector's engagement with the Kenyan government in its negotiations on the US Kenya Free Trade Agreement. Previously, Mr. Nesbitt was co-founder and Chief

Executive of KenCall, a leading international BPO/call center outsourcing company in East Africa. The company was recognised as the top non-European Call Centre globally, and one of the best mid-size businesses in East Africa.

While working in the United States, Mr. Nesbitt held senior executive positions at Qwest Communications, Schneider Electric and the Boston Consulting Group. Mr. Nesbitt is an active member of the Young President's Organization (YPO), a global membership organization supporting the leading young CEOs around the world.

He received his MBA from Stanford University and his Master's and Bachelor of Engineering degrees from Dartmouth College in the USA.

When not working, Mr. Nesbitt enjoys time with his young family, playing golf and tennis and recently reigniting his long-lost passion in motocross. Back in the day, Mr. Nesbitt was a leading Kenyan motocross rider and played rugby, soccer, hockey and squash for his university and high school.

#### 2. Hon. (Amb.) Ukur Yatani (Cabinet Secretary, The National Treasury and Planning)



Hon. Amb. Ukur Yatani Kanacho has over 27 years of experience in public administration, politics, diplomacy, and governance in public sector. Before his appointment as Cabinet Secretary (CS) for The National Treasury and Planning, he served as the Cabinet Secretary for Labour and Social Protection. Between the years 2006 and 2007, while Member of Parliament (MP) for North Horr constituency, he also served as an Assistant Minister for Science and Technology. Hon Yatani was the pioneer Governor for Marsabit County (2013-2017), the largest County in the Republic of Kenya.

Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued

and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors, among others.

Between 1992-2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills.

Hon.(Amb.) Ukur Yatani has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom( 2005) and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

### **3. Alternate to Cabinet Secretary, The National Treasury: Musa Kathanje**



Mr. Musa Kathanje was appointed to the Capital Markets Authority Board as the Alternate to the Cabinet Secretary, The National Treasury and Planning (13th August 2018, and 17th July 2020 to date). He is currently the Director of Macro and Fiscal Affairs Department at The National Treasury. He joined The National Treasury in June 2013 as the Head of Macro Division in the Economic Affairs Department, on secondment from the Central Bank of Kenya (CBK) where he was the Head of Monetary Policy Analysis Division. Mr. Kathanje served at the Central Bank of Kenya (CBK) from June 1996 to June 2013 before he was seconded to The National Treasury. He has over 25 years of experience in macroeconomic policy

formulation and analysis, fiscal policy, monetary policy formulation as well as regional economic integration policy gained from both the CBK (June 1996 to June 2013) and at The National Treasury (June 2013 to date). He was appointed the Director of Macro and Fiscal Affairs Department in November 2016 by the Public Service Commission (PSC) of Kenya.

Mr. Kathanje has attended various trainings by among others, the International Monetary Fund (IMF), and its various Regional Training Centers; the United Nations Department of Economic and Social Affairs, the United States Federal Reserve Bank of New York, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the IMF East Africa. He holds among others, a two-year certificate in macroeconomic modelling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa. He holds both Masters and Bachelor's degrees (first class honours in Economics) from the University of Nairobi and is currently finalizing a PhD in Business Administration – Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya.

Mr. Kathanje also currently represents the Principal Secretary, The National Treasury at the Central Bank of Kenya, Monetary Policy Committee meetings (May 2017 to date) and is an Alternate to the Cabinet Secretary, The National Treasury and Planning at the Vision 2030 Delivery Secretariat Board (4th September 2019 to date). He also represents the Principal Secretary at the National Development Implementation Technical Committee (NDITC) Programmes and Policies Sub-Committee (17 July 2019, to date). He has previously served as the Alternate to the Cabinet Secretary, The National Treasury and Planning at the Konza Technopolis Board (14th October 2015 to September 30, 2019) and at the Kenya Institute of Public Policy Research and Analysis (KIPPRA) (14th October 2015 to August 19, 2019).

4. Hon. Paul Kihara Kariuki



Hon. Paul Kihara Kariuki is the Attorney General (AG) of the Republic of Kenya with effect from April 2018. He obtained a Bachelor's Degree in law from University of Nairobi in 1977 and Post Graduate Diploma in Law from Kenya School of Law in 1978. As the President of Court of Appeal of Kenya, between 2013 and March 2018, he was instrumental in the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri Counties. He directed the development of the blueprint ten-point strategy for the transformation of the Court that culminated in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya. As the first director of the Judiciary Training Institute (2009- 2013), Kenya, he was instrumental in

establishing all the operational systems for the technical arm of the judiciary incorporating professional development for all judges, magistrates, and all cadres of the paralegal staff at the judiciary. Mr. Kihara also served as a Judge in the High Court of Kenya (2003- 2011). He Served in the Civil and Commercial Divisions of the Court and as a Judge in the Election Court for various parliamentary petitions. Previously he was a partner, Messer Ndungu Njoroge and Kwach Advocates, Nairobi (1986- 2000) and legal assistant and partner, Messer Hamilton Harrison and Mathews Advocates, Nairobi (1977-1985).

5. Alternate to Hon. Attorney General: Ms. Christine Kanini (Appointed 17 March 2022.)



Ms. Christine Kanini is a Deputy Chief State Counsel at the Office of the Attorney in the Government Transactions Division. She serves on the Board of the Capital Markets Authority as an alternate to the Hon. Attorney General.

She previously served in the National Irrigation Board and Kenya Academy of Sports as an alternate to the Attorney General.

Prior to joining the Office of the Attorney General, Ms. Kanini served as a Legal Associate at the law firm of A.B. Patel & Patel Advocates and Mburu Kariuki & Company Advocates Ms.

Kanini has over 12 years' experience and knowledge in commercial and financial transactions. She has also experience in public procurement, public finance, public private partnerships and land laws . She holds a Master of Laws (LLM) degree in international law and a Bachelor of Laws (LLB) degree from the University of Nairobi.

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



Dr. Njoroge is an economist by profession and holds a PhD in Economics from Yale University, USA. He holds a Master's degree in Economics and a Bachelors 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: Mr. David Luusa



Mr. David Luusa joined the Central Bank of Kenya in April 2020 and was appointed Director, Financial Markets Department (FMD). He serves on the Board of The Capital Markets Authority as an alternate to the Governor of the Central Bank of Kenya.

Prior to joining the Bank, David served at Standard Chartered Bank as a member of the Executive Committee and Head of Financial Markets in the East Africa region. He has extensive banking experience across different markets in Africa and Europe holding senior leadership responsibility within

financial markets. He holds a Master of Arts degree in Economic Science from the University of Aberdeen and serves on the Monetary Policy

8. Ms. Christine Okoth (Term ended on 2nd May 2022)



Christine is currently the Managing Director of MAL Consultancy Limited. She is an experienced Human Resource (HR) and Business leader, with over 15 years of HR and business partnering practice. Prior to her current position, Ms Okoth worked at Safaricom Limited where she held several roles including HR Systems and Communications, Head of Talent and Resourcing and Head of HR Business Partnership. She holds a degree in International Relations and Marketing from The United States International University. She is a certified Lead and Internal Auditor, Project Manager, HR Information Systems Manager, Competency Assessor, Organization

Design Expert, a Leadership Coach and Mentor. She is a member of the Institute of Human Resource Management (IHRM) Kenya, and Chartered Institute of Personnel Development (CIPD) in the United Kingdom.

9. Mr. John Birech



Mr. John Birech holds an MA (Economics), B Phil. (Economics) and BA (Economics) from the University of Nairobi. He is an independent director of the Board and has previously served in various capacities at the Central Bank of Kenya, his last appointment being the Ag. Director, Financial Markets Department before retirement.

**10. Dr. Freshia Mugo --Waweru**



Dr. Waweru earned her Ph.D. in International Finance (Derivatives Trading) from Sogang University in Seoul (South Korea), a Masters in Business Administration (MBA) and Bachelor of Commerce (Accounting) from Kenyatta University. She is also a Certified Public Accountant of Kenya (CPA-K). In 2012, she was appointed as part of a 16-member steering committee to come up with 10-year Master Plan of the Capital Markets Authority (CMA) of Kenya which was launched in November 2014. In January 2015, she was appointed as a member of the Capital Markets Master Plan Implementation Committee and the

chairperson of the Financial Deepening Committee, especially on the introduction of derivatives market in Kenya. In April 2015, Dr. Waweru was appointed as a member of the Anti – Money Laundering Board where she was a member of the Finance Committee and the Chair of the Human Resources Committee. In October 2015, she was appointed as a member of the Nairobi Securities Exchange (NSE) Derivatives Risk Management Committee.

Dr. Waweru has extensive training and consultancy experience in different areas like, Corporate Governance, Leadership, Finance for Non-Finance Directors & Managers, Derivatives Markets & Trading, Financial Management, Investment Analysis and Portfolio Management.

She is a senior lecturer at Strathmore University teaching Derivatives Markets, Advanced Investment Analysis and Portfolio Management, Managerial Finance, Corporate Finance, International Finance, Public Sector Financial Management, Financial and Management Accounting, among others.

**11. Mr. Peter Mungai (Term ended on 2nd May 2022)**



Mr. Mungai is an Advocate of the High Court of Kenya and holds a Bachelor of Laws Degree (LLB) and a Masters in Business Administration (MBA) from University of Nairobi (UON). He is currently pursuing a Ph.D. in Business Administration from the same institution. He is a Certified Public Accountant (CPA) and a Certified Public Secretary (CPS) as well an Associate of the Kenya Institute of Bankers (AKIB). He also holds a Certificate in Banking and Financial Services (CBFS).

Mr. Mungai is the Head of Tax for ABSA Bank of Kenya Limited and has over 12 years' experience in tax management and policy. Prior to joining ABSA bank, Mr. Mungai worked with PricewaterhouseCoopers (PwC) and KPMG East Africa. He is

a Trustee for ABSA Bank Pension Schemes and a Member of the Standards Tribunal. He has also worked with Diamond Trust Bank (DTB).

**12. Mr. Wyckliffe Shamiah**



Mr. Shamiah is the Chief Executive Officer of the Capital Markets Authority. Prior to his appointment, on 19th November 2020, he was the Acting Chief Executive from January 2020. He was previously the Director of Market Operations and has worked at the Authority for over 22 years in various capacities with all round exposure in various aspects of capital markets.

He is the Chairman of the Market Supervision and Risk Management sub-committee of the East African Securities Regulators' Forum. He also sits on the Financial Stability Board Regional Group of Sub-

Sahara.

Mr. Shamiah holds a Bachelor's degree in Economics and Mathematics from Egerton University and a Masters in Business Administration from the University of Nairobi. He is a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He has served on the ICPAK Council since 2009.

**13. (CS) Hellen Kwamboka Ombati, Director Corporation Secretary and Legal Services.**



CS. H. K. Ombati is a holder of a Master of Business Administration (MBA) in Strategic Management from the Catholic University of Eastern Africa and a Bachelor of Laws (LLB) from the University of Nairobi. She is a Certified Public Secretary (CPS-K) and a member of the Institute of Certified Secretaries of Kenya (ISPCK). CS. Ombati is an advocate of the High Court of Kenya and a member of the Law Society of Kenya (LSK) as well as the Chartered Institute of Arbitrators -UK and the Kenya Institute of Supply Management. She also holds a Diploma in French from Alliance Française, Paris.

CS Ombati joined the CMA in May 2016 as the Head Legal Affairs and Corporation Secretary. Prior to joining the CMA, she served as the Manager Legal Services & Board Coordination at the Kenya Revenue Authority. CS Ombati has been involved in conveyancing practice, preparation of contracts and legal agreements, commercial law as well as company secretarial work. She has also participated in civil society where she was engaged in civil litigation and prosecution of criminal cases at FIDA Kenya. She has also worked as a State Counsel at the Attorney General's Chambers. Currently, she is practicing Securities and financial services law as well as commercial law.

**3. MANAGEMENT TEAM**

**FCPA Wyckliffe Shamiah**

Position Chief Executive Officer  
Date joined the Authority May 20, 1997  
Profession Accountant  
Key qualifications MBA, BA, FCPA



**Edwin Nyaga Njamura**

Position Director, Corporate Services  
Date joined the Authority July 17, 2012  
Profession Management  
Key qualifications EMBA, BCOM, CPA(K), BSP



**Luke Evans Ombara**

Position Director, Policy & Market Development  
Date joined the Authority February, 15 1995  
Profession Economist  
Key qualifications BA, BSP



**Abubakar Hassan**

Position Director Market Operations  
Date joined the Authority April 1, 2016  
Profession Advocate of the High Court of Kenya  
Key qualifications MBA, LLB, CPA(K), CPS(K), CISA, CFE



**FCPA Esther J. Maiyo**

Position Director Internal Audit  
Date joined the Authority February 15, 1995  
Profession Accountant  
Key qualifications MBA, BCOM, CPA(K), CPS (K), CISA, FCPA



**Hellen Ombati**

Position Director Corporation Secretary & Legal Services  
Date joined the Authority May 6, 2016  
Profession Lawyer & Certified Secretary  
Key qualifications MBA, LLB, Dip-French, Dip in Law, CPS(K)



**Solomon Kirwa**

Position Director Technology, Research & Knowledge Management  
Date joined the Authority June 2 2022  
Profession ICT  
Key qualifications CPA, BSC.IT, MSC.IT, MBA



**Daniel Ngenga Warutere**

Position Senior Manager, Approvals, Analysis and Issuer Governance  
Date joined the Authority November 10, 2008  
Profession Lawyer,  
Key qualifications LLB, CPS, CPA, Post Grad Cert, Capital Markets



**Management team**

**Samuel Kamunyu Njoroge**

Position Senior Manager, Education, Certification and Awareness  
 Date joined the Authority January 3, 2005  
 Profession Economist  
 Key qualifications MA, B.A



**Andrew Muthabuku**

Position Senior Manager, People and Culture  
 Date joined the Authority July 1, 2011  
 Profession Human Resources & Administration  
 Key qualifications MBA, BA, H-Dip (HRM)



**Richard Chirchir**

Position Senior Manager, Information Communications & Technology  
 Date joined the Authority June 22, 2009  
 Profession Computer Science Engineering  
 Key qualifications BSC, Pg Dip - Computer Science



**John Njoroge**

Position Senior Manager, Accounting and Finance  
 Date joined the Authority February 4, 2008  
 Profession Accountant/Economist  
 Key qualifications BA, CPA(K), CPS(K), BSP



**Matthew Mukisu**

Position Senior Manager, Commodities  
 Date joined the Authority March 7, 2016  
 Profession Economist  
 Key qualifications MA (Economics), BSC, CPA(K)



**James Kivuva**

Position Senior Manager, Strategic Risks and Projects  
 Date joined the Authority February 15, 2016  
 Profession Information Technologist  
 Key qualifications BSC, PRINCE 2, CBAP, Advanced Sysbase Database Administration and Performance Tuning Certification



**Willyson Nyale**

Position Senior Manager, Market Supervision  
 Date joined the Authority December 15, 2005  
 Profession Accountant  
 Key qualifications MBA, BCOM, CPA(K), CPS(K)



**Jairus Muaka**

Position Senior Manager, Policy & Regulatory Framework  
 Date joined the Authority January 5, 2009  
 Profession Economist  
 Key qualifications M.A Economic Policy, B.A Economics



**Wilberforce Ongondo**

Position Senior Manager Research and Analytics  
Date joined the Authority November 11, 2008  
Profession Researcher  
Qualifications BSc, MBA



**Key**

BA	Bachelor of Arts
BCOM	Bachelor of Commerce
BSC	Bachelor of Science
BSP	Balanced Scorecard Professional
CFE	Certified Fraud Examiner
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
CPS	Certified Public Secretary
Dip	Diploma
EMBA	Executive Master of Business Administration
H. Dip	High Diploma
HRM	Human Resource Management
LLB	Bachelor of Law
LLM	Master of Law
MA	Master of Arts
Pg Dip	Post Graduate Diploma

#### **4. CHAIRMAN'S STATEMENT**

##### **Overview of the Global Economy**

Most economic forecasters have painted a picture of contracting global Gross Domestic Product (GDP) growth rates, with recent estimates now putting the 2022 global GDP growth projection at below three (3) percent, down from the 5.5 percent recorded in 2021. The slow growth outlook may be attributable to the enduring damage caused by the effects of the Covid-19 pandemic, climate change driven disruptions, the conflict in Ukraine and the resultant disruption of commodity supply chains, specifically affecting energy and food supply. Persistent global inflationary pressure is therefore a real possibility, with negative implications for the growth outlook for the globe in 2023, with some estimates now putting the global GDP growth rate of between 2.3 and 2.7 percent.

##### **Africa and the East African Community (EAC) Region**

Africa's GDP recovered strongly in 2021, with the continent's economies growing by an estimated 6.9 percent. Even as the continent smarts from a pandemic-induced contraction that led it to slow down by 1.6 percent in 2020, rising energy demand generally helped improve the continent's economic performance. However, there are indications that the continent's economic growth could decelerate to between 3.5 and 4.1 percent in 2022, with a possibility of similar performance in 2023 as the enduring effects of the Covid 19 pandemic and inflationary pressures caused by the Russia-Ukraine conflict impact growth.

The factors affecting the rest of Africa will most likely be mirrored in East Africa with rising energy costs, weakening currencies, and rising debt obligations forcing increased spending plans to help in coping with commodity supply disruptions. In addition, domestic challenges including prolonged drought and political disruptions will likely contribute to lower than projected GDP growth. Specifically, blocked supplies of energy, wheat and fertilizer have necessitated governments to boost subsidies, with increased demand for US dollars for imports contributing to high volatility of the region's currencies. Economic growth in the EAC region averaged 5.9 percent in 2021, compared to an average of 2.3 percent in 2020. The strong regional economic growth in 2021 was largely supported by increased easing of Covid-19 restrictions, public investments, and strong performance in most of the productive sectors. The region's Economic growth is projected to decline from an average of 5.9 percent in 2021 to 5.3 percent in 2022 and 5.7 percent in 2023.

##### **Domestic Performance and National Outlook**

Kenya's real GDP is projected to grow by between five (5) and 5.5 percent over the next two (2) years following a remarkable recovery by 7.5 percent in 2021 from the worst economic effects of the pandemic, that saw it contract by 0.3 percent in 2020. The recovery trajectory faces some risks from across the globe including the impact of the conflict in Ukraine, slow recovery from the Covid 19 pandemic, and locally, a worsening drought and heightened political activity. The country's economy therefore remains vulnerable, with commodity price shocks and tightening global financial conditions increasing its financial obligations. The country's economy is likely to perform well compared to its regional peers, mainly due to healthy credit growth and strong activity in the construction, IT, retail, transport and manufacturing sectors, with subsidies for basic commodities being put in place to cushion the most vulnerable in society.

In terms of the Authority's undertakings during the year, below is a highlight of some of our progressed activities.

##### **Strategic Influence**

###### **The Capital Markets Consultative Forum (CMCF)**

The Authority values close interaction with its stakeholders as a way of receiving continuous feedback to better provide its services. To this end, following the inaugural CMCF in the 2020/2021 Financial Year where they had welcomed subsequent forums to review the actions roadmap, evaluate any emerging market issues and identify key areas of continuous improvement to enhance the growth of the capital markets, my Board hosted the second Annual Capital Markets Consultative webinar for all capital markets industry stakeholders in February 2022. The forum which was themed "Accelerating the growth & development of the capital markets - Achievements and Challenges", was instrumental in identifying existing market challenges and opportunities, and acted as a platform for providing possible solutions to remedy challenges identified and leverage on the opportunities presented.

### **The CMA National SME Forum**

The second National SME Forum was part of a planned series of an annual engagement with SMEs as industry stakeholders, to identify the obstacles that have been preventing them from utilizing capital markets to address their financing needs, with a view to exploring ways of filling the SMEs financing gap, while highlighting ways in which the capital markets industry could plug into supporting the operations, growth and development of the SME sector in Kenya. The forum emphasized the intensification of creation of awareness on existing capital markets financing options/platforms; simplification of the capital markets language and closer collaborative advocacy for removal of impediments to SMEs ecosystem growth at the highest policy-making levels, among others, as the possible initiatives to motivate the utilization of capital markets by the SME industry.

### **Legal and regulatory reforms**

#### **i) Draft Capital Markets (Collective Investment Schemes) Regulations, 2022 and the Draft Capital Markets (Collective Investment Schemes (Alternative Investment Funds) Regulations, 2022**

The Authority is in the final stages of overhauling the Capital Markets (Collective Investment Schemes) Regulations, 2001 in partnership with Financial Sector Deepening Africa. The draft frameworks were conceptualized in accordance with Section 12 of the Capital Markets Act in a bid to address market dynamics in the CIS operating environment and the main developments since their commencement in 2001 and the same were exposed for public consultation in the last quarter. At the core, the frameworks address emerging issues such as legal form of CISs, disclosures, innovation and technology, applicability of the International Financial Reporting Standards et.al which have an underpinning on investor protection and market integrity. The regulations aim to regulate both private and public pooling of funds and intend to license key players such as the fund manager, custodian, trustee, and the intermediary service platform provider.

#### **ii) Draft Capital Markets (Public Offers, Listing and Disclosures Regulation) 2022**

The Authority concluded the process of reviewing the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2001 in partnership with external consultants to align it with the financial sector objectives envisioned in Kenya's blueprint, the Vision 2030, policy reforms as elucidated under the Capital Markets Master Plan (2014-2023), and the Capital Markets Strategic Plan (2018-2023).

### **Other Achievements**

#### **County Initiatives**

The Authority built capacity of the leaders of select Saccos, Community Based Organizations, learning institutions and Investment Groups, who would act as ambassadors in six counties. In this regard, the Authority held one-on-one meetings with CEOs and Board Members of at least 15 top institutions in each of the counties visited which included Nyeri, Laikipia, Machakos, Kisumu, Kakamega and Mombasa Counties. The meetings focused on investment opportunities available within the capital markets that are ideal for each category of the institution visited. In addition, the meetings highlighted the investor protection mechanisms put in place by the Authority aimed at fostering investor confidence. Further, the meetings facilitated establishment of key contacts for future collaboration with the institutions and provided the institutions an opportunity to share challenges they encountered as investors and/or potential investors in capital markets.

#### **Capital Markets Investor Education Measurement Index (IEMI) Survey**

The Authority commissioned an Investor Education Measurement Index Survey aimed at gauging the long-term impact of investor education initiatives since the baseline index survey of 41% in 2018. The report was submitted to the Authority in the review period. The report's findings indicated that the composite unweighted index stood at 49%, having increased by 8% from 41%. Further, the weighted IEMI was 47% indicating an improvement of 8% from the baseline index of 39%.

#### **Interaction with minority shareholders**

The Authority facilitated a meeting with minority shareholders representatives on 3rd March 2022, to deliberate on developments in capital markets, challenges faced by the minority shareholders and determine the way forward.

### Industry Certification and Continuous Professional Development Programs

The CISI Securities market certification program in Kenya is making significant progress with Stage One, the Introduction to International Securities and Investments (IISI) Kenya module having been launched in April 2016 and thereafter Stage Two, the Regulations and Market Practice Module coming into operation in August 2016. At one point Kenya had one of the highest pass rates for the Introduction to Securities and Investments Kenya (ISII Kenya) at 80% against a global average of 65%. As of December 2021, 1,886 individuals have passed the International Introduction to Securities and Investments (Kenya and international versions) and 1557 the Regulations and Market Practice (Kenya).

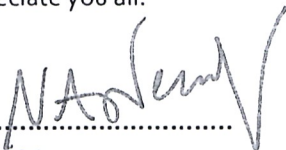
As part of its drive to enhance professionalism for customer-facing staff working for capital market intermediaries in Kenya, the Authority rolled out a Continuous Professional Development (CPD) Programme with effect from 7th August 2019. All employees of capital market intermediaries who have direct dealings with clients and/or undertake trading activities on behalf of the clients as well as influence or advice clients either directly or indirectly are required to satisfy annual CPD obligations as part of their training requirements, through programmes accredited by the Authority. Over the years, membership numbers grew steadily, particularly with increased leverage of technology to mitigate the pandemic. This was an indication of the appetite in the market to comply with CPD requirements. We expect the trend to continue through 2022 as more practitioners seek to comply with the CMA CPD requirements. The Authority has accredited three CDP service providers to facilitate the same. As of February 2022, CISI and ICIFA witnessed a total of 887 practitioners undertake the CPD program which is a 60% increase compared to the slowdown in 2020 and part of 2021.

### Appreciation

Without doubt we received unwavering support from the Government of Kenya even as we sought to deliver our mandate. I therefore wish to thank The National Treasury and Planning, the entire capital markets industry and our other Financial Services Regulators, for the support and contribution they made in supporting us to successfully deliver on our mandate during the period.

I also wish to salute my colleagues on the CMA Board, the Chief Executive Officer, Management and Staff of the Authority for their untiring efforts to facilitate better service to our stakeholders.

I appreciate you all.

  
.....  
Chairman

## **5. REPORT OF THE CHIEF EXECUTIVE OFFICER**

### **I. Market Performance**

#### **Primary Market**

In the primary equities market, significant focus shifted to the reform of the enabling legislation i.e., The Public Offers, Listings & Disclosures (POLD) regulations to improve the facilitative environment for public listings. Overall, the market remained resilient, with the industry hosting more stakeholder engagements at both the County and National level, to not only help create more awareness on the role of capital markets in availing capital raising opportunities, but also boost stakeholder sentiment for eventual buy-in of the capital markets role in positively changing the fortunes of its stakeholders, for ultimate improved uptake of the industry's products and services.

In the primary bond market, thirty-two (32) Treasury Bonds were issued or re-opened, as the Kenya Government sought to raise Kshs.881.50 billion. In response, Kshs. 1,144.66 billion worth of bond applications were received, with the Government accepting Kshs. 888.66 billion. Regarding corporate bond issuance, during the year, the market was relatively active, with Acorn Holdings, an issuer in the Real Estate sector drawing down and issuing Kshs. 1.22 billion worth of its bond, out of the approved Kshs. 5.7 billion. Also, during the period, East Africa Breweries issued a Kshs. 11 billion bond that received an overwhelming 345 percent subscription level. The year was capped with a Kshs. 1.4 billion Kenya Mortgage Refinance Corporation (KMRC) bond issuance which received a 478.6 percent subscription. These inspiring developments in the corporate bond market set an unequivocal tone for future possible capital raisings in the corporate bond market, as the country's capital market sets itself up to better supporting economic growth, by vigorously facilitating and supporting active private sector participation.

#### **Secondary Market**

In the face of the global economic turbulence caused by disruption of energy supply value chains and the enduring effects of the Covid-19 pandemic, the 2021/22 financial year was dominated by efforts to stabilize markets and prepare them for resilience.

During the year ended 30 June 2022 equity turnover totalled Kshs. 191.49 billion, a 42 percent increase on the Kshs 135.17 billion equity turnover levels recorded in the previous financial year. The end-period NSE 20-Share index was down by 16.32 percent to 1,612.89 points, from the 1,927.53 points registered in FY2021/21. As regards market capitalization, the market's value as of June 2022 was Kshs. 1.93 trillion, a 28.24 percent contraction in value from the Kshs. 2.70 trillion recorded in the previous financial year.

On the sunny side, the Exchange Traded Funds (ETFs) and the Collective Investment Schemes (CISs) markets performed significantly better during the period. In the 2022 Calendar year, ETFs registered a turnover of Kshs. 390 million, compared to a Kshs. 272 million turnover figures recorded in the previous year. On the CIS front, as of March 2022, Kshs. 140.2 billion worth of assets were under Management, compared to the Kshs. 117.8 billion worth assets managed in the period to June 2021.

With regards to the derivatives market, since launch in 2019, the derivatives market had traded a cumulative turnover of Kshs 389 million by June 2022, with Calendar year 2021 going on record, as the best performing year, with a turnover of KShs.289 million. Following the introduction of market making in this market, the industry is looking forward to improved future performance, as stakeholder understanding of this market segment gains more traction.

As regards foreign portfolio flows, the 2021/22 financial year registered significant net outflows, with net outflows rising by 95 percent to Kshs. 19.8 billion, compared to net outflow of Kshs. 10.2 billion registered in the year to June 2021.

In the secondary bonds market, during the financial year, the country's bond market turnover rose by 0.61 percent to Kshs. 872.97 billion, compared to the Kshs. 867.70 billion registered in the previous financial year.

## II. Major Market Developments

### i. Launch of Nairobi International Financial Centre (NIFCA):

The Kenya Government officially launched the Nairobi International Financial Centre (NIFC), a flagship initiative under the economic pillar of Kenya's Vision 2030. NIFC is designed to strengthen the country's global competitiveness by making it easier and more attractive to invest and conduct financial services, transactions, and related activities. NIFC aims to raise over US\$2 billion targeted incremental cumulative investments by 2030

### ii. County Government Bonds

Increasingly, counties are getting approval to raise funds to complement the equitable share allocations from the Central Government. To this end, in April 2022, Laikipia County was granted an approval by the Central Government to issue a Kshs. 1.16 billion infrastructure bond is expected to finance transformative projects in the county such as the smart town, water for production, and road construction targeting an upgrade with streetlights, paved walkways, and sewerage lines, making them attractive for new business.

### iii. Increased attention on new Asset Classes

There was a policy shift to accommodate new asset classes and products leading to improved uptake of Exchange Traded Funds (ETFs) and Collective Investment Schemes (CIS) units.

### iv. Sustainable Finance

The Authority:

- a. Developed a strategy on the design of ESG and integrated reporting legal framework for the capital markets in Kenya.
- b. Facilitated the entrenchment of greater corporate governance practices and standards especially among issuers.
- c. Facilitated the launch of an ESG manual by the Nairobi Securities Exchange.
- d. Approved the framework for the issuance and listing/trading of green bonds by potential issuers.
- e. Hosted a Green Bonds stakeholders' forum to share knowledge on the major developments in the field.
- f. Encouraged significant attention and focus on sustainability reporting by companies in the financial market.

### v. Kenya Commodity markets

The Authority licensed of six (6) coffee brokers in line with the Capital Markets (Coffee Exchange) Regulations, 2020 including the Nairobi Coffee Exchange (NCE), Kipkelion Brokerage Company Limited, Murang'a County Coffee Dealers Company, Mt. Elgon Coffee Marketing Agency Limited, Meru County Coffee Marketing Agency Ltd and United Eastern Kenya Coffee Marketing Company Limited.

### vi. Whistleblowing

The Capital Markets (Whistle-blower) Regulations, 2022 anchored on Section 18(2A) and 18(2B) of the Capital Markets Act were gazetted on 6 June 2022 to empower the Authority to reward whistle-blowers.

### vii. Revised Capital Markets Masterplan

Industry stakeholders conducted a comprehensive review of the Capital Markets Master Plan to reprioritize activities into those that could be achieved within the remaining timeframe (based on achievability and importance) and those that can be moved to a subsequent CMMP.

### viii. Day Trading

Following approval by the Authority, the Nairobi Securities Exchange launched day trading in November 2021. This will enable investors and traders to make gains from marginal price movements, while taking advantage of moving large volumes of securities.

#### ix. Regulatory Sandbox

The Authority pioneered the introduction of a highly successful regulatory sandbox environment in 2019 that has to date admitted twelve (12) firms to test various innovative and novel fintech solutions, applications and business models and exited five (5) firms successfully to the marketplace. The impact of the sandbox has been significantly huge including:

- a. **Capital Markets Mobile Application:** The Authority developed a Capital Markets Mobile Application which was launched in October 2021. The Mobile App provides capital markets information as well as facilitates investors to access market intermediaries' online platforms for transactions. Given the high penetration of smart phones in Kenya, the Capital Markets Mobile App will facilitate increased products uptake/transactions.
- b. **CMA Digital Handbook:** The Authority launched a digital CMA Handbook in October 2021. The Handbook provides pertinent capital markets information for the supply and demand side, including products, investor protection, how to invest, how to issue, relevant regulations amongst other topical issues. The Handbook was widely circulated to facilitate a wide reach both locally and internationally. Additionally, a more simplified version of the Handbook was developed in June 2021 to facilitate financial literacy information dissemination at the grassroots level.
- c. **Inaugural Virtual Open Day:** The Authority held the inaugural capital markets virtual open day in June 2022. The forum was attended by over 500 participants who held one on one discussions with various market intermediaries in different meeting rooms. The forum served the increasingly diverse financial needs of clients as the participants were able to interact with respective financial service providers on useful and affordable financial products and services.
- d. **Financial Literacy in School Curriculum:** The Authority partnered with the Kenya Institute of Curriculum Developed (KICD) in developing guidelines for financial literacy infusion in school curriculums in November 2021 and in scripting online financial literacy orientation courses for teachers in both Junior Secondary and Senior Secondary Schools in Kenya in May 2022. These initiatives are aimed at enhancing financial literacy and inculcate a culture of saving from an early age.
- e. **Mass messaging:** As an approach to efficiently reach higher populations within a short span, the Authority innovated a platform for mass messaging. This platform has helped the Authority to communicate effectively at an optimal cost.
- f. **Awareness Forums:** In order to foster capital markets developed, during the period under review, the Authority conducted various awareness forums including webinars, radio and television campaigns, social media infographics, targeting various sub-groups (youth, diaspora community, retirees, professionals among others) to create awareness on capital markets products and services as well as investor protection. These initiatives have enhanced financial literacy where investors transact based on informed decisions.
- g. **Pooling of Funds:** Following the launch of the Pooled Funds Industry Players Committee comprising representatives from key financial institutions, the Committee facilitated a webinar and discussed areas of challenges and opportunities within the financial sector industry with respect to promoting pooled funds uptake in September 2021. The forum buttressed continued joint initiatives to enhance awareness, continued strategic influence and collaborative approach with the financial sector regulators in policy proposal submissions to the National Treasury and other areas of joint interest, development of a National Financial Literacy Strategy, review of relevant regulations such as the CIS regulations, introduction of financial reporting standard guidelines for institutional investors, continued innovations and technology by all sectors, embrace big data analytics and alternative investments and increased financial inclusion. Implementation of the recommendations have been ongoing.

- h. Innovations:** During the year, the Authority developed and launched online innovative solutions aimed at easing access to financial information as well as products and services. These include an online Financial Savings Plan and Budget downloadable tracking tool aimed at facilitating savings as well as monitor achievement of the savings goals; an interactive Capital Markets Toolkit which facilitates ease of access to key capital markets and financial literacy information on the Authority's website from one tab; an interactive online feedback and engagement request platform to facilitate provision of feedback and/or requesting for investor education sessions/trainings.
- i. County Initiatives:** The Authority undertook county initiatives in February/March 2022 targeting the Savings and Credit Cooperative Societies (SACCOs), community-based organizations (CBOs), 'Chamas' and learning institutions during which the leadership of the institutions were sensitized on capital markets products and services

**x. Regulatory Developments**

During the year, among others, the following regulatory approvals, licenses, reforms were effected.

**i. Licenses and approvals:**

- East African Breweries Plc to issue a Medium-Term Note Programme of up to KShs 11 billion and listing of all the issued Note on the Nairobi Securities Exchange.
- Nairobi Business Ventures Limited for investments in Air Direct Connect Limited, Aviation Management Limited, Delta Solutions Automobile Limited, and Delta Cement Limited. The combined acquisition value of the transactions is approximately KShs. 3.2 billion measured at market value.
- Urban Housing Renewal Development LLP to issue KShs. 3.9 billion zero-coupon Medium Term Note Program.
- Fund manager license to Globetec Asset Managers Limited.
- Non-Dealing Online Foreign Exchange Broker license to HFM Markets Limited.
- Non-Dealing Online Foreign Exchange Broker license to Windsor Markets (Kenya) Limited.
- Coffee Broker license to Kipkelion Brokerage Company Limited.
- Coffee Broker license to Murang'a County Coffee Dealers Company.
- Conditional coffee brokerage license extension granted to United Eastern Kenya Coffee Marketing Company.
- Conditional coffee brokerage license extension granted to Mt. Elgon Coffee Marketing Agency.
- Consent to register the Co-op Fixed Income Gratuity Fund to Co-op Trust Investment Services Ltd.
- Consent to NCBA Unit Trust to register NCBA Fixed Income Basket Note (KES) and NCBA Fixed income (USD) Fund.
- Consent to African Diaspora Asset Managers Limited to register ADAM Unit Trust Fund comprising of Adam Equities Fund, Adam Money Market Fund, Adam Balanced Fund and Adam Fixed Income Fund.
- Consent to GenAfrica asset Managers Limited to register GenAfrica UnitTrust Scheme.
- Consent to Natbank Trustee and Investment Services Limited to register Natbank UnitTrust Scheme.
- Natbank Trustee and Investment Services Limited to register the Natbank UnitTrust Scheme.
- GenAfrica Asset Managers Limited to register the GenAfrica Unit Trust Scheme.
- Genghis Capital Limited to register the Gencap Fixed Income Fund.
- Acorn Investment Management Limited to issue a Supplementary Offering Memorandum to raise KShs. 2,762,445,089.58 for purposes of the issue and subscription of Units in the Acorn Income Real Estate Investment for purposed of acquiring two assets in the Real Estate Investment Trust.
- Acorn Investment Management Limited to issue a Supplementary Offering Memorandum to raise up to KShs. 400,000,000 for purposes of the issue and subscription of Units in the Acorn Development Real Estate Investment Trust was approved.
- Car & General Kenya PLC to issue a bonus issue of 40,103,308 Ordinary Shares worth Kes. 200,516,540 in the proportion of one (1) ordinary share for every-one (1) share fully paid up of par value (Kes 5.00) held in the capital of the company.
- Kenya Mortgage Refinance Company PLC to issue an information memorandum for a senior unsecured medium-term programme of up to Kshs. Ten billion five hundred million (10,500,000,000.00).

- GenAfrica Asset Managers for the establishment of GenAfrica Fixed Income Fund as part of the GenAfrica Unit Trust Scheme
- TPS Eastern Africa PLC on approval of shareholders' circular in respect to the proposed restructuring of debt owed to Aga Khan Fund for Economic Development (AFKED).
- Star Capital Management Limited for the grant of a Fund Manager License.
- SCFM Limited to undertake brokerage, public offering, and advertising of foreign quoted shares.
- Investcent Partners Limited for the grant of a Fund Manager License.
- Jubilee Financial Services Limited for consent to register Jubilee Unit Trust Collective Investment Scheme.
- Enwealth Capital Limited for consent to register the Enwealth Capital Unit Trust Scheme comprising of the Enwealth Balanced Fund, Enwealth Equity Fund and Enwealth Money Market Fund.

## **ii. Review and updating of capital markets regulations**

During FY2021/22, the Authority developed new regulations that are currently undergoing the necessary approval processes with the National Treasury and subsequently Parliament for enactment. These regulations include:

- a) Collective Investment Schemes, 2022.
- b) Alternative Investment Funds, 2022.
- c) Credit Rating Regulations, 2022.
- d) Public Offers Listing and Disclosure Regulations, 2022.
- e) Guidelines on Share Buy-backs for Listed companies gazetted in November 2021.
- f) (Under Gazette Notice No. 12325) (Nation Media Group has since conducted Share-Buy-back using these Guidelines).
- g) Rules and procedures on Securities Lending and Borrowing were approved in February 2022.
- h) Recovery Board Rules (approved in 2020).
- i) Day Trading Rules and ultimate launch (approved in October 2021).

The aim of the legal framework reform is to ensure responsiveness to market needs, while addressing emerging issuer, institutional and retail investor needs as well latest Global developments and standards.

## **iii. Capital Markets Related Policy Pronouncements**

The Budget Statement for the financial year 2022/23 which was presented by the Cabinet Secretary, National Treasury & Planning on 7th April 2022 under the theme "Accelerating Economic Recovery for Improved Livelihood" made provisions that shall over time, improve the level of facilitation of the country's Capital Markets for more efficient capital raising. These included:

- a. Introducing a provision to subject gains from financial derivatives earned by non-resident persons to withholding tax at a rate of 15%. This will play a significant role in promoting the uptake of exchange-traded financial derivatives as an investment class in the industry.
- b. Amending Section 2 and Section 29 of the Capital Markets Act in the definition of investment adviser by deleting paragraph 3. To expand the spectrum of persons who can serve as investment advisers, to deepen retail investor participation in Kenya's capital markets by increasing the number of investment advisor's vis-a-vis the total population.
- c. Introduction of a reduced corporate income tax rate of 15%, for the first 10 years upon commencement of operations, for a company operating:
- d. A carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority. The amendment shall lead to promotion of Green Finance.

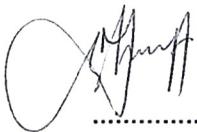
### III. Financial Highlights

RESULTS		As at 30 June 2022 Kshs '000	As at 30 June 2021 Kshs '000
The results for the year are summarised below:-	Notes		
Total income for the year	6-9	<u>1,095,800</u>	<u>1,161,030</u>
Total operating expenditure for the year	29	<u>(888,948)</u>	<u>(872,302)</u>
Surplus before tax		<u>206,852</u>	<u>288,728</u>
90% Surplus due to Exchequer Retained Surplus	11(a)	<u>(147,557)</u> <u>59,295</u>	<u>(285,880)</u> <u>2,849</u>

\*Details of each line are found under respective notes in the Annual Report and Financial Statements.

### IV. Future Prospects

The 2021/22 financial year was a mixed bag with both achievements and challenges. Most investment activity revolved around cautious optimism, with the key developments around Covid 19, energy cost challenges and the countdown to the 2022 elections remaining the key performance factors. All said, the country's capital markets and by extension the economy remained resilient, with investor sentiment likely to remain dynamic, depending on how these challenges are addressed over the medium term.



.....  
Mr. Wyckliffe Shamiah, FCPA  
Chief Executive Officer

## **6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the Financial Statement, a statement of the National Government entity's performance against predetermined objectives. The Capital Markets Authority (CMA) has six (6) strategic objectives within its Strategic Plan for the FY 2018/2019- 2022/2023.

### **a. The strategic objectives are as follows:**

- i) To ensure a robust, facilitative, and responsive policy and regulatory framework for capital market development and efficiency;
- ii) To facilitate the development, diversification, and uptake of capital markets products and services;
- iii) To ensure sound market infrastructure, institutions and operations;
- iv) To leverage technology to drive efficiency in the capital markets value chain;
- v) To ensure optimal institutional efficiency and effectiveness of Capital Markets Authority; and
- vi) To enhance the strategic influence of the Capital Markets Authority.

From the Strategic Plan, CMA came up with annual obligations to ensure strategic objectives are fully met. CMA therefore develops its Annual Work Plans based on the above six objectives and identifies key thematic areas to be tackled in a specific year. (The thematic areas show the area of concentration).

### **b. The key thematic areas for 2021/2022 are:**

- i) Enhancing the supervision, stability and governance of the capital markets, derivatives and spot commodity markets through, review of continuous compliance of the market participants with reporting obligations, legal and regulatory requirements as well as corporate governance requirements while supporting adoption of best international practices and ensuring sound and stable market infrastructure and institutions;
- ii) Market deepening and optimal product and services uptake through tapping Fintech solutions and development of a robust market deepening strategy, alignment to National Agenda, industry capacity building as well as ensuring a facilitative legal, regulatory and operational environment;
- iii) Institutional service delivery, operational, efficiency and sustainability through business processes re-engineering, sound financial management, leveraging on technology and innovative service delivery systems, responsive organizational design and culture, capacity and competency development, performance and risk management and efficient allocation and control of Authority's resources; and
- iv) Strategically identify and constructively engage relevant domestic and international partners both within Government and the private sector to inform and influence complementary contribution to achievement of the key outcomes as enumerated in the Authority's Strategic Plan.

An assessment of the Board's performance against its Annual Work Plan is done on a quarterly basis. The Authority achieved its performance targets set for the FY 2021/2022 period for six (6) of its strategic objectives, as indicated in the table below:

Table 2: Performance against predetermined objectives.

Strategic Pillar/Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
Ensure Sound Market Infrastructure, Institutions and Operations	Enhanced investor protection and sound market institutions	<p>i) 100% Implementation of authorization, supervision, and Enforcement Programs. (Annexed is the detailed DMO Program).</p> <p>ii) Develop workplans with NSE and CDSC for transitioning CDSC and NSE to full SRO's</p> <p>iii) Onboard a developer/supplier to provide the multi asset surveillance system by June 2022.</p> <p>iv) Support the procurement of a consultant to guide in the acquisition of digital forensic tools and the actual acquisition of the same by June 2022.</p> <p>v) Admission to the enhanced Memorandum of Understanding (EMMOU) by June 2022 and CMA Application to be a member of AA arrangements</p> <p>vi) Strategic Framework for Environmental, Social, and Governance (ESG) and integrated reporting by listed</p>	<p>a) Develop and implement effective authorization, supervision and enforcement programs that support the approvals of various applications, the supervision of regulated markets and products and investigation and enforcement actions to curb market abuse and deter fraudulent practices in the capital markets.</p> <p>b) Implement the recommendations of the Concluded Self-Regulatory Organization (SRO) consultancy report undertaken in the financial year 2020-2021</p> <p>c) To increase market surveillance, support the procurement/ implementation of a Multi-Asset Surveillance system.</p> <p>d) Commence the identification and procurement of digital forensic tools</p> <p>e) Enhance engagements with</p>	<p>a. The annual inspection program with priorities was developed and approved for the financial year 2021/2022. The inspections have been scheduled to take place all year round. 35 firms out of 40 scheduled firms have been inspected as of June 30th, 2022, whereas the remaining 5 firms were postponed due to requests by the intermediaries, while there is a proposed buy-out for one of the stockbrokers.</p> <p>b. SRO Consultancy final report was completed. A committee from CDSC, NSE and CMA has been formed to implement the recommendations of the consultant.</p> <p>c. TOR for multi asset surveillance system developed and currently procurement process ongoing</p> <p>d. CMA Board encouraged the use of Internal ICT services.</p> <p>e. Work has commenced with respect to preparing an application for Administrative Arrangements for data transfer under International Organization of Securities Commissions (IOSCO)</p> <p>f. The development of a Strategic Framework for Environmental, Social, and Governance (ESG) and integrated reporting by listed companies completed in June 2022.</p> <p>g. Development and enhancement of RBSS to support online submission of applications and reporting is ongoing.</p> <p>h. Action plan was prepared and is under implementation</p> <p>i. A Committee comprising of CMA Staff and ICIFA representatives established in March 2022 with TORs including to resolve potential conflict of laws with respect to jurisdiction of CMA/ICIFA with respect to professional and regulated activities.</p> <p>j. The department drafted a report on an assessment on the need for or against moratoriums applicable on various license categories within the Kenyan Capital Markets. The report was presented to the Compliance and Facilitation</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
		<p>companies in place by June 2022</p> <p>vii) 100% online licensing applications, complaints management and financial and governance reporting by all listed companies and intermediaries through the Risk Based Supervision System.</p> <p>viii) Comprehensive and sustainable action plan for illegal activities in the market in place by June 2022</p> <p>ix) Operational framework with ICIFA to resolve potential conflict of laws with respect to jurisdiction of CMA/ICIFA with respect to professional and regulated activities developed by March 2022.</p> <p>x) Report on review of the Online-Foreign Exchange (FX) brokers, Fund Managers, and Investment Adviser license categories to determine whether there is a need for a moratorium by June 2022.</p>	<p>International Organization of Securities Commissions (IOSCO) in respect to assessment of Kenya to be a member of Enhanced Multilateral Memorandum of Understanding (EMMOU) and Administrative Arrangements</p> <p>f) Develop a strategy on the design of ESG and integrated reporting legal framework for the capital markets in Kenya.</p> <p>g) Enhance efficiency of receiving licensing applications by applicants, financial and governance reporting by all listed companies and intermediaries and</p> <p>Complaints from affected parties</p> <p>h) To develop and implement a comprehensive strategy to detect and deter illegal/unregulated activities in the market.</p> <p>i) Reduce Conflicts of Regulatory Mandates with</p>	<p>Committee for input. Further, the report was presented to the Technical and Policy Committee of the Board.</p>

CA L MARKETS AUTHORITY  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2022

Strategic Pillar/Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
			other Regulators on the investment sphere j) Assess the utility, impact and saturation of CMA granted licenses - Review issued licenses and market activity resulting from regulated products and determine need or otherwise for moratorium adoption.	

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
To ensure a robust, facilitative, and responsive policy and regulatory framework for capital market development and efficiency	Significant increase in utilization of capital markets and listings by Micro, Small and Medium Enterprises (MSMEs), existing and potential large cap business and Counties to fund their longer-term expansion and contribution to Kenya's economic development for example one county issuing a debt instrument.	<ul style="list-style-type: none"> <li>i) Draft Public Offers, Listings and Disclosure Regulations submitted to National Treasury &amp; Planning by 30th June 2022.</li> <li>ii) One (1) county bond issuance by June 2022.</li> <li>iii) Capital Markets MSME Fund established and supported by legislation by June 2022.</li> <li>iv) Supportive prudential and market conduct requirements for SMEs incorporated in the Draft POLD Regulations Public Offers, Listings and Disclosures (POLD) Regulations by June 2022.</li> <li>v) Three (3) sets of Regulations developed by June 2022 to replace redundant ones.</li> </ul>	<ul style="list-style-type: none"> <li>a) Overhaul the Public Offers, Listings and Disclosure Regulations for capital raising and listings for all Market Segments at the Nairobi Securities Exchange and submit to the National Treasury and Planning by 30th June 2022.</li> <li>b) To increase uptake of county bonds and asset backed securities, roll out an aggressive county engagement program targeting counties and county-based corporations by November 30, 2021.</li> <li>c) Reassess the existing policy, and legal impediments to uptake of market-based financing by Micro Small and Medium Enterprises (MSMEs) and make necessary interventions</li> <li>d) Foster an ecosystem that links incubators/accelerators, technical assistance providers, industry/trade associations, potential issuers and investors.</li> <li>e) Develop at least three new sets of regulations to</li> </ul>	<ul style="list-style-type: none"> <li>i. Post-public participation on the draft framework undertaken between the Authority and the Consultants to review stakeholder feedback and review the regulation in line with the feedback.</li> <li>Validation workshop on the draft regulation held on 14.06.2022 between the Authority, Consultants and Stakeholders.</li> <li>The Regulations were approved by the Board on June 29, 2022 and submitted to Treasury on June 30, 2022.</li> <li>ii. White Paper on key policy and regulatory gaps with proposed capital markets solutions for county-based financing submitted to NT in 2021-22.</li> <li>iii. Advisory note on Kisumu County plan to issue a Kshs 1.2 Bn bond developed and shared with Kisumu County Leadership during the Kisumu Investor Conference.</li> <li>iv. Approved Urban Housing Renewal Development LLP to issue Kes.3.9 corporate bond with a green shoe option for Kshs 0.6M for development of affordable housing in Nairobi County.</li> <li>v. Amendment to the public procurement act to give clarity on transfer of assets from a public institution to an SPV included in the policy proposal for FY 2022;</li> <li>Engagement with the PS and NT also conducted</li> <li>vi. To increase uptake of County Bonds and ABS, the Capital Markets Authority undertook one on one engagement meetings with the County Government, potential issuers, investors, and institutions in Kisumu County between 6 to 10 December 2021 with the aim to present avenues and opportunities available in the capital markets to finance their growth and development.</li> <li>Subsequent engagements will be held in Machakos, Laikipia and Mombasa. Two Counties (Laikipia and Kisumu) have noted interest in issuing county bonds in 2022 to finance infrastructural development.</li> <li>vii. To promote the uptake of County bonds, and capital markets products &amp; services, the Authority undertook</li> </ul>

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
			<p>replace those that will become redundant as guided by the Statutory Instruments Act.</p>	<p>one on one engagements with the County Government, potential issuers, investors, and institutions in Mombasa County between January 24 &amp; 28, 2022 with the aim of presenting avenues and opportunities available in the capital markets to finance their growth and development. The Authority is currently conducting engagements in Machakos County between 4-8 April 2022. Subsequent engagements have been scheduled for Laikipia County on 25-29 April 2022.</p> <p>viii. To remove impediments pertaining to SME listings, A Board Paper to the Finance and Planning committee has been developed to facilitate the establishment of an SME fund through budgetary allocation by the Authority and other Development Partners and State Corporations to subsidize regulatory costs and any other costs associated with listing by SMEs. Consultations are ongoing on the same.</p> <p>ix. To promote capital markets products as avenues for capital raising by Corporates, the Authority is set to hold a structured finance workshop on green bonds in Q4. The development of requisite workshop documentation is being finalized. The Sandbox Review Committee is in the nascent stages of engaging potential stakeholders that will support the development of an incubation and acceleration ecosystem.</p> <p>x. To promote the uptake of County bonds, and capital markets products &amp; services, the Authority undertook one on one engagements with the County Government, potential issuers, investors, and institutions in Machakos County between April 4 &amp; 8, 2022 and in Laikipia/Nyeri/Muranga &amp; Meru Counties between April 25 &amp; 29, 2022 with the aim of presenting avenues and opportunities available in the capital markets to finance their growth and development.</p> <p>xi. In the month of May 2022, Laikipia's County</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
				<p>Kshs.1.16B bond was granted approval for issuance by the Cabinet. The issuance of the domestic infrastructure bond would be at a market determined coupon whose objective would be to finance implementation of projects including provision of water for agricultural production and improvement of the business environment.</p> <p>xii. To promote capital markets products as avenues for capital raising by Corporates, on May 18, 2022, the Authority successfully executed the Capital Markets Structured Finance workshop on Green Bonds. The event brought together at least 60 participants drawn from the National Treasury, KRA, issuers (entities with green projects needing funding or refunding; property developers), underwriters (financial institutions arranging the issuance of the green bonds), external reviewers (rating agencies), intermediaries (the Nairobi Securities Exchange, Industry Associations; KASIB, CDSC), pension funds and insurance companies; a green bond issuer (Acorn). The session served as a capacity building and knowledge sharing session on raising awareness on the green bond market and tackling the benefits of investing in green bonds. The workshop intended to resolve the information gap that exists on green bonds and building on the technical expertise given that our green bond market is still in its nascent stages.</p>

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	Policy, Regulatory and operational framework to support the real sectors	<ul style="list-style-type: none"> <li>i) All coffee brokers with provisional licenses fully compliant and granted full licenses by June 2022.</li> <li>ii) KOMEX launched by February 2022.</li> <li>iii) Implementation of the WRS and other Coffee related Regulations 2020</li> <li>iv) Operationalization of Commodities Exchange and WRS.</li> </ul>	<ul style="list-style-type: none"> <li>a) Support Coffee Brokers issued with conditional licenses to meet all the licensing requirements and issue full licenses.</li> <li>b) Engage and support top management of Kenya National Multi Commodity Exchange (KOMEX) in the development and implementation of a operationalization strategy.</li> <li>c) Engage relevant strategic stakeholders and Warehouse Receipting Systems (WRS) /KOMEX and Coffee Sub sector Reforms Implementation Standing Committee (CSRISC) Taskforces/Committees on harmonization and operationalization of the Commodities Exchange and warehouse receipt system frameworks.</li> </ul>	<ul style="list-style-type: none"> <li>a. The Warehouse Receipt System was launched in January 2022. Phase 1 roll-out of the Warehouse Receipt System in Kenya covers 5 National Cereal and Produce Board (NCPB) Certified Warehouses in Kitale, Eldoret, Nakuru, Nairobi, and Meru. There are also over 300 depositors warehousing 13 different commodities.</li> <li>b. A total of 6 full coffee broker licenses have been issued year-to-date. The review of 3 additional coffee broker applications is also underway.</li> <li>c. KOMEX Rule Book finalized by the consultant. Currently working with NSE for provision of trading system and awaiting capitalization from NT&amp;P to commence pilot testing and application for a provisional license. KOMEX is anticipated to launch in 2022-2023.</li> <li>d. Application for Commodities Exchange (NCX) received in June 2022.</li> </ul>

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
<p>To facilitate the development, diversification and uptake of capital market products and services</p>	<p>Increased primary and secondary equity, debt, and derivative market liquidity by facilitating roll out of among others, market making, short selling, securities lending &amp; borrowing and Over the Counter (OTC) trading.</p>	<p>i) Increase Equity market turnover ratio by 20%.                      ii) Increase Treasury bond turnover ratio by 10%                      iii) 10% increase in equities market capitalization                      iv) Quarterly market performance and stability reports published and disseminated widely to the public</p>	<p>a) Review and finalize policy, regulatory and operational framework for Securities Lending and Borrowing (SLB) and Short Selling (SS).                      b) Timely review and approval of Nairobi Securities Exchange (NSE) Rules to facilitate intra-day trading, market making, short selling, margin trading, removal of pre-funding and pre-validation.                      c) Progress any proposed tax and non-fiscal incentive(s) to further support use of liquidity enhancing tools in the capital markets.                      d) Develop and publish quarterly aggregate market performance and stability reports to track liquidity measures.</p>	<p>a. Policy and legal framework for SLB is in place. SLB rules have been approved by the Board and Published on CDSC Website.                      b. Policy Framework on Margin Trading to be submitted and considered by TPC on 23.06.2022.                      c. Proposal on tax deductibility on issuance, listing and credit rating was submitted to NT for consideration in the 2022 Finance bill.                      d. Quarterly Soundness Reports developed followed by stakeholder engagements and media briefing for all quarters.                      e. Increase on Treasury Bond turnover ratio – approval of listing of treasury bonds worth Kshs.665Bn during the financial year.                      f. Increase in equities market capitalization – approval of acquisition of assets worth approx. Kes. 3billion by NBV.                      g. Increase in equities market capitalization – approval of conversion of debt in TPS Serena and the approval for additional listing of 100,476,471 ordinary shares of the company.                      h. Increase in equities market capitalization – approval of a rights issue by TransCentury for issuance and listing of 1,876,013,830 newly issued ordinary shares of TransCentury PLC to raise Kshs 2,063,615,213.                      i. Increase in equities market capitalization – approval of the ninth drawdown of Kshs 336,000,000 by ACORN Project II LLP on the Fixed Income Securities Market.                      j. In previous quarters, approval for the marketing of the MTN Uganda IPO was granted. Kenyan Investors were eligible to participate in the offer for sale of 4.4Bn shares representing 20% stake in the company at a price of approximately Kshs 6.25 per share.                      k. Approval of the Urban Renewal Development LLP short term note programme for Kshs 4.5Bn. in Nov/Dec 2021                      l. Approval of the Kshs 11Bn EABL MTN programme.</p>

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	Increased mobilization of savings and investments through transformative access of mobile and other online technology to retail and institutional investors for participation in the primary and	<p>i) 20% increase in actively trading accounts by end of the financial year (data to be shared by CDSC).</p> <p>ii) Composite unweighted investor education index increased by 10% from the baseline score.</p> <p>iii) Total Assets Under Management by Collective Investment Schemes to increase by 70%.</p> <p>iv) 20% increase in number</p>	<p>a) Finalize the Investor Education Measurement Index (IEMI) Survey by Dec 2021 and develop and implement an action plan based on the recommendations of the survey report with a view to adjusting its programs where applicable to ensure targeting the various constituents with a view to increase uptake</p>	<p>m. Continued facilitation of the Acorn Project MTN Programme for up to Kshs 5.7Bn.</p> <p>n. Kenya Mortgage and Refinance Company (KMRC) received approval of unsecured MTN of Kshs 10.5 billion and successfully issued the first tranche of Ksh1.4 billion which was oversubscribed by 480% receiving applications worth Ksh8.1 billion.</p> <p>o. The Authority developed draft research/concept notes on the Mining and Technology Boards &amp; their eligibility requirements and are ongoing peer review by CMA and NSE teams.</p> <p>p. Approval for the ACORN REIT issuances for a value of up to Kshs 2.76 billion.</p> <p>q. Approval of the Car &amp; General bonus issue at a ratio of 1:1 for a total issuance of 40.1 million shares worth Kshs 200.5million.</p> <p>Concept notes on the Mining and Technology Boards &amp; their eligibility requirements have been developed and a provision for the exchange to create any market segment as they may deem fit included in the regulations. The draft POLD regulations are under consideration by the TPC. Implementation of these regulations is anticipated post gazettelement.</p> <p>a. The Investor Education Measurement Index Survey report was finalized and approved by the Board. The survey is aimed at assessing the impact of all the initiatives undertaken over the last two years by determining the current index against the 41% baseline established in 2018. The report indicates that the unweighted index stands at 49% having increased by 8% since the baseline survey of 41%.</p> <p>b. The Capital market Mobile App was enhanced at phase two to include some Fund Managers from the Pooled Funds Committee for increased uptake.</p> <p>c. Committee members involved in the CIS regulations review and provided input. In addition, the testimonials</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	<p>secondary capital markets towards achievement of the 'Big 4' Agenda and Vision 2030</p>	<p>of domestic retail investors participating in regulated Collective Investment Schemes v) Capital Markets Mobile Application revamped launched by December 2021 vi) Roll out of mass capital markets sensitization messaging to the public through mobile phones through domestic and international Mobile Service Providers by December 2021. vii) Operational Certification Unit within the Education Awareness and certification Department by March 2022 v) Roll out of continuous professional education (CPE) programs for retail investors by May 2022</p>	<p>and protection. b) Fully implement recommendations of the Pooled Funds on increasing domestic retail investment in Collective Investment Scheme (CIS) leveraging on mobile technology c) Implement a continued and innovative new framework for partnering with industry stakeholders and professionals across the country by leveraging technology in furthering the investor education and public awareness agenda by conducting forums targeting various sub-groups like Parliamentarians, Judges and Magistrates, the Directorate of public Prosecution, various professional bodies among others. d) Develop and implement a sensitization strategy focused on creating interest in Exchange Traded Products (Derivatives, Exchange Traded Funds, Real Estate Investment Trusts, Crypto Assets, Contracts for</p>	<p>involving members has begun running on NTV, social media and Nation FM c. Stakeholder engagements including: 1. Partnered with intermediaries towards the CMSR briefing 2. Partnered with CISI on a youth forum 3. Partnered with NSE, CDSC and intermediaries on a Diaspora forum 4. Partnered with stakeholders on a Green Bonds forum 5. Partnered with SEC on an institute forum 6. Partnered with IHRM on a professional forum 7. Virtual capital markets Open day with 16 intermediaries. 8. The training delivery mechanism strategy proposal was presented to CEO after adoption by CNF. Following valued comments, a benchmarking a logistical proposal was developed and under review by management. In previous quarters the following were undertaken: 9. Partnered with intermediaries towards the CMSR briefing 10. Partnered with KARUSCO Sacco in conducting forum in Laikipia 11. Held a forum targeting the minority shareholders committee members 12. Partnered with CISI in conducting a forum targeting the youth 13. Partnered with the NSE, CDSC and fund managers towards working on phase two of the Capital Markets Mobile Application d. To increase awareness of ETPs, The Authority Partnered with the key stakeholders during the 2nd Annual Consultative Forum held on February 24, 2022. In addition, the Authority partnered with KNCCI, SASRA, SACCOs for County one on one in Nyeri, Laikipia, Machakos, Kisumu, Kakamega and Mombasa Counties. e. A draft policy proposal for the Capital Markets Training</p>

**CAP MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
			<p>Difference) with short-term capital gains.                      e) Enhance professional standards within the capital markets for accelerated product uptake and investor protection by conducting a viability assessment for implementation of a Capital Market Training Function for retail investors and selected market players</p>	<p>function was developed in the quarter and is under review by management.                      f. Ongoing review of the CIS regulations                      g. During the year, Sycamore Capital, a fintech testing digital mobile-based unit trusts investment application joined Sandbox while Fourfront Management Limited exited sandbox and was allowed to roll-out their robo advisory services to the wider market.                      h. In previous quarter, the Authority granted CDSC a no objection to roll out to the mass market, the Screen Based SLB product for equities listed at the NSE. Further, to operationalize this successfully, the Rules and Operational procedures for screen based SLB were approved by the Authority.                      i. During the quarter, the Authority engaged with innovators with new ideas - KUZAH product (saving and investment product) and provided comments as well to the KUZAH concept note as guiding on the next steps. The Authority has scheduled engagement with ZAMARA on its new ideas and innovations in quarter 4.                      During the quarter, the Authority through the Sandbox Review Committee executed a Regulatory Sandbox Networking Cocktail that brought together key capital market stakeholders, all Regulatory sandbox admitted and exited firms, fintech industry stakeholders, financial sector regulators and development partners. The purpose of the engagement was to enhance collaboration and networking within the capital markets industry and the fintech ecosystem.</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
<p>Enhancing Strategic Influence</p>	<p>Improved stakeholder support and coordination</p>	<p>i) Stakeholder Engagement and Advocacy Strategy in place by June 2022 ii) Quarterly updates of the consultative forum action plan iii) One (1) MoU executed by June 2022</p>	<p>a) Develop and implement a stakeholder engagement and advocacy strategy on capital market issues b) Execute at least one (1) MoU with strategic industry partners and/or associations to promote strategic partnership/influence and promote Product Development, Uptake and/or innovation in the Capital markets</p>	<p>a. An annual stakeholder engagement and advocacy strategy is under development in conjunction with NSE together with the internal teams (CAIR and IEPA). b. Public stakeholder consultation was undertaken on the draft Public offers regulations from 17th – 27th May 2022, this was followed by the validation workshop undertaken on 14th June 2022. c. During the year, the Capital Markets Authority (CMA) signed a Memorandum of Understanding (MoU) with the Kenya Private Sector Alliance (KEPSA) to support market deepening by leveraging capital market products to catalyse growth, in line with the Big 4 Agenda and Sustainable Development Goals. Through the MoU, CMA and KEPSA will jointly implement initiatives for public-private sector collaboration, to support Kenya's economic growth while complementing efforts to bridge the existing funding gap. d. During the year, the Capital Markets Authority (CMA), Kenya Pension Funds Investment Consortium (KEPFIC) and Nairobi Securities Exchange (NSE) signed a Memorandum of Understanding (MOU) to support infrastructure projects financing and development through the capital markets. This is expected to lead to growth and deepening of the country's capital markets e. Between May 11 &amp; 13, 2022, the Authority participated as a presenter during the Zamara 9th Annual Retirement Conference. The conference brought together over 200 pension scheme trustees and provided the Authority an avenue to present on the opportunities for pension funds in the capital markets in a bid to promote product uptake of capital markets products &amp; services as well as to induce the participation of pension funds in the capital markets. f. Between May 17-20, 2022, the Authority participated at the 8th Annual HR congress organized by the Institute of Human Resource Management (IHRM). The event drew together over 400 physical delegates from various sectors</p>

**CAP MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
				<p>of the economy and are key decision makers in their respective organizations. The event provided the Authority with an opportunity to exhibit the various opportunities availed by the capital markets and access to contacts that will build on the stakeholder data base for the purpose of future engagements.</p> <p>g. In Q4, the Authority has been in engagements with the Kenya Development Corporation and a draft MOU between the Authority &amp; KDC has been developed. The MOU aims to promote mutual co-operation for the advancement of the financial services sector, Small and Medium sized enterprises access to finance in the capital markets, job creation and stimulation of economic growth.</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
Leveraging technology to drive efficiency in the capital markets value chain	Promote digital technology and application of ICT in disclosures, compliance, and stakeholder engagements	<p>i) Collaborative approach in embedding investor protection information through various communication mediums as a revamped public education strategy by June 2022</p> <p>ii) Relationships with other institutions/agencies to assist in the verification of documentation at licensing stage established by June 2022.</p> <p>iii) Digitization framework and strategy in place by June 2022</p> <p>iv) Increased market activity due to market awareness.</p>	<p>a) Implement awareness and investor protection programs leveraging technology platforms such as Facebook live, mobile applications, e-newsletters among others.</p> <p>b) Develop a Governance Framework for Digitization in the Capital Markets.</p> <p>c) Develop a strategy for digitization of the Capital Markets Industry</p> <p>d) Facilitate Digital capital raising and/or crowdfunding in public offers.</p> <p>e) Facilitate a securities trading competition using digital platforms.</p> <p>f) Develop/ Come up with a USSD code to drive awareness of the Capital Markets products and services</p> <p>g) Work closely with NSE, CDSC and Kenya Association of Stockbrokers and Investment Banks (KASIB) to automate critical functions of market trading.</p>	<p>Collaborated with CDSC in disseminating SMS messages leveraging mobile phone to dormant account holders. A Spot Commodities Brochure as well as an abridged simplified Capital Markets Handbook for retail beginners developed during the quarter.</p> <p>i. Mobile app phase two completed. Infographics and Tik Tok messaging completed</p> <p>ii. County initiatives held in Kisumu and Nakuru</p> <p>One on One county initiative held in 8 counties year-to-date.</p> <p>iii. Converted CIS brochure into braille</p> <p>iv. Capital Markets virtual open day held on June 28, 2022</p> <p>v. Continued monitoring the Certification and CPD uptake through regular reports from service providers.</p> <p>vi. During the quarter, MDD engaged four intermediaries on their mobile apps and online share trading platforms towards improving them. The intermediaries include Faida Investment Bank (FIB), NCBA, AIB, and EFG Hermes. Detailed report to be shared after engaging all intermediaries using mobile trading apps. Subsequent engagement with other intermediaries has been scheduled for Q4. 2022.</p> <p>vii. In Q4, the Market Deepening team concluded the engagements with the market intermediaries including Sterling Capital &amp; Dyer &amp; Blair in a bid to understand how mobile trading apps have been functioning through live demos, identifying challenges faced and suggesting ways of improvement and identifying areas of collaboration and partnership between the Authority &amp; intermediaries to promote uptake of capital markets products through the mobile trading apps. As a way forward a number of recommendations were made to include:</p> <p>viii. Review of the regulatory framework</p> <p>ix. Reviewing the settlement period downwards from t+3</p>

CAI CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
				<p>x. Improving the system communication between intermediaries, CDSC &amp; NSE to enhance the execution timelines for the apps</p> <p>xi. Increase awareness of the existing elements of digitization by market intermediaries &amp; stakeholders with the proposal of partnering in webinars &amp; roadshows.</p> <p>The Authority undertook the following in previous quarters:</p> <p>xii. Crowdfunding regulations and Regulatory Impact Assessment submitted to NT for approval of gazettelement in Q2</p> <p>xiii. Partnered with KDA in organizing the 8th Diaspora Home Coming hybrid Convention in partnership with the KDA held from December 8-10, 2021. The second forum to be held in subsequent quarters.</p> <p>xiv. Continued monitoring the Certification and CPD uptake through regular reports from service providers.</p> <p>xv. Mobile Application developed and launched on October 6, 2021, during the World Investor Week</p> <p>xvi. E-newsletters produced and shared widely electronically.</p> <p>xvii. Process to translate a brochure into braille initiated.</p> <p>xviii. Development of investor protection messages to existing current and potential investors ongoing through social media and bulk messaging</p> <p>m. EACD launched various innovations that give access to investor protection information in quarter 4. This included the:</p> <p>i. Capital Markets Mobile Application. The Mobile App was launched in October 2021 and is accessible on Google App Store</p> <p>ii. Capital Markets Interactive Toolkit.</p> <p>iii. Digital Capital Markets Handbook.</p> <p>iv. Development of investor protection messages to existing current and potential investors ongoing</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
				<p>through social media and bulk messaging in collaboration with CDSC.</p> <p>v. Testimonials airing on NTV, social media and Nation FM</p> <p>vi. EACD launched various innovations that give access to investor protection information in quarter 4. This included the:</p> <p>a. Held a Capital markets Virtual Open Day</p> <p>b. Capital Markets Mobile Application. phase two</p> <p>vii. Beginners' handbook on capital markets infographics, vlogs, animations, and short education messages on investor protection which were boosted on social media platforms.</p> <p>viii. TikTok messages</p> <p>ix. Testimonials airing on NTV&lt; social media and Nation FM</p>

CA L MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
Ensure optimal institutional efficiency and effectiveness of CMA	Enhance financial sustainability and operational efficiency	<ul style="list-style-type: none"> <li>i) Ksh1,100 million in revenue by June 2022.</li> <li>ii) Maintained staff satisfaction.</li> <li>iii) Business Continuity Management (BCM) Framework in place by June 2022.</li> <li>iv) 15 positions filled by June 2022</li> <li>v) A new ICF management structure in place by June 2022.</li> <li>vi) At least 70% of the staff trained</li> <li>vii) 100% implementation of the Action Plan</li> <li>viii) Reduction in Number of man hours lost/productivity due to hospitalization</li> <li>ix) Safety of personal data, and resolution of old KRA tax issues, 100% timely settlement of statutory obligations.</li> <li>x) A decision on viability of a productivity management system, and if positive a specifications document followed by tendering by 31 March 2022.</li> <li>xi) A new lease agreement by 30 June 2022.</li> <li>xii) New motor vehicles</li> </ul>	<ul style="list-style-type: none"> <li>a) Review and ensure budgeting and resource allocation are aligned with revised priorities.</li> <li>b) Unlock previous years' performance-based remuneration for staff.</li> <li>c) Enhance CMA's business continuity by reviewing and consolidating existing Business Continuity Plan initiatives into a comprehensive consolidated corporate Business Continuity Plan</li> <li>d) Implement the new Human Resource (HR) instruments.</li> <li>e) Enhance staff competencies and skills in compliance with the career Guidelines and to help cope with emerging business needs</li> <li>f) Develop and implement an Action Plan to address the key issues raised in the June 2021 Uwezo-Kipeo Impact Survey.</li> <li>g) Continue to implement measures geared towards mitigation of the impact of Covid-19 at the</li> </ul>	<ul style="list-style-type: none"> <li>a) The Authority's revenue closed at Ksh1,095 million or 99% of the annual target as at year ended 30 June 2022.</li> <li>b) The National Treasury approved short-term bonus for the FY 2016/2017, 2017/2018 and 2018/2019. The bonus payments to staff were processed in January 2022.</li> <li>c) The Authority onboarded a consultant to assist in the development of a Business Continuity Management (BCM) Framework for all its operations.</li> <li>d) 11 positions approved by Head of Public Service (HOPS) were all filled by June 30, 2022.</li> <li>e) The draft ICF management policy structure operationalizing the running of the ICF was completed, by early June 2022. It captures management of ICF as a 'Trustees-ship' with the day-to-day operational transactions handled in the Accounting &amp; Finance department.</li> <li>f) 90% of training plans for 2021/2022 were aligned with identified individual training needs and business needs were implemented</li> <li>g) Implementation of the action plan to address issues raised in June 2021 Uwezo Kipeo survey is being monitored and regular updates shared with management. The key activities in the Action plan including the Corporate Sports Day to enhance team building, the participatory review of the recognition review framework and enhanced communications through the monthly HR e-bulletin Implementation have been implemented.</li> <li>h) Management has continued to implement Covid-19 mitigation measures such as provision of hand sanitizers and medical cover</li> <li>i) Statutory obligations have continuously been complied with.</li> <li>j) Procurement of productivity management system has commenced. The Expression of Interest (EOI) document has been prepared</li> </ul>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
		<p>acquired and replaced ones disposed.                      xiii) All significant service provider contracts renewed ahead of expiry of current ones.</p>	<p>workplace.                      h) Ensure compliance with statutory obligations governing operations and relationships with staff, stakeholders and other government agencies.                      i) Review viability and if so, develop specifications for a productivity management system                      j) Assure availability of business premises by renegotiating the lease that is expiring on 30 June 2023.                      k) Ensure that all maintenance agreements are kept up to date and planned equipment additions, replacements disposal.</p>	

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	<p><b>Institutional Service Delivery, Operational Efficiency and Sustainability</b></p>	<p>i) Approved Procurement Plan in place before the beginning of the financial year.                      ii) At least 70% absorption of allocated funds in the Procurement Plan by close of the financial year.                      iii) 90% Responsive tenders from the list of registered suppliers in restricted tenders.                      iv) Disposal of identified obsolete items within the financial year.                      v) 90% Delivery of requisitioned goods and services; on time, in full and in the right quality and in line with the Procurement Service Charter.                      vi) Optimal stock levels with no stock outages for required items at any time.</p>	<p>a) Consolidate and submit the annual Procurement and Disposal Plan for approval before the beginning of the financial year.                      b) Review and update of the list of registered suppliers every two years.                      c) Evaluate Supplier performance.                      d) Dispose of assets identified as obsolete using the most effective method.                      e) Select and employ the most effective procurement method for the purchase of goods and services requisitioned within the required thresholds.                      f) Monitor and maintain optimal inventory/stock levels.</p>	<p>a. The Authority prepared and submitted the consolidated Procurement Plan for FY 2021/2022 on 30th June 2021 with the application of preference and reservations schemes indicated. However, the final Procurement Plan in place was approved following submission of the reviewed Procurement Plan on 13th September 2021 in line with the downward review of the budget proposed by the National Treasury to the initial budget submitted.                      b. Absorption of allocated funds in the Procurement Plan stood at 34.03% for the period ending 31st March 2022 with expenditure expected to increase before close of the financial year to meet the set target and following sensitization.                      c. Over 90% of the restricted tenders issued were responsive for the duration following use of the new standard tender documents issued by PPRA save for one tender floated for CRM (Customer Relationship Management System) which emerged non-responsive.                      d. Disposal for the surplus and obsolete items identified was carried out and concluded in Q2 of the financial year with the total proceeds from the exercise amounting to KSHs.664,200. Additional items identified for disposal by Users were consolidated in Q3 with the disposal process underway and the process set to be concluded in the 4th Quarter of the FY 2021/2022.                      e. 90% of requisitioned goods and services were delivered on time, in full and in the right quality save for the delivery of printed copies of the Annual Report for the last closed FY occasioned by the change in design and content. The supplier however committed to facilitate delivery soon as the design and content of the report was agreed upon.                      f. Optimal stock levels were maintained for the reporting period with no stock outages registered.</p>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	<p>Full Statutory Compliance with no sanctions or warnings. All procurement expenditure within the Procurement Plan</p>	<p>i) 100% compliance on reporting requirements and no warnings from PPRA or TNT for delayed or inaccurate submission of reports. ii) No requisitions outside the approved Procurement Plan. iii) 100% compliance with the legal requirements of the Procurement Act with no reports of malpractice and contravention of the provisions of the Act. i) Successful engagements with the special groups and locally registered firms with no complaints of poor-quality goods and services delivered by the special groups.</p>	<p>a) Quarterly submission of statutory reports to Public Procurement Regulatory Authority (PPRA) and TNT. b) Ensuring compliance with statutory procedures that govern procurement and disposal processes. c) Reserving and spending 30% and 40% of the annual procurement spend on qualified AGPO and BKBK registered firms respectively.</p>	<p>a. No warnings from PPRA or TNT were registered for delayed or inaccurate submission of reports following 100% compliance on submission. b. No requisitions outside the approved Procurement Plan could be made with the ERP (Navision) acting as an effective control. c. All procurement processes were carried out in compliance with the legal requirements of the Procurement Act in addition to using the new standard tender documents issued by PPRA to float tenders. d. The AGPO and locally registered firms were successfully engaged with the statutory threshold requirement for award met and with no complaints of poor-quality goods and services delivered by the special groups.</p>
<p>i) Restoration of the corporate image and reputation of the Authority. ii) Enhanced awareness of CMA mandate, products, and services. Enhanced investor</p>	<p>i) Corporate Communications Strategy approved and executed within the financial year. ii) Fully funded and implemented Customer Satisfaction Action Plan.</p>	<p>a) Review and implement the Corporate Communications Strategy to enhance awareness and support product uptake. b) Implement the recommendations of the Customer Satisfaction Survey 2021</p>	<p>Corporate Communications Strategy and the Customer Satisfaction Survey Action Plan were implemented, and updates periodically shared with the Human Resource &amp; Communications Committee of the Board.</p>	

CA L MARKETS AUTHORITY  
 ANNUAL REPORT AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2022

Strategic Pillar/ Issues	Objective/Outcome	Key Performance Indicators	Activities	Achievements
	protection and confidence.			
	Continued certification of the Authority and Continuous improvement.	ISO 9001:2015 Recertification achieved by December 2021	Coordinate the implementation, maintenance, and continual improvement of the ISO 9001:2015 Quality Management System of the Authority through complete overhaul and alignment of the procedures to the organization structure and ensuring recertification	The Authority was recertified in November 2021.

Over and above being in our Annual Work Plan, the above items have been captured in the Authority's Performance Contract under specific categories such as ease of doing business, regulatory sandbox, A-1-A (Fees and levies), Competency Development, Public Awareness and Market Deepening.

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

**Table 3: Board Committee Meetings Attendance**

No	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:5 (5 scheduled)	Audit, Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:4	Technical and Policy Committee (TPC) Total number of Meetings:6	Human Resources and Corporate Communication (HRCC) Total number of Meetings:7	8 <sup>th</sup> Joint Audit and Finance 1 Meeting	ICT Ad hoc Committee Total number of Meetings:6 (6 Scheduled)	AD Hoc Committee on Chase Bank Limited Hearings Total number of Meetings:26	Board Total number of Meetings: 7 (6 scheduled and 1 special)	Other Board Engagements Meetings :19
1	Mr. Nicholas Alexander Nesbitt	Independent	Board Chairman- Appointment effective 6 <sup>th</sup> October 2021								5/7	12/19
2	Mr. Nevis Ombasa	Alt. Attorney General		1/6 (co-opted)	2/4 (co-opted)	3/6	5/7				6/7	2/19
3	Ms. Christine Okoth	Member		5/5	1/4 (co-opted)	4/6		1/1	6/6		6/7	3/19
4	Mr. John Birech	Independent Member	Chairperson- Technical and Policy Committee			3/6	6/7			13/13	5/7	1/19
5	Mr. Musa Kathanje	Representing Principal Secretary National Treasury		5/5	4/4	5/6		1/1			6/7	1/19
6	Dr. Freshia Mugo Waweru	Independent Member	Chairperson- Finance and Planning Committee	1/6 (co-opted)	2/4	1/6 (co-opted)	6/7			13/13	5/7	1/19
7	Mr. Peter Mungai	Independent Member	Chairperson- Finance and Planning Committee- term expired on 2 May 2022	5/5	3/4	1/6 (co-opted)	7/7	1/1		13/13	6/7	1/19
8	Dr. Thomas Kibua	Independent Member	Chairperson- Technical and Policy Committee up to 17 <sup>th</sup> December 2021		1/4	3/6		1/1			4/7	1/19
9	Mr. David Luusa	Alt. to the Governor Central Bank of Kenya	Chairperson- Audit Committee	5/5	2/4	5/6		1/1	3/6		7/7	
10	Christine Kanini	Alternate to the Attorney General									1/7	
11	Mr. Moibi Mose			3/5	1/5 (co-opted)	2/6		1/1	3/6		4/7	2/19
12	Mr. Andrew Meme	ICT Ad hoc Member							6/6			

**CAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

No	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:5 (Scheduled)	Audit, Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:4	Technical and Policy Committee (TPC) Total number of Meetings:6	Human Resources and Corporate Communication Committee (HRCC) Total number of Meetings:7	8 <sup>th</sup> Joint Audit and Finance Meeting	ICT Ad hoc Committee Total number of Meetings:6 (Scheduled)	AD Hoc Committee on Chase Bank Limited Hearings Total number of Meetings:26	Board Total number of Meetings: 7 (6 scheduled and 1 special)	Other Board Engagements Meetings :19
13	Mr. Muchemi Wambugu	ICT Ad hoc Member							6/6			
14	Mr. Geoffrey Ngetch	ICT Ad hoc Member						1/6				
15	Dr. Willy Mutunga	Ad hoc Member						13/13				
16	Ms. Patricia Kwanuka	Ad hoc Member						13/13				
17	Dr. James Boyd Mcfie	Ad hoc Member										
18	Mr. Mahmood Manji	Ad hoc Member						11/13				

**Notes**

- \*Mr. Nicholas Alexander Nesbitt-Board Chairman - 1<sup>st</sup> term appointment effective 6th October 2021
- \*Mr. John Birech-2<sup>nd</sup> term effective 6th October 2021.
- \*Dr. Freshia Mugo Waweru-2<sup>nd</sup> term effective 6th October 2021.
- \*Dr. Thomas Kibua and Mr. Moibi Mose terms expired on 17th December 2021
- Mr. Peter Mungai and Ms. Christine Okoth -Terms of the Members expired on 2 May 2022.
- \*Ms. Christine Kanini-1<sup>st</sup> term effective 17th March 2022.
- \*There were Three (3) Financial Law Review Panel(FLRP) meetings/engagements within FY 2021-2022. The Panel comprised the following members: Ms. Lilian Matagaro, Mr. Habib Motani, Dr. Robert Barnes, Mr. Steven Galbraith, Mr. Paras Shah, Mr. Naval Sood, Ms. Elizabeth Howard, Mr. Kairo Thuo, Ms. Louise Kabucho, Mr. Peter Musyimi, Ms. Rahma Hersi, Mr. Fred Murimi, Ms. Christine Kanini, Mr. Nevis Ombasa and Allison Harwood
- \*Ms. Joyce Wesonga is an alternate to the Inspector General, State Corporations.
- \*Other Engagements Meetings included consultations with CMA Management, Member-specific Board Induction Meetings' Workshops and Retreats.

**7. MANAGEMENT DISCUSSION AND ANALYSIS**

**SECTION A**

**Operational and Financial performance**

The Authority promotes and facilitates the development of an ordinary, fair, and efficient Capital Market in Kenya. This mandate has continued to be delivered in the year. Revenue earned and surplus before transfer to The National Treasury were 6% and 113% above last year's performance, respectively. The increase in the realized revenue and surplus is mainly attributable to the approval fees collected from issuance of CBK Bonds in the year.

The Authority is in a strong cashflow position capable of meeting obligations as they fall due. The performance at hand has a bearing on the future market activities. It is of importance to note that any changes affecting investors in the economic, social and political environment, has a significant impact on the capital markets industry. The Authority is cognizant in particular of the effects of Covid-19 pandemic on investor behaviour and the impact this may have on market activities.

**SECTION B**

**Compliance with statutory requirements**

The Authority is in compliance with all statutory obligations including, but not limited to: remittances of PAYE, NHIF, NSSF, VAT, HELB, Withholding tax etc within the stipulated deadlines.

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. A full provision has been made in the books, and CMA has a prequalified list of legal consultants, from which services are sourced competitively from time to time.

**SECTION C**

**Key projects and investment decisions being implemented**

Table 4 below sets out the major projects being implemented at CMA.

**Table 4: Major projects being implemented at CMA**

Project	Brief description	Viability	Funding	Sustainability
Consultancy to develop an oversight framework and capacity building on supervision of self-regulatory organizations (SROs)	The objective of the consultancy is to develop an oversight framework in Kenya that adheres to international best practice and implement a capacity building programme on supervision of SROs to benefit both the Authority, existing SROs and SRO candidates.	One of the objectives of the Authority under the Capital Markets Act is to allow market participants to self-regulate to the maximum practicable extent. The consultancy will enable the Authority to distinguish between the various forms of SROs and determine what model the SROs should adopt as well as build capacity to potential SRO candidates other than exchanges and CSDs.	World Bank through Financial Sector Support Program (FSSP)	World Bank through Financial Sector Support Program (FSSP)

Project	Brief description	Viability	Funding	Sustainability
Supply, Installation & Commissioning of Computer Hardware, Data Repository & Business Intelligence System and Microsoft Software Upgrade at the Capital Markets Authority.	The Authority identified the need to build capacity to respond to the impact and support the implementation of new technologies in the capital market value chain. This is part of its Strategic Plan (2018-2023) which has a Strategic Objective that stipulates that the Authority intends "To leverage on technology to drive efficiency in the capital markets value chain".	Upgraded ERP and server software to accommodate the incoming software applications and solutions. This server software will be able to; <ol style="list-style-type: none"> <li>i. Support a data repository solution;</li> <li>ii. Accommodate a business intelligence and analytics engine; and</li> <li>iii. Provide capacity for sustainable growth of the information repository.</li> </ol>	World Bank through Financial Sector Support Program (FSSP)	The implementation of the project was underway during the year under review with User Acceptance Tests carried out for the Data Repository and Business Intelligence solution in June 2022.

## SECTION D

### Major risks identified in the Enterprise Risk Management (ERM)

The Authority has in place an ERM Framework on the basis of which Risk Management has been mainstreamed within the institution to allow for structured risk assessments on a continuous basis.

The Board is responsible for the Authority's risk management and at least once every quarter receives reports to enable the review, monitoring and evaluation of the implementation and effectiveness of the ERM Framework. The Authority in the course of its mandate identified key corporate risks, the associated risk levels, and their mitigation strategies as defined below:

**1. The promulgation of new legislation proposing to remove CMA from regulating the Coffee and Tea Auctions.**

To address this, the Authority is developing proposals for amendments to harmonize Commodities Sector Policy and Regulatory Framework with the Capital Markets Act and Capital Markets (Commodity Markets) Regulations, 2020. Further the Authority is undertaking quarterly stakeholder engagement programs on the Institutional, Policy and Regulatory Framework to increase awareness, build capacity and enhance buy-in.

The Authority is also building strategic partnerships with The National Treasury, Ministry of Agriculture and Agriculture and Food Authority (AFA).

**2. Litigation against CMA enforcement processes and unfavourable court decisions.**

The Authority is addressing this through initiation of enforcement actions within 14 days of applicable approvals and expeditious finalization of enforcement proceedings and taking action in accordance with the Fair Administrative Actions Act.

**3. Unfavourable fiscal and macro-economic environment delaying business decisions on uptake of capital markets products and services.**

The Authority is addressing this by fostering active advocacy, and innovation efforts to facilitate buy-in of proposals made to improve the operating environment and facilitate higher uptake.

**4. Negative impacts on the implementation of the Statutory Instruments Act.**

The Authority will strive to review the main statutory instruments as communication is being made to the National treasury to review the deadline.

**5. Insufficient Human Resources to deliver CMA's mandate.**

The Authority is continuing to implement the new Human Resource (HR) instruments and enhancing capacity through filling of key priority vacant positions.

**6. Disruption of operations due to Covid-19 crisis.**

The Authority is continuing to provide psychological support to staff through the Wellness Program (EWP) and observing Ministry of Health Guidelines.

**7. Potential collapse of a Collective Investment Scheme (CIS).**

The Authority is addressing this through the development of procedures for handling crisis including establishing crisis resolution tools and communication tools.

**8. Financial distress of licensed and listed companies.**

The Authority is reviewing compliance of issuers of securities to the public and market intermediaries with continuous reporting obligations.

**9. The emergence of unregulated entities, unapproved business lines and unapproved products and regulated entities carrying out**

The Authority is addressing this through the development and execution of annual inspection plan to highlight priorities for the year (this includes NSE, CDSC, and commodity brokers): Risk profiling and development and implementation of an inspection schedule.

**SECTION E**

**Material arrears in statutory/financial obligations**

The Authority has no statutory arrears and promptly meets all its statutory obligations. The Authority's defined contribution pension scheme is oversighted by a Board of Trustees and is administered by an independent administrator. Remittance of Staff contributions is up to date.

The Authority has been in engagements with the Kenya Revenue Authority(KRA) technical team to clean up the I-tax ledger for old tax matters being waivers of penalties and interest for which principal had been fully settled. KRA team are supportive on ensuring the Authority's tax ledger is accurately updated. The Authority had for prudence, recognized the liabilities in the tax ledger in the previous financial year.

**SECTION F**

**Financial probity and serious governance issues**

There are no issues of financial improbity reported by Management, any Board Committee or by external auditors. There are no governance issues and conflicts of interest at the Board or top management of the Authority are disclosed accordingly when they arise.

## **8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The Authority exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting our customers first, delivering relevant services, and improving operational excellence.

### **i. Sustainability strategy and profile**

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital.

### **ii. Environmental performance**

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital. On 26 May 2022, the Authority planted 550 trees on a 0.5 ha. space allocated by the Kenya Forest Service in Ngong Forest.

The Authority signed a Memorandum of Understanding (MoU) with the Security of Government Buildings (SGB) and VIP Protection Unit under the Administration Police. Through the partnership, CMA donated Ksh500,000 towards the construction of a changing room for 400 officers attached to the Unit's Uhuru Camp situated near Madaraka Estate in Nairobi to improve their working environment.

### **iii. Employee welfare**

#### **a) Gender Matters**

The Authority has consistently ensured compliance with the 1/3 gender rule, with the current ratio of Female to Male standing at 39%: 61% respectively thereby exceeding the minimum threshold of 33%. The Authority also takes into consideration the Face of Kenya when conducting recruitment, promotions for various positions in line with the Presidential initiatives on national values. Gender considerations are also made during appointments to task forces and key committees handling special assignments that are key in achieving CMA's mandate.

#### **b) Learning Management System**

The Authority onboarded a Consultant to develop and provide a Learning Management System (LMS) aimed at supporting staff learning and development activities, as well as an integrating e-Learning platform that will facilitate development and delivery of online programs. This will ultimately contribute to enhancement of staff skills and competences for efficiency in service delivery.

#### **c) Leadership and Management Skills Development**

During the year, the Authority sponsored a total of sixty-seven (67) staff to undertake supervisory, managerial and leadership courses to develop leadership and managerial capabilities of staff. The courses were offered by Kenya School of Government for periods ranging between two (2) to six (6) weeks.

#### **d) Performance appraisal.**

The Authority continued to implement performance management system known as Annual Capability Review (ACR) with the aim of; aligning key performance measures with strategy at all levels of the organization; and supporting staff to gradually to acquire the relevant capabilities for their roles. It aims at improving efficiency with focus on outcomes and value add initiatives beyond the day-to-day job requirements provided in the staff job descriptions.

### **iv. Market place practices**

#### **a) Responsible competition practice.**

In carrying out its twin mandate of market development and regulation, the Authority has been ensuring that regulated market players uphold the required regulatory standards through continuous supervision. Supervision entails both offsite and onsite monitoring to ensure observance of good conduct, deployment of safe and secure technological solutions in trading and servicing of clients' orders. Additionally, market players are required to observe good corporate governance practices, maintain the required standards of internal controls as well as meet the stipulated financial requirements.

**b) Responsible supply chain and supplier relations**

During the FY 2021/2022 period, the Supply Chain Department continued to support the day-to-day operations of the Authority by ensuring that the required goods, works and services were delivered at the right; price, quality, quantity, time and place as prescribed in the Public Procurement and Asset Disposal Act 2015.

The Supply Chain Department was keen in ensuring that special groups such as Women, Youth and Persons with Disabilities got opportunities to transact with the Authority as part of the Government initiative driven towards empowering the registered disadvantaged groups and awarded 36.59 % of the total annual spend for the duration to the AGPO registered firms. Furthermore, the Supply Chain Unit in the spirit of the "Buy Kenya, Build Kenya" initiative managed to award 88.30% of the total expenditure to locally registered firms totaling KES 126,947,786.16 spent on local content for the period.

A prequalification exercise was also concluded in the financial year where a list of registered suppliers for two years was generated as stipulated in the Public Procurement and Asset Disposal Regulations 2020. The registered suppliers were also invited for a session with the intention of engaging the suppliers on ways of improving supply chain processes and sensitizing them on the available procurement opportunities including those exclusively restricted for the disadvantaged groups and how to access them.

To encourage the growth of suppliers, the Supply Chain Department ensured timely provision of relevant documents to facilitate payment of presented invoices for goods and services confirmed as delivered and received through signed off delivery notes and job cards as confirmation of satisfactory delivery. This ensured continued beneficial relationships were created and maintained with the suppliers through seamless operations as a result of goods and services delivered satisfactorily by the satisfied suppliers who enjoyed the mutually beneficial relationship.

**c) Responsible marketing and advertisement**

The Authority plays the gatekeeping role to ensure that only fit and proper entities/persons/products operate and are offered in the market. Once an entity/person/product is approved, the Authority requires such entities to submit all advertisements for their products/services for approval prior to publication.

**d) Product stewardship**

The Authority has consistently taken regulatory measures to ensure investors are protected. The Authority's oversight role seeks to promote responsible conduct among key officers of market intermediaries, who are responsible for safeguarding investor's assets. The Authority continues to build strategic alliances with key stakeholder both within and outside the country in the execution of its mandate as a regulator. In this regard, the Authority has partnered with the Directorate of Criminal Investigations DCI), whose officers are seconded to the Capital Markets Fraud Investigation Unit (CMFIU).

The Authority continues to build strategic alliances with key stakeholder both within and outside the country to jealously secure the markets. In this regard, the Authority has partnered with the Criminal Investigations Department whose officers are seconded to specifically pursue criminal matters in the capital markets. The Authority is also closely working with the office of the Director of public Prosecution and also benefits from global regulatory cooperation on exchange of information through the The Authority engaged its peer regulators around the world through the International Organization of Securities Commissions (IOSCO). In the period, the Chief Executive Officer who sits on the Growth and Emerging Markets Committee of IOSCO was appointed as the Committee's representative to the IOSCO Board.

**e) Corporate Social Responsibility / Community Engagements**

As a responsible corporate citizen, the Authority seeks to actively contribute to solutions to mitigate against environmental and social challenges. In line with the Presidential directive to increase the forest cover in Kenya the Authority planted 535 trees in collaboration with the Kenya Forest Service in Ngong Forest with 10 percent of its annual Corporate Social Investment budget earmarked for tree planting.

In June 2022, the Chief Executive Officer, Mr. Wyckliffe Shamiah, handed over the changing room facility at Uhuru camp, which houses the Service Security of Government Buildings and VIP Protection Unit under the Administration Police. The Authority signed a Memorandum of Understanding (MoU) with the Unit and contributed Kshs. 700,000 towards the construction of the changing room facility.

CMA continued to support the FiRe award, a joint initiative of the Authority, the Institute of Certified Public Accountants of Kenya, the Nairobi Securities Exchange (NSE), Public Sector Accounting Standards Board, and the Retirement Benefits Authority to promote excellence in financial reporting.

The Authority also supports the NSE Charity Trading Day, an annual event that brings together celebrities, capital market participants, sponsors, and beneficiaries in support of worthy causes such as wildlife conservation, promotion of education and other humanitarian causes.

## 9. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited Annual Report and Financial Statements FOR THE YEAR ENDED 30 JUNE 2022, which show the state of the Capital Markets Authority's affairs.

### i. Principal activities

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

### ii. Results

The results of the Authority FOR THE YEAR ENDED 30 June 2022, are set out on page 1 to 40.

### iii. Directors

The members of the Board of Directors who served during the year are shown on page iii.

### iv. Surplus remission

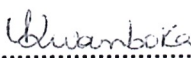
In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of their surplus funds reported in the audited Annual Report and Financial Statements after the end of each Financial Year.

### v. Auditors

M/S Mbaya & Associates Certified Public Accountants were authorized by the Auditor General to carry out the audit of the Authority for the Year ended 30 June 2022, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on her behalf.

By Order of the Board

Hellen Ombati  
Corporation Secretary/Secretary to the Board

  
.....

Date: 31/08/2022  
.....

## **10. STATEMENT OF DIRECTORS RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, and the Capital Markets Authority Act requires Board Members to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Board Members are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Board members are also responsible for safeguarding the assets of the Authority.

The Board Members are responsible for the preparation and presentation of the Authority's Annual Report and Financial Statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the Financial year ended on 30<sup>th</sup> June 2022. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Annual Report and Financial Statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of the authority;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

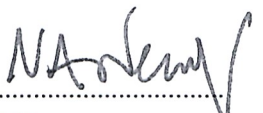
The Board Members accept responsibility for the Authority's Annual Report and Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act.


The Board Members are of the opinion that the Authority's Annual Report and Financial Statements give a true and fair view of the state of Authority transactions during the Financial year ended 30<sup>th</sup> June 2022, and of the Authority's financial position as at that date. The Board Members further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's Annual Report and Financial Statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board Members to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

### **Approval of the Annual Report and Financial Statements**

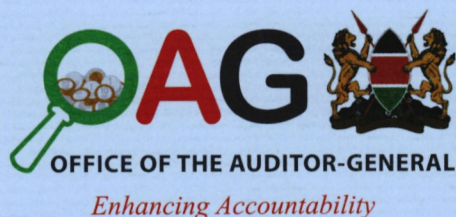
The Authority's Annual Report and Financial Statements were approved by the Board on 31/02/ 2022.

  
.....  
Chairman

  
.....  
Chief Executive Officer

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON CAPITAL MARKETS AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

The accompanying financial statements of Capital Markets Authority set out on pages 1 to 38, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash

flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Mbaya & Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Markets Authority as at 30 June, 2022, 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 Markets Act, Cap.485A, Laws of Kenya and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Capital Markets Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key Audit Matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. These matters were addressed in the context of the audit of the financial statements, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. For each matter below, a description of how the audit addressed the matter is provided in that context.

I have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the report, including in relation to these matters. Accordingly, the audit included the performance of procedures designed to respond to the assessment of the risks of material misstatement of the financial statements. The results of the audit procedures, including the procedures performed to address the matters below, provide the basis for my audit opinion on the accompanying financial statements.

	<b>Key Audit Matters</b>	<b>How the Audit Addressed the Key Audit Matter</b>
<b>1</b>	<b>Revenue from Non-exchange Transactions</b>	<b>Procedures Included</b>
	Revenue from non-exchange transactions was considered a key audit matter since it was an amount of Kshs.1,014,263,000 representing 93% of the total revenue. Therefore, its	<ul style="list-style-type: none"> <li>▪ Evaluated internal controls and did walkthrough procedures on key controls and confirmed that they were adequate and effective.</li> <li>▪ Performed an analytical review on sales by comparing prior year with</li> </ul>

	<b>Key Audit Matters</b>	<b>How the Audit Addressed the Key Audit Matter</b>
	misstatement would lead to misstated financial performance of the Authority.	<p>current year amounts and obtained reasons for significant variances.</p> <ul style="list-style-type: none"> <li>▪ Tested completeness by tracing invoices raised to the sales ledger and bank statements.</li> <li>▪ Verified that the rates charged on the fees are as per the Capital Markets Regulations, 2002.</li> </ul>
<b>2.</b>	<b>Investor Compensation Fund (ICF)</b>	<b>Procedures Included</b>
	Investor compensation fund is considered a key audit matter since it is valued at an amount of Kshs.4,592,569,000 and comprises of marketable securities, share investment, fees receivables and bank balance. The Authority is required by law under Section 18(1) of the Capital Markets Act (2000) to maintain the fund.	<ul style="list-style-type: none"> <li>▪ Verified accuracy of the ICF receivables and agreed to invoices and the demand letters.</li> <li>▪ Reviewed the annual securities statement against the books of accounts to test their accuracy, completeness, existence and cut-off.</li> </ul>

### **Other Information**

The Directors are responsible for the other information, which comprises the Statement of Environmental and Sustainability Reporting, Directors' Report and the Statement of Directors' Responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

# REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

## **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

## **Basis for Conclusion**

### **Lack of Policy on Cloud Governance Framework**

Review of the Authority's Information System revealed that the Authority manages the cloud services with maintenance support from a third-party. However, the Authority does not have a cloud governance framework to ensure alignment of Authority's key risks, applicable regulatory requirements as well as industry good practice. Management is however cognizant of the requirement to have a cloud governance policy and has undertaken to have it developed by the third quarter of the subsequent financial year.

In the circumstances, Management may not leverage on risk and control areas across other Information Technology risk domains.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components, does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to


those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with Management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. These matters are described in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**23 September, 2022**

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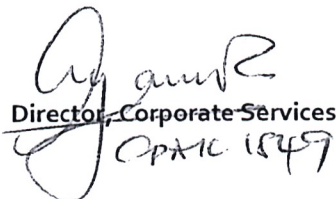
*Report of the Auditor-General on Capital Markets Authority for the year ended 30 June, 2022*

12. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Revenue from non-exchange transactions</b>			
Capitalization, rights and new issue fees	6	974,984	1,039,197
Donor fund income	7	39,279	41,760
		<u>1,014,263</u>	<u>1,080,957</u>
<b>Revenue from exchange transactions</b>			
Finance income	8	79,458	79,310
Other income	8	1,271	701
		<u>1,094,992</u>	<u>1,160,968</u>
<b>Expenses</b>			
Employee costs	32	(527,283)	(510,559)
Use of goods and services	34	(249,030)	(264,732)
Board Expenses	28	(24,738)	(22,283)
Depreciation and amortization expense	33	(43,926)	(41,335)
Repairs and maintenance	35	(43,971)	(33,393)
		<u>(888,948)</u>	<u>(872,302)</u>
<b>Other gains/ (losses)</b>			
(Loss)/Gain on sale of assets	9	808	62
<b>Surplus</b>	11 a	206,852	288,728
Remission to National Treasury	11 a	(147,557)	(285,880)
<b>Net Surplus for the period</b>		<u>59,295</u>	<u>2,848</u>

The Annual Report and Financial Statements set out on pages 1 to 40 were approved for issue by the Board Members of the Authority on .....31/02/.....2022 and were signed on its behalf by:

  
Chief Executive Officer

  
Director, Corporate Services  
CPAIC 1549

  
Chairman of the Board

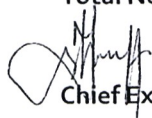
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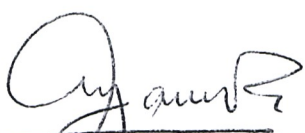
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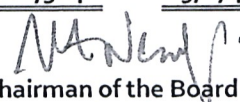
Date.....31/02/2022.....

13. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022  
(INCLUDING INVESTOR COMPENSATION FUND)

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	12	1,753	1,786
Trade and other receivables from non-exchange transactions	13(a)	33,047	71,674
Trade and other receivables from exchange transactions	13(b)	14,394	10,306
Staff loans and advances/guarantee fund	14	53,206	55,424
Held-to-maturity investments	15	880,019	857,952
Cash at bank and in hand	16	71,792	60,166
Investors' Compensation Fund	18	671,513	1,483,238
<b>Total Current assets</b>		<b>1,725,725</b>	<b>2,540,546</b>
<b>Non-current assets</b>			
Property and equipment	19	70,275	55,661
Intangible assets	20	111,657	126,963
Staff loans and advances/guarantee fund	14	322,039	320,612
Held-to-maturity investments	15	109,832	108,301
Investors' Compensation Fund's investments	18	3,921,056	2,522,695
<b>Total Non-current assets</b>		<b>4,534,859</b>	<b>3,134,232</b>
<b>Total Assets</b>		<b>6,260,584</b>	<b>5,674,778</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21(a)	212,967	225,750
Provision for liabilities and charges	22(a)	95,752	92,965
Investors' Compensation Fund	18	671,513	1,483,238
Deferred income	23	32,641	52,997
Surplus payable to National Treasury	11(a)	147,557	165,880
Prior years' tax settlement provision	31	45,733	49,994
<b>Total Current liabilities</b>		<b>1,206,163</b>	<b>2,070,823</b>
<b>Non-current liabilities</b>			
Investors' Compensation Fund liabilities	18	3,921,056	2,522,695
Noncurrent provisions-Work in Progress	22b	90,018	97,208
<b>Total Non-current liabilities</b>		<b>4,011,074</b>	<b>2,619,903</b>
<b>Total liabilities</b>		<b>5,217,237</b>	<b>4,690,726</b>
<b>Net Assets</b>			
Capital fund	25	27,886	27,886
General fund	24	43,324	356,166
Staff Mortgage and Car loan fund	27	372,137	-
Building fund	26	600,000	600,000
<b>Total Net Assets</b>		<b>1,043,347</b>	<b>984,052</b>
<b>Total Net Assets and Liabilities</b>		<b>6,260,584</b>	<b>5,674,778</b>

  
Chief Executive Officer

  
Director, Corporate Services  
CPAIC 1549

  
Chairman of the Board

Date... 31/02/2022 .....

Date... 31/02/2022 .....

Date... 31/02/2022 .....

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

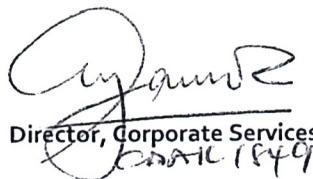
**14. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash equivalents	16.	71,792	60,166
Trade and other receivables from exchange transactions	13(b)	14,394	10,306
Trade and other receivables from non-exchange transactions	13(a)	33,047	71,674
Staff loans and advances/guarantee fund	14	53,206	55,424
Inventories	12	1,753	1,786
Held-to-maturity investments	15	880,019	857,952
<b>Total Current Assets</b>		<b>1,054,212</b>	<b>1,057,308</b>
<b>Non-current assets</b>			
Property and equipment	19	70,275	55,661
Held-to-maturity investments	15	109,832	108,301
Intangible assets	20	111,657	126,964
Staff loans and advances/guarantee fund	14	322,039	320,611
<b>Total Non-current assets</b>		<b>613,803</b>	<b>611,537</b>
<b>Total Assets</b>		<b>1,668,015</b>	<b>1,668,845</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21(a)	212,967	225,750
Provision for liabilities and charges	22(a)	95,752	92,965
Deferred Income	23	32,641	52,997
Surplus to National Treasury	11(a)	147,557	165,880
Prior years' tax settlement provision	31	45,733	49,994
<b>Total Current liabilities</b>		<b>534,650</b>	<b>587,585</b>
<b>Non-current liabilities</b>			
Noncurrent provisions-Work in Progress	22b	90,018	97,208
<b>Total Non-current liabilities</b>		<b>90,018</b>	<b>97,208</b>
<b>Total liabilities</b>		<b>624,668</b>	<b>684,793</b>
<b>Net Assets</b>			
Capital fund	25	27,886	27,886
General fund	24	43,324	356,166
Staff Mortgage and Car loan fund	27	372,137	-
Building fund	26	600,000	600,000
<b>Total Net Assets</b>		<b>1,043,347</b>	<b>984,052</b>
<b>Total Net Assets and Liabilities</b>		<b>1,668,015</b>	<b>1,668,845</b>

The Annual Report and Financial Statements set out on pages 1 to 40 were approved for issue by the Board Members of the Authority on 31/02/2022 and were signed on its behalf by:



Chief Executive Officer



Director, Corporate Services



Chairman of the Board

Date 31/02/2022

Date 31/02/2022

Date 31/02/2022

15. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

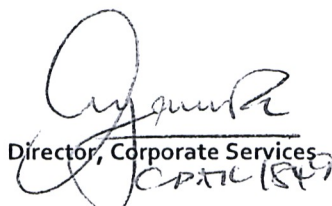
ASSETS	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Current assets</b>			
Fees receivable	18	93,512	88,132
Cash and cash equivalents	18	2,510	2,485
Investor Compensation Fund Investments Held-to-maturity	18	<u>575,491</u>	<u>1,392,621</u>
<b>Total Current assets</b>		<u><b>671,513</b></u>	<u><b>1,483,238</b></u>
<b>Non-current assets</b>			
Investments in Listed Companies	18	74,550	85,400
Investors' Compensation Fund's investments Held to maturity	18	<u>3,846,506</u>	<u>2,437,295</u>
<b>Total Non-current assets</b>		<u><b>3,921,056</b></u>	<u><b>2,522,695</b></u>
<b>Total Assets</b>		<u><u><b>4,592,569</b></u></u>	<u><u><b>4,005,933</b></u></u>
<b>The Fund</b>	18	<u><u><b>4,592,569</b></u></u>	<u><u><b>4,005,933</b></u></u>

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. The Fund value was Shs4.59billion (Jun 2021: Sh4.01billion).

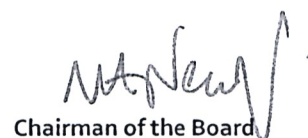
The Annual Report and Financial Statements set out on pages 1 to 40 were approved for issue by the Board of the Authority on ..... 31/08/2022 and were signed on its behalf by:

  
Chief Executive Officer

Date..... 31/08/2022 .....

  
Director, Corporate Services  
CAPITALS

Date..... 31/08/2022 .....

  
Chairman of the Board

Date..... 31/08/2022 .....

16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022

	Capital fund Shs'000	General fund Shs'000	Building fund Shs'000	Staff Mortgage and Car loan fund Shs'000	Total Shs'000
At 01 July 2020	27,886	353,318	600,000	-	981,204
Surplus for the year	-	2,848	-	-	2,848
<b>At 30 June 2021</b>	<b>27,886</b>	<b>356,166</b>	<b>600,000</b>		<b>984,052</b>
At 01 July 2021	27,886	356,166	600,000	-	984,052
Surplus	-	59,295	-	-	59,295
Transfer to staff mortgage & Car loan fund		(372,137)		372,137	-
<b>At 30 June 2022</b>	<b>27,886</b>	<b>43,324</b>	<b>600,000</b>	<b>372,137</b>	<b>1,043,347</b>

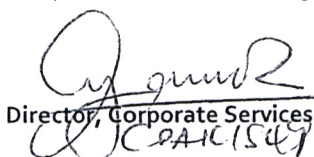
17. CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Cash flows from operating activities</b>			
Surplus for the year		206,852	288,728
<b>Adjustments for:</b>			
Tax expense		(4,260)	49,994
Depreciation of property and equipment	33	25,081	27,105
Amortisation of intangible assets	33	18,844	14,231
Deferred donor funded income	22	(20,356)	(30,949)
Gain on disposal of property and equipment	9	(809)	(62)
Interest income	8	(79,458)	(79,310)
<b>Operating Surplus before working capital changes</b>		<b>145,894</b>	<b>269,737</b>
Decrease/(increase) in:			
Inventories	12	33	281
Trade and other receivables	13	34,540	(35,149)
Staff loans and advances	14.	791	15,058
Increase/(decrease) in:			
Trade and other payables	21.a	(12,783)	51,096
Provision for liabilities and charges	22.	2,788	947
Noncurrent Provisions		(7,190)	97,208
Investors' Compensation Fund	18.	586,637	472,753
<b>Cash generated from operations</b>		<b>750,709</b>	<b>871,931</b>
Interest received	8	79,458	79,310
Surplus paid	11(a)	(165,880)	(297,588)
<b>Net cash generated from operating activities</b>		<b>664,287</b>	<b>653,652</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	18	(39,770)	(23,846)
Purchase of intangible assets	19	(3,538)	(75,027)
Proceeds from disposal of property and equipment		882	223
Purchase of treasury bonds from the Investors' Compensation Fund		(1,308,214)	(1,100,693)
(Purchase)/sale of treasury bills from the Investors' Compensation Fund		721,604	622,827
(Purchase)/sale of treasury bonds		18,844	39,820
(Purchase)/sale of treasury bills		(42,443)	(124,201)
<b>Net cash used in from investing activities</b>		<b>(652,635)</b>	<b>(660,897)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,652</b>	<b>(7,245)</b>
<b>Cash and cash equivalents at start of the year</b>		<b>62,650</b>	<b>69,895</b>
<b>Cash and cash equivalents at end of the year</b>	17	<b>74,302</b>	<b>62,650</b>

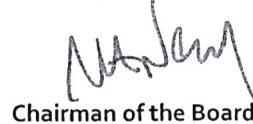
The Annual Report and Financial Statements set out on pages 1 to 40 were approved for issue by the Board Members of the Authority on ..... 31/02/..... 2022 and were signed on its behalf by:

  
Chief Executive Officer

Date... 31/02/2022

  
Director, Corporate Services

Date... 31/02/2022

  
Chairman of the Board

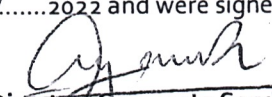
Date... 31/02/2022

18. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Cash flows from operating activities</b>			
Surplus for the year		206,852	288,728
<b>Adjustments for:</b>			
Tax expense		(4,260)	49,994
Depreciation of property and equipment	18	25,081	27,105
Amortisation of intangible assets	19	18,844	14,231
Deferred donor funded income	22	(20,356)	(30,950)
Gain on disposal of property and equipment	9	(809)	(62)
Interest income	8	(79,458)	(79,310)
<b>Operating Surplus before working capital changes</b>		<b>145,894</b>	<b>269,735</b>
Decrease/(increase) in:			
Inventories	12	33	281
Trade and other receivables	13	34,539	(35,149)
Staff loans and advances	14.	791	15,058
Increase/(decrease) in:			
Trade and other payables	21.a	(12,783)	51,096
Provision for liabilities and charges	22.	2,788	947
Non-current provisions		(7,191)	97,208
<b>Cash generated from operations</b>		<b>164,071</b>	<b>399,176</b>
Interest received	8	79,458	79,310
Surplus paid		(165,880)	(297,588)
<b>Net cash generated from operating activities</b>		<b>77,649</b>	<b>180,898</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	18	(39,770)	(23,846)
Purchase of intangible assets	19	3,538	(75,027)
Proceeds from disposal of property and equipment		882	223
(Purchase)/sale of treasury bonds		18,845	39,820
(Purchase)/sale of treasury bills		(42,442)	(124,201)
<b>Net cash used in from investing activities</b>		<b>(66,023)</b>	<b>(183,029)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>11,626</b>	<b>(2,132)</b>
<b>Cash and cash equivalents at start of the year</b>		<b>60,166</b>	<b>62,298</b>
<b>Cash and cash equivalents at end of the year</b>	16	<b>71,792</b>	<b>60,166</b>

The Annual Report and Financial Statements set out on pages 1 to 40 were approved for issue by the Board Members of the Authority on 31/08/2022 and were signed on its behalf by:

  
Chief Executive Officer

  
Director, Corporate Services

  
Chairman of the Board

Date 31/08/2022

Date 31/08/2022

Date 31/08/2022

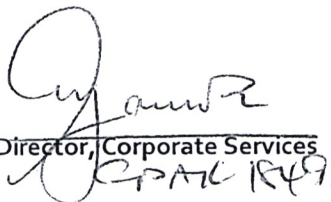
19. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF CASH FLOWS FOR THE YEAR  
ENDED 30 JUNE 2022

	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Cash flows from operating activities</b>			
Interest income	18	(491,155)	(368,751)
<b>Operating Surplus before working capital changes</b>		<b>(491,155)</b>	<b>(368,751)</b>
Decrease/(increase) in:			
Trade and other receivables		(5,379)	(32,597)
Increase/(decrease) in:			
ICF Fund		592,016	505,350
Provision for liabilities and charges			
<b>Cash generated from operations</b>		<b>95,482</b>	<b>104,002</b>
Interest received	18	491,155	368,751
Surplus paid			
<b>Net cash generated from operating activities</b>		<b>586,637</b>	<b>472,753</b>
<b>Cash flows from investing activities</b>			
Purchase of treasury bonds from the Investors' Compensation Fund	18	(1,308,215)	(1,100,693)
(Purchase)/sale of treasury bills from the Investors' Compensation Fund	18	721,603	622,826
<b>Net cash used in from investing activities</b>		<b>(586,612)</b>	<b>(477,865)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>25</b>	<b>(5,112)</b>
<b>Cash and cash equivalents at start of the year</b>		<b>2,485</b>	<b>7,597</b>
<b>Cash and cash equivalents at end of the year</b>	18	<b>2,510</b>	<b>2,485</b>



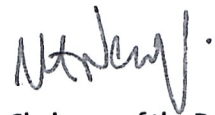
Chief Executive Officer

Date... 31/08/2022 .....



Director, Corporate Services

Date... 31/08/2022 .....



Chairman of the Board

Date... 31/08/2022 .....

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

**20. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**

	Original budget	Adjustments (Reallocations)	Final Annual budget	Actual cumulative to date	Performance difference	% Utilization	
	Jun 2022 Shs'000	Jun 2022 Shs'000	Jun 2022 Shs'000	Jun 2022 Shs'000	Jun 2022 Shs'000		
<b>Revenue</b>							
Fee income from Transaction fee -Equities	401,000	-	401,000	290,837	(110,163)	73%	a)
Fee income from Transaction fee -bonds	19,835	-	19,835	27,625	7,790	139%	
Application & Licensing fees	21,050	-	21,050	24,121	3,071	115%	b)
Market development Fees	8,451	-	8,451	8,863	412	105%	
Capitalization, rights & IPO's	44,000	-	44,000	89,326	45,326	203%	c)
REITS approval Income	1,750	-	1,750	1,950	200	111%	d)
Capitalisation and bond approvals	494,731	-	494,731	532,240	37,509	108%	
Derivatives Fees	20	-	20	23	3	115%	e)
<b>Fee based income</b>	<b>990,837</b>		<b>990,837</b>	<b>974,984</b>	<b>(15,853)</b>	<b>98%</b>	
Donor Funding- gifts and services-in-kind	27,000	-	27,000	39,279	12,279	145%	f)
Finance income - external investments	40,401	-	40,401	79,458	39,057	197%	g)
Gains on disposal, rental income and agency fees		-	-	808	808	0%	
Other income	24,000	-	24,000	1,271	(22,729)	5%	h)
<b>Total income</b>	<b>1,082,238</b>		<b>1,082,238</b>	<b>1,095,800</b>	<b>13,563</b>	<b>101%</b>	
<b>Expenses</b>							
Personnel cost	605,463	-	605,463	527,283	78,180	87%	a)
Rent and maintenance	41,268	-	41,268	41,268	-	100%	
Equipment maintenance and stationery	49,188	-	49,188	43,971	5,217	89%	b)
Telephone, postage and utilities	16,986	-	16,986	14,405	2,581	85%	c)
Publicity and Advertising	21,800	-	21,800	19,008	2,792	87%	d)
Medical scheme and insurance expenses	46,138	-	46,138	32,138	14,000	70%	e)
Training and conferences	45,800	-	45,800	44,497	1,303	97%	
Motor vehicle running expenses	5,118	-	5,118	3,929	1,189	77%	f)
Subscriptions and IOSCO membership	8,282	-	8,282	6,294	1,988	76%	g)
Authority board members' emoluments and allowance	30,000	-	30,000	24,738	5,262	82%	h)
Professional & consultancy services	18,600	2,300	20,900	20,399	501	98%	
Litigation/legal expenses	25,000	(2,300)	22,700	11,545	11,155	51%	i)
Market Development & Islamic Finance	33,055	-	33,055	27,008	6,047	82%	j)
Capital Markets Masterplan	6,790	-	6,790	3,902	2,888	57%	k)
Donor Funded Projects		-	0	11,733	(11,733)	0%	l)
Depreciation of property, plant and equipment	40,000	-	40,000	25,081	14,919	63%	m)
Amortization of intangible assets	20,890	-	20,890	18,845	2,045	90%	
Auditor's remuneration	1,600	-	1,600	1,713	(113)	107%	
Investors' education and awareness programme	10,110	-	10,110	9,439	671	93%	
Tribunal expenses	1,514	-	1,514.00	713	801	47%	n)
Provision for doubtful debts	0	-	0.00	5,200	(5,200)	0%	
Prior years' tax settlement		-		(4,160)	4,160	0%	
<b>Total expenditure</b>	<b>1,027,602</b>	<b>0</b>	<b>1,027,602</b>	<b>888,948</b>	<b>138,654</b>	<b>87%</b>	
<b>Surplus for the period</b>	<b>54,636</b>	<b>0</b>	<b>54,636</b>	<b>206,852</b>	<b>152,216</b>	<b>377%</b>	

**21. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)**

Notes on Significant variances (10% and above) between actual and budget.

**REVENUE**

- a) **Transaction Fee income from NSE:** The annual equities transactions performance was 27% below budget mainly due to low activity and suppressed stock prices of listed companies. Fees from bond transactions was 39% above budget as investors moved assets to fixed income securities which are less risky.
- b) **Application & Licensing fees:** There was a slight increase as new applicants especially investment advisers were licensed.
- c) **Capitalization, rights & IPO's:** The YTD performance was 103% mainly due to the Private Transfer of 253,110,361 Equity Group Holdings PLC Shares valued at Kshs. 49.5 Per share by Britam Holdings PLC, Britam Life Assurance Company (Kenya) Limited to International Finance Corporation & IFC Financial Institutions Growth Fund in January 2022.
- d) **Reits approval income:** Was 11% above budget due to two (2) new entrants in the Reits market segment in the year.
- e) **Derivative Fees:** The fees were 15% above budget due to the favourable market activity experienced in the coffee sector within the financial year.
- f) **Donor Funding- gifts and services-in-kind:** The Income was above budget by 45% attributed to finalization of payment by the Financial Sector Support Programme (FSSP) to the consultant for the project to develop an oversight framework and capacity building on supervision of self-regulatory organizations (SROs) in Kenya.
- g) **Finance income:** The income from investments was 97% above budget as the Authority continued to earn interest on the building fund since the acquisition process remains under review and guidance from the National Treasury.
- h) **Other income:** Was below budget as the fees planned as chargeable for ICF management were not effected.

**EXPENDITURE**

- a) **Personnel Costs:** Closed the year at 87% of budget due to gradual filing of budgeted positions.
- b) **Equipment maintenance & stationery:** Spend was at 11% below budget mainly due to purchase of new laptops which reduced maintenance costs.
- c) **Telephone Courier & Postage:** Utilization was at 15% below budget mainly due to partial working from home during the Covid pandemic period.
- d) **Advertising and Publicity expenses:** 13% below budget largely due to cost savings on airing of testimonials on television, online advertisements, sponsorship, and soundness report media briefing activities undertaken in the year.
- e) **Medical Scheme and Other Insurances:** Below budget by 30%, attributed to anti covid 19 protocols that resulted in reduced medical claims.
- f) **Motor vehicle running expenses:** Were at 23% below budget due replacement of two (2) old vehicles.
- g) **Subscriptions & IOSCO Membership:** Was 24% below the budget due to covid-19 related travel restrictions that led to increased virtual engagements.
- h) **Board Members Expenses:** These were 18% below budget due to covid-19 related restrictions and adoption of online meetings.
- i) **Litigation and Legal Costs:** Were at 51% to budget as indicated by reduced litigations in the year.
- j) **Market Development and Islamic Finance:** These costs were 18% below budget due to constrained activities during covid-19 pandemic.
- k) **Capital markets master plan, (CMMP):** Costs were 43% below budget due to limited meetings as the plan was being reviewed.
- l) **Donor Funded projects:** Costs relate to amounts paid on behalf of CMA for Consultancy to Develop an Oversight Framework and Capacity Building on SROs Supervision

- m) **Depreciation expenses:** Were 37% below budget since a number of Financial Sector Support Programme (FSSP) projects, majorly systems upgrades, are still in progress hence awaiting completion and capitalization, while other assets planned in the year are at different stages of procurement process.
- n) **Tribunal Expenses:** The Capital Markets Appeals Tribunal costs were 53% below the budget in line with the level of activities.

## 22. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

Capital Markets Authority is established by and derives its authority and accountability from the Capital Markets Authority Act. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is to promote and facilitates the development of orderly, fair and efficient capital markets in Kenya.

### 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Authority. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of New and Revised Standards

#### i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2022

Standard	Impact
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2023:</b>
	The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> <li>• No significant impact is anticipated on adoption of this standard.</li> </ul>
IPSAS 42: Social Benefits	<b>Applicable: 1<sup>st</sup> January 2023</b>
	The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: <ol style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity.</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ol> The Authority runs a defined contribution pension scheme and no adverse effect is anticipated on adoption of this standard.
	<b>Applicable: 1<sup>st</sup> January 2023:</b>

Standard	Impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>No significant impact is anticipated on adoption of the new standard.</p>
Other improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <ul style="list-style-type: none"> <li>• IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</li> </ul>
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund.</p> <p>The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities.</p> <p>This will bring the Authority's lease of the premise into the statement of financial position (Balance sheet)</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>No impact is expected.</p>

## ii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in year 2021/2022.

NOTES (CONTINUED)

4. Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions

Fees and levies

The Authority recognizes revenues from fees and levies 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 Entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

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.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Entity.

Interest income

Interest income is accrued as it is earned over the life of investments held.

b) Budget information

The original budget for FY 2021-2022 was approved by The National Treasury on 30 June 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget upon receiving the respective approvals in order to conclude the final budget. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

c) Taxes

On 20th March 2015, The National Treasury issued PFMA Regulation No.34 which under section 219 exempts the Authority from paying taxes. The regulation requires corporations exempted from income tax to remit 90% of surplus to National Treasury.

**d) Property, plant and equipment**

includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant 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. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. 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:

	<u>Rate</u>
Motor vehicles	25%
Furniture & fittings	12.5%
Office equipment	20%
Computers & copiers	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**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the

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. The Authority's lease for premises occupied as an operating lease.

**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**

**i. 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.

**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)

**ii. 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.

**i) Contingent liabilities**

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

**j) Nature and Purposes of reserves**

The Authority creates and maintains the following reserves;

- 1) Capital reserves- These signifies initial equity capital contributed to start off the CMA by National Treasury.
- 2) General reserves- These are accumulated reserves from operations.
- 3) Building fund- These are approved funds for acquisition of own premises; and
- 4) Staff mortgage and Car Loan Fund which represents backup funds placed with lenders to assure low cost of staff loans in line with government policy to make them more affordable.

**k) Changes in accounting policies and estimates**

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) 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 also contributes to the statutory National Social Security Fund (NSSF), a national defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh200 per employee per month.

**m) 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.

**n) 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.

**o) 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 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.

**p) 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. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

**q) 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 and comprise of members of the Board, CEO and Directors

**r) Comparative figures**

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

**s) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2022.

## 5. Significant judgments and sources of estimation uncertainty

The preparation of the Authority's Annual Report and 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.

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 Annual Report and 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.

### a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140. Key assumptions made a within the next financial year include:

#### i. Retirement benefit obligations

The pensions contributions into the Defined Contribution (DC) Scheme are expensed as incurred in the year .

#### ii. Impairment losses

Estimates are 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.

### b) Useful lives and residual value

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i. The condition of the asset based on the assessment of experts employed by the Entity.
- ii. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii. The nature of the processes in which the asset is deployed
- iv. Availability of funding to replace the asset.
- v. Changes in the market in relation to the asset

### c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21 (b).

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

6. Revenue from non - exchange transactions	Jun 2022	Jun 2021
Fees income	Shs'000	Shs'000
Capitalization, rights and new issue fees	89,326	15,347
Approval for listing of Government securities	532,240	615,897
NSE - transaction fees	318,462	350,469
Application and Licensing fees	26,071	48,949
Market development fees	8,863	8,514
Derivative fees	<u>23</u>	<u>21</u>
	<u>974,984</u>	<u>1,039,197</u>

The Authority charges fees on the following basis :

- i) Capitalization / rights issues at a rate of 0.25% of the value of the issue.
- ii) Approval for listing of Government securities is charged at a rate of 0.075% of the amount raised.
- iii) New issues / IPOs at a rate of 0.15% of the value of the issue.
- iv) NSE Transaction fees at a rate of 0.12% of the value of the equities traded and 0.0015% of the value of bonds traded.
- v) Application for license at Kshs 2,500 while annual licensing fees are up to a maximum of Shs 250,000.
- vi) Market development fees are charged to listed companies at a rate of 0.01% subject to a minimum of Shs 50,000 and a maximum of Shs 100,000 per annum.
- vii) Derivative fees-CMA charges Levy fees with respect to derivatives contracts traded at 0.01% of value of contracts traded.

<b>7. Donor fund income</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
		<b>Shs'000</b>
Donor fund income	<u>39,279</u>	<u>41,760</u>

The Authority recognised support worth Shs39.279 million (2020:Shs41.76 million) in the year from deferred donor funded income.

<b>8. Revenue from exchange transactions - other income</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Finance income- (Interest)	79,458	79,310
Miscellaneous income	<u>1,271</u>	<u>701</u>
	<u>80,729</u>	<u>80,011</u>

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Cash investments and fixed deposits	2,188	2,827
Interest income from Treasury Bills	62,158	58,258
Interest income from Treasury Bonds	15,009	18,097
Interest from outstanding debtors	<u>104</u>	<u>129</u>
<b>Total finance income</b>	<u>79,458</u>	<u>79,310</u>

**9. (Loss)/Gain on sale of assets**

Property Plant and Equipment	<u>808</u>	<u>62</u>
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**10. Employee benefits expense**

	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
The following items are included in employee benefits expense:		
Retirement benefit costs		
Defined contribution scheme	27,631	34,622
National Social Security Fund	<u>329</u>	<u>325</u>
	<u>27,960</u>	<u>34,947</u>

The Authority operates a defined contribution (DC) scheme for its employees. The investment of the scheme's assets is managed by an independent fund manager, GenAfrica Investment Management Limited, and administered by Zamara administrators & Consultants on behalf of the Trustees.

11. a **Transfer of Surplus to National Treasury**

	Shs'000	Jun 2022 Shs'000	Shs'000	Jun 2021 Shs'000
Total Revenue (Note No.6, 7,8 and 9)		1,095,800		1,161,030
Operating Expenses		<u>(888,948)</u>		<u>(872,302)</u>
Surplus before tax		206,852		288,728
Add back: Depreciation	25,081		27,105	
Amortization	<u>18,845</u>	<u>43,926</u>	<u>14,231</u>	<u>41,335</u>
Adjusted Surplus		250,778		330,064
Adjusted Surplus		250,778		330,064
Less: Building fund		-		
Transfer from Deferred Income	(27,546)		(25,686)	
Capital expenditure	(43,308)		(6,929)	
Intangible Assets	-		-	
Staff Mortgages net	(4,851)		25,103	
Staff Car loans net	1,937		(4,908)	
Transfer of Mortgage Car Loan fund from reserves	(13,058)			
		<u>(86,826)</u>		<u>(12,419)</u>
Net Surplus/ (Deficit)		163,952		317,644
90% Surplus		147,557		285,880
Instalment paid in the year		-		120,000
90% Surplus balance payable		<u>147,557</u>		<u>165,880</u>

On 20th March 2015, The National Treasury issued PFMA Regulation No.34 which under section 219 exempts the Authority from paying taxes. The regulation requires corporations exempted from income tax to remit 90% of surplus to National Treasury.

11. b **Surplus Remission Payable**

	Jun 2022 Shs'000	Jun 2021 Shs'000
Payable at the beginning of the year	165,880	
Surplus payable for the year	147,557	285,880
Surplus paid during the year	<u>(165,880)</u>	<u>(120,000)</u>
Payable at end of the year	<u>147,557</u>	<u>165,880</u>

12. **Inventories**

	Jun 2022 Shs'000	Jun 2021 Shs'000
Consumables	<u>1,753</u>	<u>1,786</u>

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

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

<b>13. a. Trade and other receivables from non-exchange transactions</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Trade receivables	35,775	40,228
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	<u>(10,546)</u>	<u>(5,346)</u>
Net trade receivables	25,230	34,883
Other receivables	<u>7,817</u>	<u>36,791</u>
Trade and other receivables from non-exchange transactions	<u><u>33,047</u></u>	<u><u>71,673</u></u>
<b>13. b. Trade and other receivables from exchange transactions</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Trade receivables	2,326	2,584
Less: Provision for impairment losses	<u>-</u>	<u>-</u>
Net trade receivables	2,326	2,584
Prepayments	<u>12,068</u>	<u>7,722</u>
Trade and other receivables from exchange transactions	<u>14,394</u>	<u>10,306</u>
Total trade and other receivables from non exchange and exchange transactions	<u><u>47,440</u></u>	<u><u>81,980</u></u>
The movement on the provision for impairment losses for non exchange transactions is as follows:		
At 1st July	5,346	4,796
Add: Provision made in the year	5,750	600
Less: Provisions reversed on debt collection	<u>(550)</u>	<u>(50)</u>
At 30th June	<u>10,546</u>	<u>5,346</u>
The movement on the provision for impairment losses for exchange transactions is as follows:		
At 1st July	-	-
Add: Additional provision	<u>5,200</u>	<u>550</u>
At 30 <sup>th</sup> June	<u>5,200</u>	<u>250</u>

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2022**

14. Staff loans and advances	Current	Current	Non-current	Non-current	Total	Total
	Jun 2022 Shs'000	Jun 2021 Shs'000	Jun 2022 Shs'000	Jun 2021 Shs'000	Jun 2022 Shs'000	Jun 2021 Shs'000
Car loans	7,686	8,624	14,180	15,179	21,866	23,803
Other loans and advances	3,109	6,812			3,109	6,812
Staff mortgage back up funds*	<u>42,411</u>	<u>39,989</u>	<u>307,860</u>	<u>305,432</u>	<u>350,271</u>	<u>345,420</u>
	<u>53,206</u>	<u>55,424</u>	<u>322,039</u>	<u>320,611</u>	<u>375,246</u>	<u>376,035</u>

\* These funds are deposited with the bank to support concessionary interest rate facilities to staff.

Mortgage back up accounts are:

HFC: Mortgage 3000013543 and Mortgage 2000094161

KCB Mortgage MM1509100194

Total

Shs'000
184,836
<u>165,435</u>
<u>350,271</u>

**15. Held-to-maturity investments - government securities**

	Jun 2022 Shs'000	Jun 2021 Shs'000
<b>Non-current</b>		
Treasury bonds		
Maturing after four years	25,100	58,050
Unamortised premium		(398)
	<u>25,100</u>	<u>57,652</u>
Treasury bonds		
Maturing after one year	88,600	55,650
Unamortised (discount)/premium	(3,868)	(5,001)
	<u>84,732</u>	<u>50,649</u>
	<u>109,832</u>	<u>108,301</u>
<b>Current</b>		
Treasury bonds		
Maturing within one year	-	20,375
Unamortised (discount)/premium	-	-
	<u>0</u>	<u>20,375</u>
Treasury bills	894,850	848,100
Unamortised discount	(14,831)	(10,523)
	<u>880,019</u>	<u>837,577</u>
	<u>880,019</u>	<u>857,952</u>
	<u>989,851</u>	<u>966,253</u>

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

<u>109,832</u>	<u>108,301</u>
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**Current**

Held-to-maturity investments

<u>880,019</u>	<u>857,952</u>
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16. Cash and Cash Equivalent	Jun 2022	Jun 2021
	Shs'000	Shs'000
Current account	21,876	30,300
Cash in hand	140	140
On - call deposits	13,147	28,382
Fixed deposits account	<u>36,629</u>	<u>1,345</u>
	<u><u>71,792</u></u>	<u><u>60,166</u></u>

17. a. Banks			Jun 2022	Jun 2021
	Name of the Bank	Bank account no.	Account currency	Shs'000
	NCBA PLC	6580810018	Shs	14,451
	HF Bank	3000013543- 0	Shs	<u>7,425</u>
				<u>21,876</u>
				<u>8,417</u>
				<u>21,883</u>
				<u>30,300</u>

17. b. Cash in hand		Jun 2022	Jun 2021
	Account currency	Shs'000	Shs'000
Cash in hand	Shs	<u>140</u>	<u>140</u>

17. c. Short term deposits		Jun 2022	Jun 2021
	Account currency	Shs'000	Shs'000
Fixed/ Call Deposits	Shs	13,147	28,382
Gratuity Fund Fixed Deposit		<u>36,629</u>	<u>1,345</u>
		<u>49,776</u>	<u>29,727</u>
<b>Total cash in hand and bank</b>		<u><u>71,792</u></u>	<u><u>60,166</u></u>

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

Short-term bank deposits	49,776	29,727
Cash at bank and in hand	22,016	30,440
Investors Compensation Fund bank balance (Note 16) - (KCB)	<u>2,510</u>	<u>2,485</u>
	<u><u>74,302</u></u>	<u><u>62,652</u></u>

#### 18. 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:

- i. Interest accruing on funds received from subscribers to public issues, between the day of closing the issue and making the refunds.
- ii. 0.01% of the consideration from sale and purchase of shares through the Nairobi Securities Exchange.
- iii. 0.004% of the consideration from sale and purchase of bonds traded through the Nairobi Securities Exchange.
- iv. Interest earned from investment of the funds held in this account.

- v. 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:

	Jun 2022 Shs'000	Jun 2021 Shs'000
At beginning of the year	4,005,933	3,533,179
Nairobi Securities Exchange transactions fees	94,194	96,456
Interest on investments	491,155	368,751
Financial penalties	1,418	1,710
Withdrawals (Investor Claims)	(349)	
Gain/(loss) in Investment in NSE	742	6,363
Management Fees	(500)	500
Bank Charges	(24)	(25)
At end of the year	<u>4,592,569</u>	<u>4,005,933</u>

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

	Shs'000	Shs'000
<b>Non-current</b>		
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	<u>62,300</u>	<u>73,150</u>
Treasury bonds	74,550	85,400
Maturing after five years	3,201,150	2,153,050
Unamortised discount (premium)	<u>35,907</u>	<u>4,846</u>
	<u>3,237,057</u>	<u>2,157,896</u>
Maturing after one year	612,700	285,750
Unamortised discount	<u>(3,251)</u>	<u>(6,351)</u>
	<u>609,449</u>	<u>279,399</u>
	<u>3,846,506</u>	<u>2,437,295</u>
	<u>3,921,056</u>	<u>2,522,695</u>
<b>Current</b>		
Treasury bonds	50,000	140,365
Unamortised discount	<u>107</u>	<u>(111)</u>
	<u>50,107</u>	<u>140,254</u>
Treasury bills	544,900	1,317,900
Unamortised discount	<u>(19,517)</u>	<u>(65,533)</u>
	<u>525,383</u>	<u>1,252,367</u>
Fees receivable	93,512	88,132
Bank balance	<u>2,510</u>	<u>2,485</u>
	<u>96,022</u>	<u>90,617</u>
	<u>671,513</u>	<u>1,483,238</u>
	<u>4,592,569</u>	<u>4,005,932</u>

	Jun 2022 Shs'000	Jun 2021 Shs'000
ICF Investments in Equity (NSE & CDSC)		
At beginning of the year	85,400	80,500
Increase /(decrease) in value	(10,850)	4,900
At end of the year	<u>74,550</u>	<u>85,400</u>

#### 19. Property and equipment

	Motor vehicles Shs'000	Computers, Computer & Copiers Shs'000	Office equipment Shs'000	Furniture & fittings Shs'000	Capital work-in- progress Shs'000	Total Shs'000
<b>Cost</b>						
At 01 July 2020	37,123	133,077	22,303	93,796	19,992	306,291
Additions	0	42,234	71	1,533		43,838
Disposals		(3,672)	(922)	(244)	-	(4,838)
Reversal	0	0	0	0	(19,992)	(19,992)
At 30 June 2021	<u>37,123</u>	<u>171,639</u>	<u>21,452</u>	<u>95,084</u>	<u>0</u>	<u>325,298</u>
Additions	25,590	6,092	193	-	7,895	39,770
Disposals	(3,571)	(1,006)	-	-	-	(4,577)
Reversal/ Transfers						
At 30 June 2022	<u>59,141</u>	<u>176,725</u>	<u>21,644</u>	<u>95,084</u>	<u>7,895</u>	<u>360,490</u>
<b>Depreciation</b>						
At 01 July 2020	(32,178)	(130,339)	(20,664)	(86,501)		(269,683)
Depreciation	(4,274)	(19,126)	(1,362)	(2,343)	-	(27,105)
Accumulated depreciation reversed on disposal	<u>4,274</u>	<u>19,126</u>	<u>1,362</u>	<u>2,388</u>		<u>27,150</u>
At 30 June 2021	<u>(32,178)</u>	<u>(130,339)</u>	<u>(20,664)</u>	<u>(86,457)</u>	<u>-</u>	<u>(269,638)</u>
Depreciation	(5,455)	(16,826)	(322)	(2,478)		(25,081)
Accumulated depreciation reversed on disposal	<u>3,571</u>	<u>933</u>	<u>0</u>	<u>-</u>		<u>4,504</u>
At 30 June 2022	<u>(34,062)</u>	<u>(146,232)</u>	<u>(20,986)</u>	<u>(88,935)</u>	<u>-</u>	<u>(290,215)</u>
<b>Net carrying amount</b>						
At 30 June 2022	<u>25,079</u>	<u>30,493</u>	<u>658</u>	<u>6,149</u>	<u>7,895</u>	<u>70,275</u>
At 30 June 2021	<u>4,945</u>	<u>41,300</u>	<u>788</u>	<u>8,627</u>	<u>0</u>	<u>55,660</u>

Included above in the items of property and equipment is the cost of fully depreciated assets of Shs 229,044,042 (2021: Shs 228,898,065) which are still in use and have not been impaired. Work in progress was carried at cost.

20. Intangible assets

	Intangible Assets Shs'000
<b>Software costs</b>	
<b>Cost</b>	
At 01 July 2020	233,997
Additions	43,352
Work in progress	31,675
<b>At 30 June 2021</b>	<b>309,024</b>
Additions/ Transfers from WIP	
Reclassification	(14,813)
*Work in progress	3,538
<b>At 30 June 2022</b>	<b>297,749</b>
<b>Amortisation</b>	
At 01 July 2020	167,829
Amortisation	14,231
<b>At 30 June 2021</b>	<b>182,060</b>
Amortisation	18,845
Reclassification	(14,813)
<b>At 30 June 2022</b>	<b>186,092</b>
<b>Net book value</b>	
At 30 June 2022	111,657
At 30 June 2021	126,963

\*Work in progress relates to software ICT Projects not yet commissioned. The detailed works are as follows:

20. a. Donor Funded Capital Work in Progress

	Cost (Ksh'000) Ksh'000
i) Supply, Installation & Commissioning of Data Repository & Business Intelligence System	71,252
ii) Design of the Securities Market Multi Asset Surveillance System	25,956
Less: Item Capitalised in the period- Integration of Surveillance System with NSE/CDSC	(7,190)
	<b>90,018</b>

20. b. Capital Work in Progress (Self-funded)

Included in WIP are self-funded projects that were at different stages of completion;

i) Supply, Implementation, Training & Commissioning of a Cloud-Based Learning & E-Learning System	2,241
ii) TeamMate Analytics Software	1,297
	<b>3,538</b>
<b>Total WIP</b>	<b>93,556</b>

21. a. Trade and other payables	Shs'000	Shs'000
Trade payables	4,706	1,213
Provisions	106,214	149,284
Gratuity obligations	37,759	9,482
Accruals	64,288	65,772
	<u>212,967</u>	<u>225,750</u>

Included under trade and other payables are the provisions for various services whose movement has been presented below:

b. Provisions	Leave benefits Shs'000	Performance bonus Shs'000	Total Shs'000
At 01 July 2021	7,115	142,169	149,284
Additional provisions raised	932	25,366	26,298
Provision utilized/reversed	<u>(50)</u>	<u>(69,318)</u>	<u>(69,368)</u>
At 30 June 2022	<u>7,997</u>	<u>98,217</u>	<u>106,214</u>

Accruals	Consultancies Shs'000	Other Provisions Shs'000	Total Shs'000
At 01 July 2021	3,000	62,772	65,772
Additional accruals	3,606	56,348	59,954
Accruals realized/reversed	<u>(3,000)</u>	<u>(5,581)</u>	<u>(8,581)</u>
At 30 June 2022	<u>3,606</u>	<u>113,539</u>	<u>117,145</u>

22. a. Provision for liabilities and charges	Jun 2022 Shs'000	Jun 2021 Shs'000
At 01 July 2021	92,965	92,018
Add: Additional provision	13,317	8,322
Less: Provision written back	<u>(10,530)</u>	<u>(7,375)</u>
At 30 June 2022	<u>95,752</u>	<u>92,965</u>

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.

**22. b. Non current Provisions-Work in Progress**

Non current provisions relate to provisions made based on percentage level of completion of ongoing projects/assets that are funded by externally mobilized funds (donor funded). Donor funded assets are capitalized when payment is completed or when economic use commences, whichever is earlier.

	Jun 2022 Shs'000	Jun 2021 Shs'000
Integration of Surveillance System with NSE/CDSC Data Repository & Business Intelligence System	71,252	71,252
Review and Design Securities Market Surveillance System	18,766	18,766
	<u>90,018</u>	<u>97,208</u>

### 23. Deferred income

In line with the Authority's accounting policy, Kshs 32,641,000 of the donor funded income has been deferred for future periods the amounts relate to projects being financed by FSSP which include Supply, Installation & Commissioning of Data Repository & Business Intelligence Software and Design and installation of the Securities Market Surveillance System (Multi Asset Surveillance System).

	Jun 2022 Shs'000	Jun 2021 Shs'000
At 01 July	-	-
Recognised in the year	32,641	52,997
	<u>32,641</u>	<u>52,997</u>

### 24. General fund

	Jun 2022 Shs'000	Jun 2021 Shs'000
At 01 July 2021	356,166	353,318
Surplus for the year	59,295	2,848
Payment to The National Treasury	-	-
Transfer to staff mortgage fund	(372,137)	-
At 30 June 2022	<u>43,324</u>	<u>356,166</u>

General fund represents accumulated surpluses over the years.

### 25. Capital fund

	Jun 2022 Shs'000	Jun 2021 Shs'000
At Jun 2021 and at Jun 2022	<u>27,886</u>	<u>27,886</u>

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

<b>26. Building fund</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At 01 July 2021	600,000	600,000
At 30 June 2022	<u>600,000</u>	<u>600,000</u>

Building fund represents an appropriation from the general fund towards the purchase/construction of the Authority's future building for approved limit of Ksh600million. There was no appropriation in the year to the fund

<b>27. Staff Mortgage and Car loan fund</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
At 01 July 2021	0	0
Appropriation from general fund (Note 24)	<u>372,137</u>	<u>0</u>
At 30 June 2022	<u>372,137</u>	<u>-</u>

This represents backup funds placed with lenders to assure low cost of staff loans in line with government policy to make them more affordable.

<b>28. Related party transactions</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>i. Board members of the Authority' remuneration</b>		
Honoraria	160	0
Retainer	6,912	7,778
Sitting allowances	9,992	10,780
Training expenses	4,154	1,343
Others (medical, mileage, bonus)	<u>3,520</u>	<u>2,381</u>
	<u>24,738</u>	<u>22,283</u>

There were 10 board members during the year (2020:10)

**ii. Key management compensation**

Gross salaries	54,160	39,031
Pension-NSSF	15	10
Gratuity	<u>12,674</u>	<u>9,322</u>
	<u>66,849</u>	<u>48,363</u>

There were 7 members of senior leadership team who served during the year (2021:6)

**29. Commitments**

**a) Contracted for but not recognised**

Capital expenditure and recurrent expenditures contracted for at the balance sheet date but not recognised in the Annual Report and Financial Statements is as follows:

	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Capital expenditure contracted for	65,600	3,580
Recurrent expenditure contracted for	<u>        </u>	<u>2,768</u>
	<u>65,600</u>	<u>6,348</u>

b) Item description

	Capital Shs'000	Recurrent Shs'000	Total Shs'000
Surveillance system	64,500	-	64,500
Data Centre Firewall	851		851
<b>Total</b>	<b>65,351</b>		<b>65,351</b>

**Operating lease commitments**

Operating lease commitments represent rentals payable by the Authority for rented office space. Rental expenses during the year amounted to Shs 40,030,314.28 (2021: Shs35,443,000).

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

	Jun 2022 Shs'000	Jun 2021 Shs'000
Not later than 1 year	40,030	35,443
Later than 1 year and not later than 5 years	108,544	108,544
	<b>148,574</b>	<b>143,987</b>

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

On 31st January 2022, the International Public Sector Accounting Standards Board (IPSASB) issued a new standard IPSAS 43 on Leases. This new standard requires a single right-of-use model for lease accounting that will replace the risks and rewards incidental to ownership model in IPSAS 13, Leases. For lessees, IPSAS 43 accounting requirements are converged with IFRS 16, Leases issued by the International Accounting Standards Board. For lessors, a right-of-use model specifically designed for public sector financial reporting has been put in place.

Once adopted the new standard will gross up financial position and change income statement and cash flow presentation. Rent expense, for example, will be replaced by depreciation and interest expense in the income statement. This will result in a front-loaded lease expense, (see note 3) which may decrease earnings and equity immediately after compared to the current treatment of the operating lease.

**30. Contingent liabilities**

The Authority has contingent liabilities in legal cases on enforcement of its regulatory mandate. The Authority has maintained adequate cover to cater for any unlikely adverse rulings.

**31. Prior years' tax settlement provision**

These relate to interest and penalties imposed against principal taxes that had already been settled Authority for the period 2007 to 2012, when the Authority was a taxable entity. Although waiver of these penalties had been applied for with KRA, the Authority has ensured 100% compliance with statutory obligations by cleaning up the CMA tax ledgers through full recognition in the financials and subsequent settlement of the tax demands in I-tax.

	Jun 2022 Shs'000	Jun 2021 Shs'000
Penalties and interest provision B/F	49,994	0
Charge/ (Reversals) for the year	<u>(4,260)</u>	<u>49,994</u>
	<u><u>45,733</u></u>	<u><u>49,994</u></u>
	Jun 2022 Kshs'000	Jun 2021 Kshs'000
<b>32. Employee costs</b>		
Consolidated pay, leave pay and passages	452,573	451,562
Staff uniform expenses	145	333
Staff welfare and other costs	17,317	10,181
Staff retirement benefits	27,631	34,622
Staff gratuity	29,289	13,537
National Social Security Fund (NSSF)	329	325
	<u>527,283</u>	<u>510,559</u>
	Jun 2022 Kshs'000	Jun 2021 Kshs'000
<b>33. Depreciation and Amortization Expense</b>		
Property, plant and equipment	25,081	27,105
Intangible assets	18,845	14,231
	<u>43,926</u>	<u>41,335</u>
	Jun 2022 Kshs'000	Jun 2021 Kshs'000
<b>34. Use of Goods and services</b>		
Rent and maintenance	41,268	36,750
Telephone, postage and utilities	14,405	17,400
Publicity and Advertising	19,008	9,591
Medical scheme and insurance expenses	32,138	37,011
Training and conferences	44,497	44,067
Motor vehicle running expenses	3,929	4,453
Subscriptions and IOSCO membership	6,294	5,275
Professional and market development services	74,586	53,666
Auditor's remuneration	1,713	1,335
Investors' education and awareness programme	9,439	3,743
Tribunal expenses	713	887
Prior years' tax settlement	(4,160)	50,004
Provision for doubtful debts	5,200	550
	<u>249,030</u>	<u>264,732</u>

<b>35. Repairs and Maintenance</b>	<b>Jun 2022</b>	<b>Jun 2021</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>
Internet Bandwidth & Web hosting	5,465	5,804
Software Licenses & Support	9,167	8,305
Other ICT Expenses	4,445	1,084
	71	
Printing Costs		(193)
Purchase of Stationery items	1,161	1,014
Toners & Computer Consumables	1,403	698
Equipment & Computer Maintenance	722	1,626
Maintenance of Office Furniture & Fittings	196	68
Annual Service Maintenance Contracts	20,095	13,658
Other General Office costs	1,246	1,327
	<u>43,971</u>	<u>33,393</u>

**36. Cash generated from operations**

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus for the year before tax	206,852	288,728
Adjusted for:		
Depreciation	43,926	41,335
Gains and losses on disposal of assets	(809)	(62)
Contribution to provisions	(4,260)	49,994
Working capital adjustments		
Increase in inventory	33	281
Increase in receivables	35,331	(20,090)
Increase in deferred income	(20,356)	(30,950)
Investor Compensation Fund	586,637	472,753
Increase in payables	(17,159)	149,251
90% Surplus paid to National Treasury	(165,880)	(297,588)
Net cash flow from operating activities	<u>664,315</u>	<u>653,652</u>

**37. 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.

The Entity's financial risk management objectives and policies are detailed below:

**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 an Authority-wide basis. The Authority does not grade the credit quality of financial assets that are neither past due nor impaired.

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.

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
<b>At 30 June 2022</b>				
Held-to-maturity investments	989,851	-	-	989,851
Staff loans and advances/ fund	375,246	-	-	375,246
Trade receivables	27,555	-	-	27,555
Other receivables	12,068	-	-	12,068
Cash at bank, in hand and deposits	71,652	-	-	71,652
Maximum exposure to credit risk	<u>1,476,372</u>	<u>0</u>	<u>0</u>	<u>1,476,372</u>

**As at 30 June 2021**

Held-to-maturity investments	966,253	-	-	966,253
Staff loans and advances/ fund	376,035	-	-	376,035
Trade receivables	37,467	-	-	37,467
Other receivables	7,722	-	-	7,722
Cash at bank, in hand and deposits	60,026	-	-	60,026
Maximum exposure to credit risk	<u>1,447,503</u>	<u>0</u>	<u>0</u>	<u>1,447,503</u>

The ageing analysis of past due but not impaired trade receivables

	2022 Shs'000	2021 Shs'000
Over 6 months	<u>0</u>	<u>0</u>

**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>Period ended 30 June 2022</b>					
Trade payables	4,706				4,706
Other payables	53,969	5,804	4,515		64,288
Provision for liabilities and charges	14,182			92,032	106,214
Gratuity obligations	37,759				37,759
	<u>110,616</u>	<u>5,804</u>	<u>4,515</u>	<u>92,032</u>	<u>212,967</u>
	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>Period ended 30 June 2021</b>					
Trade payables	1,213				1,213
Other payables	60,681	2,688	2,403		65,772
Provision for liabilities and charges	56,408			92,876	149,284
Gratuity obligations	9,482				9,482
	<u>127,782</u>	<u>2,688</u>	<u>2,403</u>	<u>92,876</u>	<u>225,750</u>

### 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 ended 30 June 2022 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 surplus would be lower/higher by Kshs 2.681 million.

#### Price risk

Marketable instruments held by the Authority include Treasury Bonds and Treasury Bills whose market prices are subject to change. The Authority reviewed the portfolio, set exposure limits and responded 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 and has very limited exposure on transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

**38. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the Authority include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's equity interest. The Government of Kenya has not provided any guarantees to the Authority.

Other related parties include:

- i. The National Treasury
- ii. Other Financial Regulators
- iii. Other State Corporations and Semi-Autonomous Government Agencies
- iv. Board Of directors
- v. Key Management

	2022 Kshs	2021 Kshs
<b>Transactions with related parties</b>		
<b>a. Sales to related parties</b>		
Others (specify) Bond Approval fees	532,240	615,897
Salaries for seconded staff	<u>5,338</u>	<u>2,950</u>
<b>Total</b>	<u><b>537,578</b></u>	<u><b>618,847</b></u>
<b>b. Purchases from related parties</b>		
Purchases of electricity from KPLC	4,261	4,621
Training and conference fees paid to govt. Agencies	<u>13,315</u>	<u>10,054</u>
<b>Total</b>	<u><b>17,576</b></u>	<u><b>14,675</b></u>
<b>c. Grants /transfers from the government</b>		
Donations in kind- FSSP Consultancy payment.	<u>11,733</u>	<u>-</u>
<b>Total</b>	<u><b>11,733</b></u>	<u><b>-</b></u>

**39. Events after the Reporting Period**

There were no material adjusting and non- adjusting events after the reporting period.

**40. Ultimate and Holding Entity**

The Capital Markets Authority is a Semi- Autonomous Government Agency under the National Treasury. Its ultimate parent is the Government of Kenya.

**41. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

APPENDICES:

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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)
During the previous year, the Authority Auditor's Report was unmodified/unqualified. There were no issues for follow up					



Chief Executive Officer



Chairman of the Board

Date: 31/08/2022

Date: 31/08/2022

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**APPENDIX II- INTER ENTITY TRANSFERS**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/ Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
FSSP	See Appendix 3	Recurrent	11,732,695	11,732,695	-	-	-	-	11,732,695
National Treasury	See Appendix 3	Others/ Reimbursement	5,337,229	5,337,229	-	-	-	-	5,337,229
<b>Total</b>			<b>17,069,924</b>	<b>17,069,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,069,924</b>

As per note 7 - Donor Fund income: The Authority received support from FSSP, and the funds were paid directly to the consultants.

The above amounts have been communicated to and reconciled with FSSP-Project implementation Unit of the National Treasury

Senior Manager Accounting & Finance

Capital Markets Authority

Sign 

**KEY:**

**FSSP** : Financial Sector Support Project : This is a World Bank funded project that strengthens the legal regulatory and institutional environment for improved financial stability.

**CAPITAL MARKETS AUTHORITY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2022**

**APPENDIX III: RECORDING OF TRANSFERS FROM DONORS**

ENTITY NAME: CAPITAL MARKETS AUTHORITY				
Break down of Transfers from Donors				
FY 2020/2021				
a. Reimbursements for Capacity building Technical Costs.				
		Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
b. Other Payments - Reimbursement				
Details of the Payment		Transaction Description	Amount (Kshs)	
	Reimbursements for National Treasury Seconded staff	02/07/2021	2,225,096	2021/2022
	Reimbursements for National Treasury Seconded staff	02/07/2021	833,855	2021/2022
	Reimbursements for National Treasury Seconded staff	02/07/2021	1,032,188	2021/2022
	Reimbursements for National Treasury Seconded staff	30/06/2022	1,246,090	2021/2022
			5,337,229	
b(ii) Donor funded Consultancies .				
	Consultancy to Develop an Oversight Framework and Capacity Building SROs Supervision	Contra-Donor Funded Consultancies and Donor Funding income	11,732,695	2021/22
		Total	11,732,695	
		GRAND TOTAL	17,069,924	

*As per note 7 - Donor Fund income : The Authority received support from FSSP, and the funds were paid directly to the consultants.*