

REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 26 SEP 2023 DAY: Tuesday

TABLED  
OF  
CLERK-AT  
THE TABLE

Hon. Kimani Njoroge (Leader  
of the Majority Party)

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**CAPITAL MARKETS AUTHORITY**

**FOR THE YEAR ENDED  
30 JUNE, 2023**



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**CAPITAL MARKETS AUTHORITY**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2023**

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

**CAPITAL MARKETS AUTHORITY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

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## **1. ABBREVIATIONS**

CEO	Chief Executive Officer
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
ERP	Enterprise Resource Planning- software
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
ISO	International Organization for Standardization
L&D	Learning and Development
TNT	The National Treasury
NSSF	National Social Security Fund
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SC	State Corporations

## 2. 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 to The National Treasury;
- ii. Six other members appointed by the Cabinet Secretary;
- iii. The Principal Secretary to The National Treasury (TNT) 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 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 Corporation (CDSC) 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

The Trusted Regulator of An Inclusive Capital Markets.

#### Our Mission

To regulate and promote the development of an orderly, fair, efficient capital and commodities markets that safeguard stakeholder Interests.

#### Core Values

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

- |  |  |
|--|--|
| <b>1. C - Customer focus</b>                 | We are dedicated to providing exceptional service and value to our customers, and we strive to exceed their expectations in every interaction.   |
| <b>2. A - Accountability and Integrity</b>   | We are committed to acting with honesty, fairness, transparency, ethically and above board in all of our operations.   |
| <b>3. P - Professionalism</b>                | We are committed to upholding the highest standards of behavior, ethics, and expertise in all of our interactions.   |
| <b>4. I - Innovativeness</b>                 | We embrace creativity and innovation as the driving force behind our success, constantly seeking new and better ways to meet the needs of our customers and stay ahead of the competition. |
| <b>5. T - Teams and Trustworthiness</b>      | We encourage open communication, mutual respect, and shared decision-making among our employees and partners.  |
| <b>6. A- Agility and continuous learning</b> | We are committed to adapting quickly to changing circumstances, embracing new ideas and technologies, and continuously developing our skills and knowledge.                                |
| <b>7. L - Leadership</b>                     | We are committed to leading by example, setting high standards, and inspiring others to achieve their full potential.  |

### c) Key Management

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

- Board of Directors (BOD).
- The Chief Executive (CE).
- Directors and Senior Management.
- Various Management Committees.

### d) Fiduciary Management

The key management personnel who held office during the period and who had direct fiduciary responsibility were:

Designation	Name
1. Chief Executive	Wyckliffe Shamiah
2. Director Corporate Services	Edwin Nyaga Njamura
3. Director, Policy & Market Development	Luke Ezekiel Ombara
4. Acting Director Market Operations	Daniel Ngenga Warutere
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. Acting Senior Manager, Market Supervision	Evelyne Loko Mbithi
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
19. Acting Senior Manager Investigations and Enforcement	Lawrence Mumina

### 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 Dr. Freshia Mugo up to 24<sup>th</sup> February 2023 and subsequently by Mr. Moses Meshack Kiprono. 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.

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

This committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. Peter Mungai up to 24<sup>th</sup> February 2023 and subsequently by Mr. Gibson Kimani Maina. It has oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of financial

statements. The committee met five times during 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 up to 24<sup>th</sup> February 2023 and subsequently by Prof. Michael Bowen. 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.

#### **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 Mr. John Birech up to 24<sup>th</sup> February 2023 and subsequently by Ms. Elena Natalia Pellegrini. It is responsible for considering technical and policy matters of the Authority, including reviewing the Authority's strategy and continuous oversight of the review of the capital market legal and regulatory frameworks. The committee met six times during the year.

### **3. THE BOARD OF DIRECTORS/ BOARD MEMBERS**

<b>NAME</b>	<b>POSITION</b>
Mr. Ugas Sheikh Mohamed	Chairman of the Board (Effective 24 <sup>th</sup> February 2023)
Mr. Nicholas Nesbit	Chairman of the Board (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Wyckliffe Shamiah	Chief Executive
Hon. Prof. Njuguna Ndung'u	Member: Cabinet Secretary, The National Treasury & Economic Planning
Mr. Musa Kathanje	Alternate to Cabinet Secretary, The National Treasury
Hon. Justin B. N. Muturi E.G.H	Member: Attorney General
Ms. Christine Kanini	Alternate to Hon. Attorney General
Dr. Kamau Thugge	Member: Governor, Central Bank of Kenya
Mr. David Luusa	Alternate to Governor, Central Bank of Kenya
Mr. Meshack Moses Kiprono	Member(Effective 24 <sup>th</sup> February 2023)
Mr. Gibson Kimani Maina	Member(Effective 24 <sup>th</sup> February 2023)
Ms. Elena Natalia Pellegrini	Member(Effective 24 <sup>th</sup> February 2023)
Ms. Natasha Awuor Aduwo	Member(Effective 24 <sup>th</sup> February 2023)
Prof. Michael Bowen	Member(Effective 24 <sup>th</sup> February 2023)
Mr. Nicholas Kamuya Ngarua	Member(Effective 26 <sup>th</sup> May 2023)
Mr. Nicholas Nesbitt	Former Board Chairperson (Term ended effective 24 <sup>th</sup> February 2023)
Mr. John Birech	Member (Term ended effective 24 <sup>th</sup> February 2023)
Dr. Freshia Mugo- Waweru	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Peter Mungai	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Mark Bichachi	Member (Term ended effective 24 <sup>th</sup> February 2023)
Mr. Eli Mwangi	Member (Term ended effective 24 <sup>th</sup> February 2023)

## COMPOSITION OF THE BOARD

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 eight times.

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

### 1. Mr. Ugas Sheikh Mohamed



Mr. Ugas Sheikh Mohamed was appointed the Chairperson of the Board of Directors of Capital Markets Authority, for a period of three years, with effect from the 24 February 2023.

Mr. Mohamed has 27 years' experience in strategic management, leadership and as a development specialist. He has worked with Fortune 500, blue chip companies in the USA such as Microsoft, Verizon Communications at various levels of management. He has worked in the Information, Communication and Technology sector at executive, engineering, senior project management, and consultant levels. He is a humanitarian and social justice advocate for the underprivileged. He is a founding member and chairman of board of global non-profit based in the USA. He is currently in private business practice, as well as serving as a board director and trustee of several private businesses, non-profits, and endowments.

Mr. Mohamed is a holder of a Bachelor of Science degree in Information Systems from the University of Phoenix, and Master of Business Administration (MBA) from the University of Dallas, Texas. He holds high level certifications from Microsoft, HP storage SAN systems, ITL, Compaq, VMware cloud computing, Virtualization, and a PMP.

He previously served as a board member at the ICT Authority for 3 years and as a Board of Governor and Council Member at Kenya Technical Trainers College (KTTC) for 6 years.

### 2. Hon. Prof. Njuguna Ndung'u (Cabinet Secretary, The National Treasury & Economic Planning)



Prof. Njuguna Ndung'u is the Cabinet Secretary, The National Treasury & Economic Planning. He was appointed Cabinet Secretary by President William Samoei Ruto on September 27, 2022. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an associate professor of economics at the University of Nairobi, Kenya and a former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist

at International Development Research Centre (IDRC) and Team Leader in Macro-modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from University of Gothenburg, Sweden. He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion, that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF-based Better Than Cash Alliance.

### 3. Mr. Musa Kathanje (Alternate to Cabinet Secretary, The National Treasury)



Mr. Musa Kathanje was appointed to the Capital Markets Authority Board as the Alternate to the Cabinet Secretary, 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 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 Central Bank of Kenya (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 of Kenya.

Mr. Kathanje has attended various trainings by among others, the International Monetary Fund 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 master's 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 (MPC) meetings (May 2017 to date) and is an Alternate to the Cabinet Secretary, The National Treasury and Economic Planning at the Vision 2030 Delivery Secretariat Board (4<sup>th</sup> September 2019 to date). He also represents the Principal Secretary at the National Development Implementation Technical Committee (NDITC) Programmes and Policies Sub-committee (July 17<sup>th</sup>, 2019 to date). He has previously served as the Alternate to the Cabinet Secretary, The National Treasury and Economic Planning at the Konza Technopolis Board (14<sup>th</sup> October 2015 to September 30, 2019) and at the Kenya Institute of Public Policy Research and Analysis (KIPPRA) (14<sup>th</sup> October 2015 to August 19, 2019).

#### 4. Hon. Justin B. N. Muturi E.G.H



Hon. Justin B. N. Muturi E.G.H is the Attorney General of the Republic of Kenya. He serves as a Director on the Board of Directors of the Capital Markets Authority. Prior to the current appointment, Hon. Justin B.N Muturi was serving as the Speaker of The National Assembly and Chair, the Parliamentary Service Commission (PSC). He has served in several capacities in the Republic of Kenya including Chairman of the Centre for Multiparty Democracy, Member of the National Assembly, Siakago Constituency, Embu County and the Judiciary where he served for 15 years as Principal Magistrate at the Nairobi Law Courts and Chairperson of the Kenya Judges

and Magistrates Association.

Hon. Justin B. N. Muturi E.G.H is a member of the Law Society of Kenya (LSK), Commonwealth Lawyers Association (CLA), and International Bar Association (IBA).

Hon. Justin B. N. Muturi E.G.H has been the President of the Board of the African Parliamentarians Network Against Corruption (APNAC), and Chairperson of the Executive Committee of the Commonwealth Parliamentary Association (Africa Region).

#### 5. Alternate to Hon. Attorney General: Ms. Christine Kanini

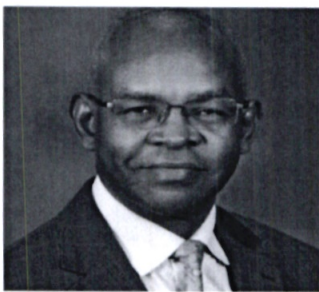


Ms. Christine Kanini is a Deputy Chief State Counsel at the Office of the Attorney General in the Government Transactions Division. She serves on the Board of the Capital Markets Authority as an alternate to the Hon. Attorney General.

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. Christine Kanini served as a Legal Associate at the law firm of A.B. Patel & Patel Advocates and Mburu Kariuki & Company Advocates . Ms. Christine 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. Kamau Thugge (Governor, the Central Bank of Kenya)



Dr. Kamau Thugge C.B.S., is the tenth Governor of the Central Bank of Kenya (CBK), and has been in office since June 19, 2023.

Dr. Thugge joined CBK after a long and distinguished career in the international and Kenyan public service. He worked in the International Monetary Fund (IMF) in both policymaking and non-policymaking departments. These include the Policy Review and Development Department and the Trade Policy Division. In these roles, Dr. Thugge helped to design the Highly Indebted Poor Countries Initiative (HIPC) as well as other policy initiatives. He also worked on various Article IV missions. Dr.

Thugge also served as Mission Chief to Botswana and Lesotho in the wake of the global financial crisis.

Dr. Thugge has held various senior roles in Kenya, including as the Head of the Fiscal and Monetary Affairs

Department at The National Treasury, as Economic Secretary and as Senior Economic Advisor. Dr. Thugge also served as Principal Secretary at The National Treasury, and lately as Senior Advisor to the President and Head of Fiscal and Budget Affairs. Dr. Thugge helped to design and implement various laws including the Public Finance Management Act, the Commission on Revenue Allocation (CRA) Act, the Independent Officers (Appointment) Act, the Public Procurement and Disposal of Assets Act, and many more. In these roles, he also served on various boards including that of the Central Bank of Kenya, the Monetary Policy Advisory Committee (and later the Monetary Policy Committee), the Kenya Revenue Authority (KRA) and the Capital Markets Authority.

The Governor holds a bachelor's degree from the Colorado College, and Master's and PhD Degrees in Economics from Johns Hopkins University in the United States.

#### **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 Committee of the Central Bank of Kenya.

#### **8. Mr. Meshack Moses Kiprono**



Mr. Meshack Moses Kiprono was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24th February 2023.

Mr. Kiprono is an investment and banking professional with over 14 years of experience in the capital markets. He is a graduate of Bachelor of Commerce, banking and finance from Makerere University. Throughout his career, he has developed a deep understanding of financial instruments and investment vehicles, as well as the regulatory environment that governs them. He has a track record of

success in managing complex financial transactions.

Mr. Kiprono is highly skilled in financial analysis and risk management and has a keen eye for identifying emerging trends in the market. He has expertise in equity and fixed income securities, structured products, and alternative investments.

#### 9. Mr. Gibson Kimani Maina



Mr. Gibson Kimani Maina was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Mr. Maina holds a Bachelor of Laws degree from the University of Nairobi and is an Advocate of the High Court of Kenya. He is currently serving as a Partner at Kilukumi & Company Advocates which specializes in commercial transactions and corporate governance. He has developed extensive knowledge in commercial transactions and a deep understanding of the legal and regulatory environment.

He brings valuable legal expertise and unique perspective which helps to navigate complex legal and regulatory challenges leading to informed strategic decision and mitigation of legal risks.

#### 10. Ms. Elena Natalia Pellegrini



Ms. Elena Natalia Pellegrini was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Ms. Pellegrini's career in financial markets spans over 15 years, her primary focus is on client and relationship management, working to develop strategies and enhance client offerings in the forex, commodities and in capital markets space. She has worked for several financial institutions including Standard Bank of South Africa, Chicago Mercantile Exchange Group (CME), and ICBC Standard Bank in the

United Kingdom.

Throughout her career, she has developed analytical skills, the ability to understand complex financial markets and has held a specialist role in regulatory reporting, providing solutions to clients that ensured reporting was in line with the appropriate governing body. Most recently in the capital markets space, working closely with the business to enhance the post-trade services for all Exchange-Traded Derivatives (ETDs), cash equities and fixed income to reduce risk and drive efficiencies across bilateral and triparty post trade interactions.

Ms. Pellegrini holds a Bachelor of Science degree in Psychology from Middlesex University in London.

#### 11. Ms. Natasha Awuor Aduwo



Ms. Natasha Awuor Aduwo was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Ms. Aduwo holds a Bachelor of Laws degree from the University of Nairobi. She is a legal consultant, a Certified Mediator, and a member of Federation of Women Lawyers-Kenya. She is also a board member at Safe Hands Trust, an organization that focuses on children in conflict with the law.

Ms. Aduwo is a purpose-driven legal professional and Mediator with gained skill set and wealth of knowledge on legal matters. She is adept at drafting and reviewing legal contracts and agreements, client management and general office management.

Led by her strong problem-solving and organizational skills, she has established a unique ability to steadfastly manage numerous duties and responsibilities pertinent to a company's growth.

## 12. Prof. Michael Bowen



Prof. Michael Bowen was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 24 February 2023.

Prof. Bowen is an Associate Professor of Environmental Economics and is currently the Principal of the Nairobi Campus of Daystar University. Before this, he was the Director of Research at Daystar University between 2015 to 2019 and Deputy Director, Quality Assurance between 2013 to 2015 in the same institution. In the period between 2005 and 2012, he was a senior researcher within the same university. Earlier in his academic career he taught at Kenya Methodist University where he rose to head the Department of Business Administration. Between 2012 and 2014 he was a council member at Daystar University representing the staff. He previously chaired the Board of IDB Capital, a parastatal under the Ministry of Industry and Trade. Prof. Bowen has supervised more than 100 Masters and PhD students to completion. He has been involved in several funded research and his publications are listed on Google Scholar and Research Gate with 740 citations on former, with the leading paper cited 653 times.

Prof. Bowen has presented papers in international conferences in the USA, Netherlands, Hong Kong, Japan, Dubai, South Africa, UAE, Kenya, Tanzania and Uganda. He has been an external examiner for National University of Science and Technology (Zimbabwe), Jomo Kenyatta University, Kenya Methodist University, Moi University, Africa Nazarene University, Management University of Africa and University of Eldoret. He has also been an editor and reviewer of several journals. In addition, he has been part of teams in writing several academic programs from Undergraduate to PhD.

He holds a PhD in Environmental Economics from Moi University.

## 13. Mr. Nicholas Kamuya Ngarua



Mr. Nicholas K. Ngarua was appointed to the Board of the Capital Markets Authority as an independent member for a period of three years, with effect from 26th May 2023.

Mr. Ngarua's areas of practice and key highlights include tax advisory work including but not limited to issuing advisory opinions to clients in relation to tax demands made by the Kenya Revenue Authority and assisting the firm in matters before the Tax Appeals Tribunals. He also deals with general tax consultancy, including issuing advisory opinions on tax optimization for clients, advising on transfer pricing policies, and general taxation liabilities for entities in Kenya.

Mr. Ngarua is an Advocate of the High Court of Kenya (LL.B Hons) (Dip. KSL), a Commissioner of Oaths/Notary Public and an Associate Member, Chartered Institute of Arbitrator.

#### 14. 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 (DMO) 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 from 2009 to 2022.

#### 15. Hellen Ombati



Company Secretary (CS). H. K Ombati is the Director Legal and Company Secretary of the Capital Markets Authority.

She 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) degree 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 (KISM). She also holds a Diploma in French from Alliance Française, Paris.

She 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.

#### 4. KEY 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, Certificate in Public Policy



**Luke Evans Ombara**

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



**FCPA Esther J. Maiyo**

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



**Hellen Ombati**

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



**Solomon C. 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 Ag. Director Market Operations  
 Date joined the Authority November 10, 2008  
 Profession Lawyer,  
 Key qualifications LLB, CPS, CPA, Post Grad Cert, Capital Markets



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**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



**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 July 16, 2002  
Profession Researcher  
Key qualifications BSc, MBA



**Jeremiah Yego**

Position	Principal Supply Chain Management Officer
Date joined the Authority	1 August 2017
Profession	Supply Chain Management
Key qualifications	BA,KISM,CIPS,SMC



**KEY**

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

## 5. CHAIRMAN'S STATEMENT



### Overview of the Global Economy

In 2023, global Gross Domestic Product (GDP) growth is projected at 2.7 percent, one of the lowest annual growth rates in recent times, a performance that only comes close to the COVID-19 peak period in 2020. The main factors responsible for this slowdown include steep rises in energy costs and commodity supply bottlenecks instigated by the conflict in Eastern Europe, resulting in inflationary pressure, interest rate hikes and currency volatility. Significantly, the 2023 slowdown appears broad-based, with countries accounting for about one-third of the global economy poised to register significant contraction.

Emerging markets are projected to register substantial growth, with among others, China, Brazil, India, Mexico and Russia anticipated to post growth improvements. China is anticipated to register a growth rate of about 5.6 percent from 5.2 percent in 2022, while the USA is forecast to grow by about 1.2 percent in 2023 compared to -1.0 percent in 2022. Eurozone growth is forecast at 0.8 percent for 2023 compared to -3.2 percent in 2022).

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

In 2023-24, Africa's average real GDP growth is anticipated at 4.1 percent compared to 3.8 percent in 2022). This growth will be above the global average of 2.7 percent and Europe's 0.8 percent. This growth however, compares well with Asia's projected 4.3 percent growth, fueled by strong consumption and investment that could offset the impact of weak global demand. Africa's growth will be affected by risks including high global interest rates and a strong dollar while the continuing war in Eastern Europe is likely to worsen food insecurity and further push up basic commodity prices.

The East African Community (EAC) regional block is anticipated to register improved growth at 5.1 percent in 2023 compared to 4.4 per cent in 2022. This growth will be supported by relatively high growth in Ethiopia, Rwanda and Uganda (which when combined, have been accounting for about 41 percent of the region's GDP). Kenya and Tanzania are also expected to register growth amidst shocks emanating from extended periods of drought, internal challenges, disruptions to global supply chains, tight monetary and fiscal policy to contain inflation, contractions in agriculture and manufacturing activities, weak growth in credit to the private sector and a rise in public debt.

### Domestic Performance and National Outlook

Kenya's GDP is projected to grow at 5.6 percent compared to 5.5 percent in 2023, driven by growth in the services industry and household consumption in spite of some downside risks including inflationary pressure, driven by food and energy price rises. Monetary policy is expected to remain tight against a backdrop of the war in Eastern Europe that has adversely impacted commodity prices, tight global financing, drought, and slow global economic recovery.

### Appreciation and Outlook

Given the better performance of the country's capital markets during the financial year that included significant improvement in bond turnover, oversubscribed issuances in the bond market and facilitative policy changes that were approved by The National Treasury & Economic Planning, we have reason to believe that the country's capital markets is on the rebound. We are confident that our stakeholders will continue playing their critical role in driving uptake of Kenya's Capital Markets products to support the Government's socio-economic transformation agenda.

I take this opportunity to thank the Government of Kenya (GOK) through The National Treasury & Economic Planning, development partners, Government Agencies and Departments and Financial Sector Regulators for

supporting the Authority in this endeavor.

Finally, I thank Authority's Board of Directors and staff for their invaluable contribution as we strive to place the country's capital markets on a higher pedestal.

We are excited about the future of the country's Capital Markets and wish our stakeholders a rewarding year ahead.



.....  
**Chairman**

## 6. REPORT OF THE CHIEF EXECUTIVE

It is yet another time to review our performance, this time for the Financial Year 2022/23!

### I. Market Performance

#### Primary Market

One of the key developments during the Financial Year was the listing of the LapTrust Imara I-REIT by the Local Authorities Pension Trust (LAPTRUST) - the first Income-Real Estate Investment Trust (I-REIT) by a pension fund at the Nairobi Securities Exchange (NSE). This major milestone is expected to provide investors with a unique opportunity to invest in a diversified portfolio of income-generating real estate assets when the I-REIT starts to trade.

In the commodities markets, coffee reforms took centre stage, with the Authority receiving approval by Parliament to regulate the coffee sector. To this end, the Authority has hitherto licensed 12 coffee brokers and extended the in-principle approval of the Nairobi Coffee Exchange (NCE) to continue operating as a coffee exchange which will be followed by the granting of a license, upon compliance with the regulations.

In addition, the effort to effect policy and regulatory reforms for improved uptake gathered momentum during the year, with some key pieces of legislation getting submitted to The National Treasury & Economic Planning for consideration and possible gazette. These were the Credit Rating Regulations and the Collective Investment Schemes and Alternative Investment Funds Regulations.

Further, as a way of facilitating the market to do more equity issuances, together with industry players, the Authority hosted a number of stakeholder events including the annual SME forum, the third Capital Markets Consultative Forum (CMCF III) and engaged with select counties and enterprises within those counties, to interest them in capital markets. In the primary bond market, 34 Treasury Bonds (2021/22 - 32) were issued or re-opened, as the Government of Kenya sought to raise Kshs.887.8 billion (2021/22 - Kshs.881.50 billion). In response, Kshs.988.55 billion worth of bond applications were received (2021/22 - Kshs.1,144.66 billion), with the Government accepting Kshs.829.95 billion (2021/22 - Kshs.888.66 billion).

As regards the corporate bond market, during the year, the market was relatively quiet, with the total outstanding amount totalling Kshs.29 billion.

#### Secondary Market

In the secondary market, most of the challenges experienced in 2021/22, got carried over to 2022/23 as tighter macro-economic conditions instigated by the impact of COVID-19, global supply chain constraint and rising energy costs led to rising costs of living, volatile exchange rates, rising interest rates and rapidly rising input costs persisted during the year.

Against the foregoing backdrop, during the Financial Year ended June 30 2023, equity turnover totalled Kshs.99.4 billion (Kshs.191.49 billion - 2021/22), a 48.1 percent decrease on the equity turnover levels recorded in the previous period. The end-period NSE 20-Share index was down by 2.35 percent (2021/22 - 16.32 percent) to close the year at 1574.92 points (2021/22 - 1612.89 points).

As regards market capitalization, as of June 2023, the market's value was Kshs.1.67 trillion (June 2022 - Kshs.1.93 trillion), a 13.47 percent decrease. The performance decline notwithstanding, there was some significant positive performance in the Collective Investment Schemes market, the Exchange Traded Funds market and the Agricultural Sub-Segment within NSE Main Market Segment.

With regards to the derivatives market launched in 2019, the derivatives market traded a cumulative turnover of Kshs.88.67 million (2021/22 - Kshs.213.9 million), a 58.5 percent decrease in derivatives market activity. As regards foreign portfolio flows, 2022/23 registered outflows worth Kshs.27.2 billion (2021/22 - Kshs.19.8 billion worth of outflows) a 37.4 percent rise in net outflows.

In the secondary bonds market, during the Financial Year, the country's bond market turnover stood at Kshs.665.15 billion (2021/22 – Kshs.872.97 billion) a 23.81 percent decrease.

## **II. Major Market Developments**

Below is a highlight of some of the key market developments during the Financial Year.

i. In close collaboration with the capital markets industry, the Authority held a two-day consultative workshop on May 9<sup>th</sup> and 10<sup>th</sup>, 2023 to discuss the bottlenecks faced by the market in the implementing Circular No. 8 of 2020 on Collective Investment Schemes (CISs) Valuation, Investment Performance Measurement, Reporting and other related matters. In this regard, subject to stakeholder input, the Authority has made recommendations to have the provisions in the circular included in the substantive CIS Regulations.

ii. The Authority undertook a number of initiatives aimed at leveraging technology to enhance customer experience. These included:

- a) Launch of a retail digital trading application that is downloadable on play store for Android and IOS users aimed at facilitating retail investors with direct access to trade stocks with participating intermediaries as well as have access to market data.
- b) Approval of CIS offering through mobile platforms such as MALI.
- c) Launch of the Capital Markets Authority App that is accessible on Google Play Store for both IOS and Android users to promote investor education while leveraging technology to increase product uptake.
- d) Supporting innovation of start-ups through the regulatory sandbox that provides a platform to test and exit into the mass market upon successful testing.

iii. To encourage and facilitate the uptake of capital markets products and services, the Authority undertook several stakeholder engagements including:

- a) The 3<sup>rd</sup> Annual National Capital Markets SME Forum – 10th November 2022,
- b) The 3<sup>rd</sup> Annual Capital Markets Consultative Forum (CMCF) - 20th June 2023
- c) The Capital Markets REITs Conference – 30<sup>th</sup> November 2022
- d) The County Green Bonds Assessments conducted in collaboration with other stakeholders for Nairobi County (13<sup>th</sup> January 2023), Embu (24-27 January 2023), Kisumu (7-10 February 2023), Taita Taveta (14<sup>th</sup> - 17<sup>th</sup> February 2023), Kirinyaga (21-24 March 2023) and Wajir (15<sup>th</sup> -23<sup>rd</sup> May 2023) Counties.
- e) A Structured Finance Workshop on Exchange Traded Funds (ETFs) - 25<sup>th</sup> May 2023.
- f) An Islamic Finance Stakeholder Workshop - 14<sup>th</sup> April 2023.
- g) An engagement with the Council of Governors - May 9<sup>th</sup> 2023, and
- h) Support for the launch of the National REITs umbrella – Kenya National REITs (KNR) – 7<sup>th</sup> February 2023.

iv. In so far as Investigations and Enforcement for investor protection is concerned, the Authority undertook the following initiatives:

- a) Investor protection initiatives aimed at boosting investor confidence including Capital Market investigation and enforcement processes, the online whistle blower portal and reporting via email;
- b) Issuance of investor alerts and market arbitration;
- c) Collaboration with global regulators under IOSCO Multilateral Memorandum of Understanding (MMoU) to bolster information sharing and cross border fraud deterrence initiatives;
- d) Collaborative capacity building across the region for peer regulators on investigations & enforcement processes for global competitiveness for among others; Malawi, Botswana and Zambia and
- e) Stakeholder engagements for market fraud deterrence by closely working with other state agencies including financial industry regulators and agencies (Capital Markets Fraud Investigations Unit (CMFIU), Criminal Investigation Department (CID) and the Office of the Director of Public Prosecutions (ODPP).

### III. Financial Highlights

RESULTS		As at June 30, 2023 Kshs '000	As at June 30, 2022 Kshs '000
The results for the year are summarised below:-	<b>Notes</b>		
Total income for the year	6-9	<u>872,016</u>	<u>1,095,800</u>
Total operating expenditure for the year	29	<u>(839,565)</u>	<u>(888,948)</u>
Surplus before tax		<u>32,451</u>	<u>206,852</u>
90% Surplus due to Exchequer	11(a)	<u>-</u>	<u>(147,557)</u>
<b>Retained Surplus</b>		<u><b>32,451</b></u>	<u><b>59,295</b></u>

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

  
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Mr. Wyckliffe Shamiah, FCPA  
Chief Executive Officer

## **7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements, a statement of the National Government entity's performance against predetermined objectives.

The Capital Markets Authority has six (6) strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022-2023. These strategic pillars/ themes/ issues are as follows;

- i. Pillar /theme/issue 1: Ensure sound market infrastructure, institutions and operations.
- ii. Pillar/theme/issue 2: To ensure a robust, facilitative, and responsive policy and regulatory framework for capital market development and efficiency.
- iii. Pillar /theme/issue 3: To facilitate the development, diversification and uptake of capital market products and services.
- iv. Pillar /theme/issue 4: Enhancing Strategic Influence.
- v. Pillar /theme/issue 5: Leveraging technology to drive efficiency in the capital markets value chain.
- vi. Pillar /theme/issue 6 Ensure optimal institutional efficiency and effectiveness of CMA.

The Capital Markets Authority developed its annual work plans based on the above six (6) pillars/themes/issues. The 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 2022-2023 period for its six (6) strategic pillars, as indicated in the table below:

Table 2: Performance against predetermined objectives.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
To facilitate the development, diversification, and uptake of capital market products and services	Sustain market vibrancy by enhancing liquidity through existing capital markets products and services	Increased market liquidity by facilitating optimal product and services uptake and market deepening	Undertake targeted supply-side promotion of non-traditional capital markets products including Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), Asset-Backed Securities (ABS), and Spot Commodities.	Identification of 3 potential structured product issuers and product concepts with an engagement schedule.	3 engagements were held with potential ABS (1), REITs (1), and ETF Issuers (1). 5 new coffee brokers were licensed.
			Review existing milestones and determine the next steps towards enabling issuance and disbursement of Islamic Finance Capital Market products.	Approved road map and implementation framework toward issuance and disbursement of Islamic Finance Products	A Workshop was held in April 2023 and a roadmap was developed. Follow-up meeting with potential issuer held with CBK in May 2023.
			Review private equity deals and understand key competitive advantages over going public	One policy advisory on encouraging private markets issuer participation in the capital markets.	-
Support alternative approaches to increase retail and institutional investors and participants in the capital markets	Support alternative approaches to increase retail and institutional investors and participants in the capital markets	Increased mobilization of savings and investments through transformative access to mobile and other online technology to retail and institutional investors.	Implement recommendations of the concluded Investor Education Measurement Index (IEMI) Survey as per the implementation matrix by June 2023.	Implement 100% of the new recommendations from the IEMI Survey.	Action Plan developed, approved, and implemented.
			Facilitate increase of domestic retail investment in Collective Investment Scheme (CIS) by leveraging technology	Total Assets Under Management by Collective Investment Schemes to increase by 10%.	AUM Increased by 12 % from 144 bn in July 2022 to 161 Bn in March 2023.
			Implement a continued and innovative framework for	20% increase in the number of domestic retail investors	300% increase in App. Users from 1668 in July 2022 to 6700 in June 2023.

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Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			partnering with industry stakeholders and professionals.	participating through the CMA Mobile App.	'Dosika' App. Launched in March 2023. The Authority recruited and trained 38 resource persons covering 14 Counties as part of a new outsourcing strategy. Several forums were held during the period both in the County and online during the period.
				Roll out of continued innovative forums such as Virtual Open Days and edutainment challenges targeting various demographic groups.	A Fintok competition was held as part of World Investor Week 2022. An Edutainment video was developed and posted on social media as follows. <a href="https://fb.watch/hqyYLrQFLT/">https://fb.watch/hqyYLrQFLT/</a>
			Enhance professional standards within the capital markets for accelerated product uptake and investor protection by facilitating the implementation of a roadmap for the delivery mechanism of professional training programs for capital markets stakeholders.	Implement a roadmap for the delivery mechanism of professional training programs for capital markets stakeholders and further realignment of the certification unit to support the initiative by June 2023.	Following the completed benchmarking to India as part of the establishment of a training delivery mechanism, a report was developed and presented to management and the Board. Modalities for collaborations with institutions are underway as per the roadmap.
				Phase 1 of the continuous professional education (CPE) program for retail investors who participate in our	CPE program to be actualized as part of the new upcoming Strategic Plan.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
				programs during the awareness webinars/forums implemented.	
			Engage with private equity firms and banks to identify potential issuers that are under private equity deals or need to restructure their financing and promote public listing as a suitable exit strategy.	Private equity firms operating in Kenya and banks are identified and engagements documented	To be implemented in the next strategic plan.
			Engage with Government entities involved in structuring public-private partnerships (PPPs) to consider public listing as a suitable privatization strategy	Five Public-owned entities/PPPs are identified as potential issuers and engagements are documented.	
			Implement county financing strategy, including capacity building for counties on the practicalities of accessing capital markets.	Amount of county project financing raised through capital markets	The Authority in partnership with FSD Kenya, NSE, Augusto & Co, and Ada Consortium, undertook engagements in Nairobi, Embu, Kisumu, Taita Taveta, Kirinyaga, and Wajir Counties. The engagements were aimed at assessing the project readiness for green bond investments in these Counties.
To ensure a robust, facilitative, and Responsive policy and regulatory framework for capital market development and efficiency	Support market-based long-term funding for all sizes of businesses to jump-start economic recovery and growth.	Significant increase in the utilization of capital markets and listings by Micro, Small, and Medium Enterprises (MSMEs),	Develop an annual memorandum of policy proposals to promote capital market development, regulatory responsiveness, and product uptake	Memorandum of Annual policy proposals submitted to the National Treasury by April 2023.	The Policy Roundtable was held on 3rd November 2022 and the Policy Memorandum was submitted to the National Treasury and Economic Planning on 16th December 2022.
			Implement the stakeholder engagement and advocacy	A documented pipeline of potential	Structured approaches to engaging stakeholders identified and are

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
		existing and potential large-cap businesses, and Counties to fund their longer-term development initiatives.	strategy to promote equity and debt as an avenue for fundraising by Micro, Small, and Medium Enterprises (MSMEs)	equity and debt issuers.	currently under implementation. Prospects emanating from the engagements and advocacy are to be documented in the next quarter.
			Facilitate the approval process through active engagement for issuers desirous of raising capital from the capital markets.	Two (2) issuers of securities to the public.	Two (2) REITs were approved for listing (Laptrust and Insignis).
			Examine and implement light disclosure regulations for Private Equity (PE) firms operating in Kenya but domiciled in other countries	80% increase in institutional funds exposure to PE asset class by June 2023	Draft Private Equity Regulations have been developed. The Regulations will be progressed to finalization in the next financial year.
		Policy, Regulatory and operational framework to support the real sectors	Review of the following draft Regulations/ Guidelines: - 1. The Capital Markets (Licensing Requirements) (General) Regulations, 2002 2. The Capital Markets (Conduct of Business) (Market Intermediaries) Regulations, 2011 3. The Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011 4. Guidelines on Financial Resource Requirements for Market Intermediaries, 2022 5. Credit Rating Agencies Oversight Guidelines, 2002 6. Margin Trading Regulations 2023 7. Capital Markets Registered Venture Capital Regulations 2007	Drafting and Submission of regulations to NT&EP	The Draft Capital Markets (Licensing Requirements) and (Takeovers and Mergers) Regulations have been developed and submitted to the National Treasury on 30.06.2023. The remaining set of regulations will be finalized in the next financial year 2023-2024.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			8. Gap analysis and impact assessment of Mergers and Takeovers regulations		
			Development of a Policy and Regulatory Framework on implementation of Integrated Reporting (IR) and Environment Social and Governance (ESG) for Kenya	Draft Policy Framework for ESG and IR for Kenya developed by June 2023.	The ESG Policy framework was prepared and approved by the board. 1 workshop held in May 2023.
			Support the implementation of the Commodity Markets Regulations through harmonization of the regulatory framework and continued stakeholder engagement.	Two (2) policy and Regulatory framework proposals/advisories.	8 stakeholder engagements were undertaken. Senate Coffee Bill 2023 was reviewed, and an advisory was submitted to CSRISC and Senate. 2 advisories on implementation challenges and fees were submitted to NT&EP and C&F respectively.
			Review the Corporate governance code for Issuers and establish a tailor-made SME-specific Code.	Reviewed CG Code	The completed new set of POLD requirements contains specific governance requirements for SMEs alongside those of other market segments. In addition, IG team developed both a strategy and a policy framework for the development of Corporate Governance Code for SMEs. The policy framework was adopted by the CMA Board in the last FY. IG will work with RF to develop the CG Code for SMEs and review the current CG Code for issuers.
			Initiate rollout of SME-specific corporate governance requirements	% Compliance Level	

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Provide clear guidelines on Group Companies seconding staff to the intermediaries and how they can become signatories.	Guideline	The draft paper is ready and will be tabled to CnF in the next financial year.
			CMA to provide guidance on outsourcing functions i.e., internal audit	Guideline	
			Coordinate the development of a national consumer financial literacy policy and strategy	National Policy Developed	This was included as part of the JFSR technical committee to lobby the NT and is ongoing.
			Implement a national consumer financial education policy and strategy, including capital markets content	Increase in retail investors	Female investors in the equities market increased by 4,176 in Q4 as of April 2023 compared to Q2 while male investors increased by 8,033 in the same period. This can be attributed to social media, investor education, and stakeholder engagements.
<b>Ensure Sound Market Infrastructure, Institutions, and Operations</b>	<b>Effective monitoring and supervision of capital market operations to minimize misconduct</b>	Enhanced investor protection and sound market institutions	Develop and implement effective Market Oversight Programs including authorization, monitoring, and sanctioning.	100% implementation of market oversight programs.	100% implemented (28 firms)
			Engage a consultant to undertake a fraud risk survey in the market to establish threats to the markets that will guide and inform the Oversight Focus.	Market Fraud risk survey findings and implementation matrix	The proposal to conduct the Fraud Risk Survey was considered by management, approved, and adopted for the consultancy to be conducted in the next financial year 2023/2024
			Engage the IOSCO screening committee to expedite the evaluation of the CMA EMMOU application for the purposes of admission and signing.	Signed EMMOU	The Authority has continued to engage the IOSCO screening committee and has provided the committee with the information, clarifications, and documents requested.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
		Maintenance of an efficient pre-trading environment including trade facilitation, access to data and information, and stable technology	<p>Market piloting of the New Risk-Based tool and automation of the tool</p> <p>Implement the SRO work plan in a phased approach as may be guided by CMA &amp; NSE boards through the joint committee deliberations and in line with the delegated responsibilities in the CMA public offers regulations.</p> <p>Conduct stress testing of the equities and derivatives markets (settlement guarantee funds) and conduct a stress testing of the stockbroking and investment banks' P&amp;L &amp; Balance Sheets</p> <p>Conduct forums on protection and detecting fraud.</p> <p>Increase trading participants/trading channels.</p>	<p>Tool operationalization</p> <p>Joint CMA &amp; NSE board approval of the agreed areas of SRO work plan implementation</p> <p>A stress testing report of the equities and derivatives markets and a stress testing report of the stockbroking and investment banks P&amp;L &amp; Balance Sheets</p> <p>Number of Forums</p> <p>Two new approved (additional) Market participants/trading channels</p>	<p>The tool was developed, piloted, and automated ready for roll out to the market by August 2023 as per the Market supervision inspection manual and ISO procedures.</p> <p>The Authority has been working closely with NSE, and a joint committee was formed to discuss the SRO responsibilities and issues on capacity.</p> <p>Stress testing reports for CDSC and NEXT SGFs were undertaken.</p> <p>The I&amp;E program was fully implemented</p> <p>1 trading channel was launched (Dosika). Marshall guide plan and industry communications strategy developed.</p>

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
<b>Leveraging technology to drive efficiency &amp; trust in the capital markets value chain</b>	<b>Strengthen business continuity by embracing digital technology and application of ICT in the capital markets value chain to enhance operational efficiency and service delivery</b>	Promote digital technology and application of ICT in disclosures, compliance, and stakeholder engagements.	Implement awareness and investor protection programs leveraging technology platforms using a collaborative approach in embedding investor protection information through various communication mediums.	Revamped public education strategy developed by June 2023.	The Authority has collaborated with NSE, CDSC, and KASIB towards strategically leveraging technology by activating the Dosikaa app. In addition, the Capital Markets mobile App was enhanced as part of phase three to include access to more intermediaries.
		Digital transformation, reduced time to market of innovation and enhanced responsiveness and facilitation to product innovations	Enhance the existing Regulatory Sandbox to a Sandbox Plus environment by building from key lessons learned to support transformative solutions	Value add to the existing sandbox framework to include a digital sandbox, tech sprints (hackathons), and capacity building for sandbox players to facilitate innovations.	Engagements with Cambridge University to set up a Knowledge Zone for the Kenya Capital Markets Regulatory sandbox has commenced.
			Pursue strategic partnerships with development partners and institutions to support the institutionalization of the sandbox plus environment	Implement a platform to connect applicants with funding partners to support mass market scaling of product innovations and prototypes	The Sandbox review committee developed a Technical Assistance proposal targeting two development agencies -UK Tech Hub and Financial Sector Deepening Africa to support capacity building for SRC staff as well as put in place a platform to support applicants to access funding that can assist them to scale their innovations successfully in the mass market.
<b>Ensure optimal institutional efficiency and</b>	<b>Enabling the Authority to have competent and healthy manpower that is well capacitated with</b>	Enhance CMA's operational efficiency	Implement the in-house CISI certification training program in collaboration with People and Culture	40% of untrained staff undertake CISI level 1 by June 2023	In house CISI training was completed week of June 12 and training to commence week of June 26th, 2023

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
effectiveness of CMA	adequate and effectively allocated resources, well-maintained tools/equipment, and in a safe reliable working environment.		Assess priorities and obtain approvals to hire where necessary.	Board and NT approval for hiring	In quarter 4, the National Treasury granted approval to fill thirteen (13) phase 2 priority positions.
			Undertake skills gap analysis and collate Learning and Development needs for 2022 / 2023.	Approved L & D plan 30th September 2022.	Learning and Development plans were approved by September 2022.
				Implement 80% of the L&D Plan by June 2023.	93% of the Approved L&D plans were executed.
			Undertake a Staff Engagement survey to assess areas of improvement to support impactful HR delivery	Staff Engagement Index finalized by June 2023.	On the employee engagement survey, Terms of reference were developed, and a service provider procured through a competitive process; service provider was onboarded; data collection tool developed; and online tool pilot undertaken with actual survey planned to be undertaken by 15 July 2023.
			Undertake the medical cover renewal process	Medical Provider in place by 30th September 2022	A provider for inpatient cover and outpatient fund management services cover was in place by September 30, 2022. The new cover kicked off in October 2022.
			Continue to implement Government Protocols on Covid-19 to mitigate on the impact of the pandemic at the workplace	100% implementation of Covid-19 protocols	The Authority has continued to issue face masks to staff, providing hand sanitizers and comprehensive cleaning is being undertaken regularly
			Optimize office space utilization	5th floor fully and optimally utilized.	The space is currently occupied by the Supply Chain team and Nyaga Stockbrokers (under statutory) and the remaining space is utilized for document storage which will be re-allocated once an alternative storage space is identified and approved.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
			Ensure compliance with legal requirements on Occupational Health and Safety at the workplace.	100% compliance with Occupational Safety and Health Act	The following was done; staff sensitization on fire safety in June 2022, training of the Authority's OSH Committee in Q3, registration of Authority's premises, Procurement, and display of OSH Abstracts on all floors in Q3, purchase of register, maintenance of fire equipment and induction of new staff on occupational Health and Safety among others
			Enhance ICT staffing needs to build internal capabilities in data mining, management and analytics, and software engineering.	Training held for ICT staff on python, data mining, management, and analytics by June 2023	All the ICT staff attended at least one training as per training plan. However, the training plan was not implemented to its entirety due to austerity measures by the executive
			Develop an Institutional Knowledge Management Policy and Strategy.	Approved Knowledge Management Policy and Strategy.	The Research, Analytics and Knowledge Management department developed an Institutional Knowledge Management Policy and Strategy. The draft documents were further presented to the Authority's management (CnF)
	<b>Ensure optimal institutional efficiency and effectiveness by maintaining operations through a seamless supply of goods and services required</b>	Institutional Service Delivery, and Financial Sustainability	Review and ensure budgeted activities are resourced while aligning to meet Authority priorities.	Ksh1,095 million in revenue by June 2023.	In line with market activity dynamics, the Authority revised its revenue budget to Kshg16.5 million and submitted it to National Treasury. The YTD revenue is Kshs 872,015,495.69 and is tracking at 95% of the revised budget.
			Cashflow management for operations	One Midterm review of budget utilization	Budget Utilization engagements have been done with the with the heads of functions and approvals for expenditures are aligned to PFMA

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
					regulations to ensure spending is within budget.
				An absorption rate of 85% by June 2023.	93%
			FY2023/24 budget preparation/coordination	Budget reallocations if required.	Budget was consolidated by the 15th of January 2023 and approved by Board on 26th January 2023.
			Propose for approval of the draft ICF management policy structure to operationalize the running of the ICF as a 'Trustees-ship'	Information Paper on ICF for presentation to the Board by December 2022	The proposal to establish ICF was presented to the Finance & Planning Committee of the Board in the 81st meeting. Further revisions for resubmission to FPC are ongoing.
			Develop and operationalize a tool to track gratuity contributions and interest earned for relevant beneficiaries.	Circulation of gratuity statements by 31/03/2023.	A gratuity monitoring tool was developed, and individual statements were shared with beneficiaries. A Gratuity management meeting was on 9th June 2023. Circulation of the gratuity statements to members is on course
		Full Statutory Compliance with no sanctions or warnings	Development of Annual Procurement Plan.	Plan approved for implementation in the FY.	The rationalized Procurement Plan for the FY was approved following the submission of the reviewed Procurement Plan in February 2023 based on the reviewed budget by The National Treasury.
			Sensitization of Staff on the procurement process, charter, and annual plan.	One staff sensitization in Q1 of the financial year.	Board sensitization in Q1 Staff sensitization is continuous.
				One sensitization session with the special groups and locally registered	Sensitization held in Q2

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
				firms for the supply of goods and services.	
			Quarterly submission of statutory reports to PPRA and TNT.	100% compliance with reporting requirements with no warnings from PPRA or TNT for delayed or inaccurate submission of reports	All procurement reports were submitted on time including on PPIP with no warnings from PPRA or TNT registered for delayed or inaccurate submissions.
			Ensuring compliance with statutory procedures that govern procurement and disposal processes under the Public Procurement and Asset Disposal Act and Regulations	Zero requisitions were processed outside the approved Procurement Plan.	No requisitions were processed outside the approved Procurement Plan with the ERP (Navision) acting as an effective control.
				100% compliance with the requirements of the Public Procurement Act and Regulations with no reports of malpractice and/or contravention of the provisions of the Act and Regulations	All procurement processes were carried out in full compliance to the requirements of the PPADA No.33 of 2015 and PPADR 2020 in addition to using the new Standard Tender Documents issued by PPRA whenever tendering.
			Reserve and spend a minimum of 30% and 40% of the annual procurement spend on qualified AGPO and Locally registered firms respectively.	30% AGPO, 40% BKBK	AGPO – 22.85% BKBK – 19.83%
				80% of complaints resolution by stakeholders.	Over 80% of requisitioned goods and services with approved specifications were delivered on time, in full, and in the right quality.
	<b>Improve and uphold the corporate image of the Authority</b>	Restoration of the corporate image and	Continued implementation of the joint MDD, EACD and CAIR Strategy to enhance awareness and support product uptake.	80% implementation of Strategy Workplan initiatives.	80% implementation of the departmental strategy has been achieved and periodic updates shared

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
		reputation of the Authority.			with the Board Human Resource and Communications Committee HRCC.
		Enhanced awareness of CMA mandate, products, and services.	Develop and utilize an annual stakeholder engagement calendar.	Operationalized Stakeholder calendar	Engagement calendar developed
		Enhanced investor protection and confidence.			
	<b>Ensure full adherence by the Authority to the ISO 9001:2015 quality management system requirements</b>	Continued ISO 9001:2015 certification by the Authority and continuous improvement of the QMS.	Coordinate the implementation, maintenance, and continual improvement of the ISO 9001:2015 Quality Management System of the Authority.	Internal Audit reports and Implementation of Audit recommendations.	The Authority is ISO 9001:2015 certified
	<b>Develop 2023-28 Strategic Plan</b>	2023-2028 Strategic Plan	Develop a proposal with the relevant TORs to engage a consultant in the process of developing the Authority's Strategic Plan; Procurement of Consultancy; Developing draft of the Strategic Plan; Approval of the Plan by the Board; Design and printing; Launch and sensitization	Approved Strategic Plan	The draft plan has been finalized and approved by the Board awaiting design, printing, and Launch.
<b>Enhance the Strategic Influence of the Authority</b>	<b>Enhance strategic influence to build strategic alliances with key/influential partners/stakeholders to address key capital</b>	Improved stakeholder support and coordination	Implement the Capital Markets stakeholder advocacy and engagement strategy.	Capital markets stakeholder advocacy and engagement strategy approved by the CMA Board by December 2022.	Structured approaches to engaging stakeholders identified and currently under implementation by departments across board.

Strategic Objective	Strategic Priority	Outcome	Initiatives/Activities	Key Performance Indicators	Achievements
	markets policy, legal, and operational challenges			Phased Implementation of stakeholder advocacy and engagement strategy by June 2023.	Phased Implementation of stakeholder advocacy and engagement strategy is currently on course.
			Pursue corporate-level strategic partnerships with development partners to conduct learning and promotional seminars/training on the green and sustainability bond issuance process.	One Potential issuers workshop undertaken on green and sustainability bonds in Kenya.	2 workshops undertaken

## 8. CORPORATE GOVERNANCE STATEMENT

### Board Committees

Subject to fundamental, strategic, policy and formal matters reserved for its decision, pursuant to Section 14 of Capital Markets Act, the Board works through a number of committees which operate within defined Terms of Reference. Other committees are formed on ad-hoc basis as need arise. 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 Dr. Freshia Mugo up to 24<sup>th</sup> February 2023 and subsequently by Mr. Moses Meshack Kiprono. 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.

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

This committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. Peter Mungai up to 24<sup>th</sup> February 2023 and subsequently by Mr. Gibson Kimani Maina. It has oversight responsibility of reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes; examining internal and external audit reports and recommendations; overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of financial statements. The committee met five times during 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 up to 24<sup>th</sup> February 2023 and subsequently by Prof. Michael Bowen. 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.

#### 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 Mr. John Birech up to 24<sup>th</sup> February 2023 and subsequently by Ms. Elena Natalia Pellegrini. It is responsible for considering technical and policy matters of the Authority, including reviewing the Authority's strategy and continuous oversight of the review of the capital market legal and regulatory frameworks. The committee met six times during the year.

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**BOARD AND COMMITTEE MEETINGS ATTENDANCE**

No	Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Real People K Limited & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings;58 ( 01 July 2022- 24 February 2023 (26) and 2 March 2023- 30 June 2023 ( 32 )
1	<b>Mr. Nicholas Nesbitt</b>	Independent	Board Chairperson. Term ended effective 24 February 2023.							5/5	18/18
2	<b>Mr. John Birech</b>	Independent Member	Chairperson HRCC term ended effective 24 February 2023. Chairperson Ad Hoc Committee Chase Bank Limited (In Receivership)	1/1(Coopted)	1/2	6/6	3/3		1/1	5/5	8/8
3	<b>Mr. Musa Kathanje</b>	Alt. to the Cabinet Secretary National Treasury & Economic Planning		5/6	4/5	7/7		1/1		8/8	5/5
4	<b>Dr. Freshia Mugo-Waweru</b>	Independent Member	Chairperson FPC term ended effective 24 February 2023. Chairperson Audit ended effective 21 July 2022)	4/4	1/1	1/1	3/3	1/1	1/1	4/5	9/9

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No	Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Real People K Limited & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings;58 ( 01 July 2022- 24 February 2023 (26) and 2 March 2023- 30 June 2023 ( 32 )
5	<b>Mr. Peter Mungai</b>	Independent Member	Chairperson Audit, Committee ended effective 24 February 2023.		2/2	5/5		1/1	1/1	3/5	5/5
6	<b>Mr. Davis Luusa</b>	Alt. to the Governor Central Bank of Kenya			2/5	7/9	1/4			8/8	3/3
7	<b>Ms. Christine Kanini</b>	Alt. to the Attorney General of Kenya	Chair person of the Financial Law Review Panel	4/4	1/2(membership ended effective October 2022)	9/9	4/4	1/1		8/8	13/13
8	<b>Mr. Mark Bichachi</b>	Independent Member	Member:Term ended effective 24th February 2023		1/2	5/5		1/1		4/4	12/12

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No	Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Real People K Limited & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings;58 ( 01 July 2022- 24 February 2023 (26) and 2 March 2023- 30 June 2023 ( 32 )
9	<b>Mr. Eli Mwangi</b>	Independent Member	Member:Term ended effective 24th February 2023	2/2	1/1(membership ended effective October 2022)		2/2	1/1		3/3	12/12
10	<b>Mr. Ugas Mohammed</b>	Independent Member	Chairperson of CMA effective 24 February 2023							3/3	32/32
11	<b>Prof. Michael Bowen</b>	Independent Member	Chairperson. Human Resources and Communications Committee effective 16 March 2023			3/3	1/1			3/3	7/7
12	<b>Mr. Meshack Kiprono</b>	Independent Member	Chairperson Finance & Planning Committee effective 16 March 2023	2/2			1/1			3/3	9/9

**CAPITAL MARKETS AUTHORITY  
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No	Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Real People K Limited & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings;58 ( 01 July 2022- 24 February 2023 (26) and 2 March 2023- 30 June 2023 ( 32 )
13	<b>Ms. Natasha Awuor Aduwo</b>	Independent Member			2/2		1/1			3/3	7/7
14	<b>Mr. Gibson Maina</b>	Independent Member	Chairperson Audit, Corporate Governance and Risk Management Committee effective 16 March 2023.		2/2	3/3				3/3	7/7
15	<b>Ms. Elena Pellegrini</b>	Independent Member	Chairperson. Technical and Policy Committee effective 16 March 2023	2/2		3/3				3/3	5/5
17	<b>Mr. Nicholas Ng'arua</b>	Independent Member (appointed effective 26 May 2023)								1/1	2/2
19	<b>Dr. Willy Mutunga</b>	Ad hoc Member	Vice Chairperson						1/1		
20	<b>Ms. Patricia Kiwanuka</b>	Ad hoc Member	Member						1/1		

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No	Board Member	Classification	Designation	Finance and Planning Committee(FPC) Total number of Meetings: 6 (5 scheduled and 1 special)	Audit, Corporate Governance and Risk Management Committee(ACM) Total number of Meetings: 5 (4 scheduled and 1 special)	Technical and Policy Committee(TPC) Total number of Meetings:9 (7 Scheduled and 2 special)	Human Resources and Corporate Communication Committee(HRCC) Total number of Meetings:4(4 scheduled)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Real People K Limited & Chase Bank Limited Hearings Total number of Meetings:1	Board Total number of Meetings: 8 (6 scheduled and 2 special)	Other Board Engagements Meetings;58 ( 01 July 2022- 24 February 2023 (26) and 2 March 2023- 30 June 2023 ( 32 )
21	<b>Dr. James Boyd Mcfie</b>	Ad hoc Member	Member						1/1		
22	<b>Mahmood Manji</b>	Ad hoc Member	Member						1/1		

\*Mr. Nicholas Nesbitt Term as Chairperson of CMA ended effective 24<sup>th</sup> February 2023.

\*Mr. John Birech-Term as chairperson HRCC ended effective 24<sup>th</sup> February 2023.

\*Dr. Freshia Mugo Waweru-Term as chairperson FPC ended effective 24<sup>th</sup> February 2023. Term as Chairperson Audit ended effective 21<sup>st</sup> July 2022.

\*Mr. Peter Mungai - Term as chairperson Audit Committee ended on 24<sup>th</sup> February 2023

\*Other Engagements Meetings included consultations with CMA Management, Workshops and Retreats etc

## 9. 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 was 20 per cent below last year, with a surplus of Kshs 32 million before 90% calculation. The drop in the realized revenue is mainly attributable to the low market activities affected by the reduced disposable incomes due to the global economic challenges.

The Authority is in a strong cashflow position capable of meeting its obligations as they fall due. The performance at hand has a bearing on the future market activities. It is important to note that any changes affecting investors in the economic, social and political environment, have a significant impact on the capital markets industry. The Authority is cognizant in particular of the effects of rising inflation and costs of commodities on investor behaviour and the potential impact these 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 Pay As You Earn (PAYE), National Health Insurance Fund (NHIF), National Social Security Fund (NSSF), Value Added Tax (VAT), Higher Education Loans Board (HELB), Withholding tax 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 for estimated legal costs. CMA also has a prequalified list of legal consultants from which services are sourced competitively from time to time.

### SECTION C

#### Major risks identified in the ERM.

The Authority has an Enterprise Risk Management (ERM) Framework on the basis of which Risk Management has been mainstreamed 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. Unfavorable fiscal and macro-economic environment delaying business decisions on uptake of capital markets products and services.**

To address this, the Authority is facilitating county level engagements, hosting annual capital markets consultative forums and stakeholder workshops with Council of Governors on market-based financing options, and sponsoring tournaments targeting stakeholders from the demand and supply side.

**2. 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).

**3. Insufficient human resources to deliver CMA's mandate.**

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

**4. Inadequate financial resources.**

The Authority will pursue approval to levy commensurate administration fees on ICF to mitigate loss of building fund that was called up by the parent ministry and also, ensure budgets are duly approved.

**5. ICT service downtime resulting from power outages from the building.**

A power audit was initiated to address the risk of business disruption.

**6. Inadequate oversight of the coffee trading process at the Nairobi Coffee Exchange (NCE).**

To address this, the Authority will develop a system link to allow real time surveillance of the market and finalize trading rules to govern market conduct.

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

The Authority will review and analyze financial statements of issuers, market intermediaries to check compliance with financial resource requirements International Financial Reporting Standards (IFRS), continuous reporting obligations and prepare relevant reports.

**8. Suboptimal use of the Risk-Based Supervision System (RBSS) system in the licensing and approval process and in undertaking financial analysis.**

A reporting template will be developed for issuers as well as work closely with service providers to provide information needed to develop the system. Stress testing for stockbrokers and investment banks will also be undertaken.

**9. Litigation against CMA enforcement processes and unfavorable 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.

## OPPORTUNITIES

**1.** Maximize social media and/or digital marketing to promote awareness and optimal uptake of capital markets products and services.

The Authority is targeting to roll out products, videos and blogposts on capital markets products and services as well as implement a continued and innovative new strategy for partnering with industry stakeholders and professionals across the country by leveraging technology in furthering the market deepening agenda.

**2.** Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions. The Authority will undertake active engagements with potential Sandbox participants and continuously push to accommodate innovations that are not in the current financial system.

**3.** Renewed political will from Government and by extension the private sector in developing a functioning commodity exchange and generally the Capital Markets in Kenya.

- The Authority will hold meetings, seminars and retreats inviting all commodities (including coffee)

- stakeholders and aligning ideas and action points in the larger commodity ecosystem to be presented to Coffee Sub Sector Implementation Committee (CSIC) and Parliamentary Coffee Caucus.
  - The Authority will also purpose digitization of capital markets, Privatizations of State-Owned Enterprises (SOEs), Commercialization of SMEs through the capital markets and development of tax incentives across products offerings through the policy development process.
  - The authority will also leverage the enhanced strategic influence resulting from partnership and engagements with key influential stakeholders and partners.
4. Promote higher uptake of structured products such as Green Bonds and Exchange Traded Funds (ETFs), given the favorable landscape. The Authority purposes to hold more ETF stakeholder engagements with relevant stakeholders in the next financial year.

## **SECTION D**

### **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.

## **SECTION E**

### **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.

## 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Authority exists to transform lives. This is our purpose, the driving force behind everything we do. It is what guides us to deliver our strategy, putting the customer first, delivering relevant goods and 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

The Authority's partnership with Kenya Forest Service (KFS) began in FY 2013-2014 through a tree planting exercise undertaken in collaboration with Financial Sector Regulators namely: - Central Bank of Kenya, Insurance Regulatory Authority, Retirement Benefits Authority (RBA) and Sacco Society Regulatory Authority SASRA). Through the partnership, the Regulators planted 1,100 trees on 2.5 acres in Kuwinda Grounds, Ngong Forest. Since then, the Authority in an exclusive partnership with KFS has planted 2,200 trees in Ngong Forest with 10 percent of its annual Corporate Social Investment budget earmarked for tree planting.

The Authority has previously planted 550 trees on a 1.25-acre space allocated by the Kenya Forest Service in Ngong Forest and additionally planted 1,010 trees in May 2023 within the allocated space in Ngong Forest.

The Authority also collaborated with NETPAD in the tree planting exercise at Kaptagat Forest in Uasin Gishu County. These CSR initiatives cost Kshs 577,610.00

### iii. Employee welfare

#### a) Gender Matters

The Authority has consistently ensured compliance with 'not more than two thirds of either gender rule', with the current ratio of Female to Male standing at 40 percent 60 percent respectively. In addition, the Authority also takes into consideration the face of Kenya when conducting recruitment, selection and promotions for various positions in line with the National Values and Principles of Governance. Gender considerations are also made during appointments to task forces and committees handling special assignments that are key in achieving CMA's mandate.

The Authority achieved a 100% score under the National Cohesion and Values Indicator in the year 2022/23 performance contract.

#### b) Learning Management System

CMA implemented a cloud-based Learning Management and e-learning Management System (LMS) and onboarded e-learning courses. This system provides a single source of coordination and information for its Learning & development activities, as well as an integrated E-Learning platform. This initiative has facilitated the development and delivery of eLearning programs for both talent and competency development at CMA.

The LMS has been active since January 2023. The usage during the period since it became active in January 2023 was at 40%: the e-learning courses uptake is tracked against the total number of staff.

#### c) Leadership and Management Skills Development

During the year, the Authority sponsored a total of five (5) 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 (PMS) 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 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 the following market practices are observed:

The Authority ensures that the 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**

The FY2022/2023 ended with opportunities awarded to the special registered groups under (AGPO) including; Women, Youth and Persons with Disabilities contracts worth a total of Kshs. 24,906,445.00 translating to 55.78% of the total procurement expenditure accessible by the AGPO registered firms in the financial year.

In regard to the "Buy Kenya, Build Kenya" initiative, the Authority managed to award 84.31 percent of the total expenditure for the period to locally registered firms for locally produced goods and services with the amount awarded totaling Kshs.69,812,009.14 for the year.

Framework Agreements were entered into, following competitive procurement processes for recurrent expenditure which aided in managing costs and improving efficiency for the delivery of goods and services required. The Framework Agreements with the awarded suppliers were comprehensive with clearly outlined expectations, deliverables, timelines and payment terms within the locked prices.

Furthermore, the list of registered suppliers for two years to expire in 2024 remained active and in use for the selection of bidders to be invited for restricted tenders where applicable. The list was however updated biannually in the course of the financial year as and when required and as prescribed under section 44 of the Public Procurement and Asset Disposal Regulations 2020. A sensitization exercise for the registered suppliers was held in Q2 of the FY 2022/2023 to enlighten them on the available procurement opportunities presented by the Authority and the intention of engaging them as partners required to meet the objectives of the Authority as a result of effective and efficient supply of goods and services sourced through competitive processes.

The Supply Chain Department also ensured timely submission of supporting document to facilitate timely payment of invoices presented for delivered goods and service to avoid disruption of suppliers cash flow and ensure business continuity. Consequently, mutually beneficial business relationships were maintained with the competent suppliers.

The Authority maintained and achieved a performance target to pay for verified suppliers in under 30 days of invoice. The invoices were paid in an average of 17 days during the year.

##### **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) to 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. The Authority also engaged its peer regulators around the world through the International Organization of Securities Commissions (IOSCO).

The Capital Markets Tribunal has also acted on a facilitative organ for dispute resolution with the market before escalation to the high court if deemed necessary.

**v. 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 1,010 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. The Authority also collaborated with NETPAD in the tree planting exercise at Kaptagat Forest in Uasin Gishu County.

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.

## 11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited Annual Report and Financial Statements For The Year Ended June 30 2023, 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 June 30 2023, are set out on page 1 to 39.

### iii. Directors

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

### 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 Ronalds LLP Certified Public Accountants were authorized by the Auditor General to carry out the audit of the Authority for the Year ended June 30 2023, in accordance to Ssection 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.....19-08-2023.....

## 12. 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 Act require 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 2023. 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 2023, 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 ..... 2023. 24-08-

  
.....

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, 2023**

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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 40, which comprise of the statement of financial position as at 30 June, 2023, 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 M/s Ronalds LLP, 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, 2023, 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>IPSAS 41</b>	<b>Procedures Included</b>
	The Authority has financial instruments in form of: Trade and other receivables from non-exchange transactions, Kshs.89,213,000, trade and other receivables from exchange transactions,	<ul style="list-style-type: none"> <li>• We reviewed and analyzed the ageing analysis of all the outstanding debtors.</li> <li>• We examined the historical receivables recoverability rate and reviewed the current debtors credit status.</li> </ul>

	<b>Key Audit Matters</b>	<b>How the Audit Addressed the Key Audit Matter</b>
	<p>Kshs.16,721,000, staff loans and advances, Kshs.397,881,000 and investments held to maturity, Kshs.799,907,000. There is risk in the recoverability of the financial instruments as well as fair presentation of the same. Management made an assessment of Kshs.4,417,000 on expected credit loss.</p> <p>There is therefore complexity in determining the level of accuracy and reasonableness of the Management's estimates with regard to expected credit loss.</p>	<ul style="list-style-type: none"> <li>• We analyzed the other financial instruments, treasury bills and bonds and assessed the level of exposure given that they were held to maturity.</li> <li>• We inspected subsequent debtors' receipts after the year end.</li> <li>• We also obtained assurance from the Management on the extent of provisions made and the reasonableness of the same.</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, except for the matter discussed in the Basis for Conclusion on Lawfulness and Effectiveness in use of Public Resources, I confirm that, nothing else 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**

##### **Non-Compliance with the Data Protection Act, 2019**

Review of the Authority's operations revealed that the Authority processes and stores both Personal Identifiable Information (PII) including information from employees during onboarding for payroll purposes and various entities and participants involved in the capital markets. However, the Authority is not registered as a Data Controller or Data Processor contrary to Section 18(1) of the Data Protection Act, of 2019, which states that no person shall act as a Data Controller or Data Processor unless registered with the Data Commissioner.

Further, the Authority's Data Protection and Privacy Policy had not been approved by the Board at the time of the audit. In addition, the Authority had not carried out a Data

Protection Impact Assessment to identify and mitigate privacy risks before they occur and ensure that data protection and privacy principles are effectively incorporated in the operations in line with Section 31 of the Act.

In the circumstances, Management was in breach of the law.

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, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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 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 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 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

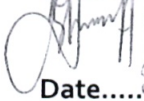
21 September, 2023

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2023

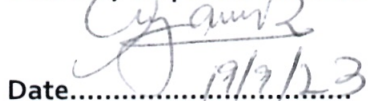
	Note	June 2023 Kshs'000	June 2022 Kshs'000
<b>Revenue from non-exchange transactions</b>			
Capitalization, rights and new issue fees	6.	767,737	974,984
Donor fund income	7.	<u>24,250</u>	<u>39,279</u>
		<b>791,987</b>	<b>1,014,263</b>
<b>Revenue from exchange transactions</b>			
Finance income	8.	77,819	79,458
Other income	8.	<u>109</u>	<u>1,271</u>
<b>Total revenue</b>		<b><u>869,915</u></b>	<b><u>1,094,992</u></b>
<b>Expenses</b>			
Employee costs	32.	(535,593)	(527,283)
Use of goods and services	34.	(183,932)	(249,030)
Remuneration of directors	28.	(33,416)	(24,738)
Depreciation and amortization expense	33.	(45,901)	(43,926)
Repairs and maintenance	35.	<u>(40,724)</u>	<u>(43,971)</u>
<b>Total expenses</b>		<b>(839,565)</b>	<b>(888,948)</b>
<b>Other gains/ (losses)</b>			
(Loss)/Gain on sale of assets	9.	<u>2,101</u>	<u>808</u>
<b>Surplus/(Deficit) for the year</b>		<b>32,451</b>	<b>206,852</b>
Remission to National Treasury	11 a.	<u>-</u>	<u>(147,557)</u>
<b>Net Surplus/(Deficit) for the year</b>		<b><u>32,451</u></b>	<b><u>59,295</u></b>

The notes set out on pages 1 to 39 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 39 were signed on behalf of the Board of Directors on .....24-03-.....2023 and were signed on its behalf by:

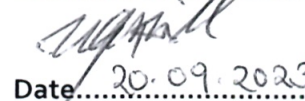
Chief Executive Officer

  
 Date.....20/9/2023.....

Director, Corporate Services

  
 Date.....19/9/23.....  
 ICPAK Member No 1849

Chairman of the Board


  
 Date.....20.09.2023.....

**15. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023  
(INCLUDING INVESTOR COMPENSATION FUND)**

		June 2023	Prior Year Audited June 2022
	Note	Kshs'000	Kshs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	12.	1,716	1,753
Trade and other receivables from non exchange transactions	13(a).	89,213	33,047
Trade and other receivables from exchange transactions	13(b).	16,721	14,394
Staff loans and advances/guarantee fund	14.	72,088	53,206
Held-to-maturity investments	15.	722,139	880,019
Cash at bank and in hand	16.	40,812	71,792
Investors' Compensation Fund	18.	1,286,623	671,513
<b>Total Current assets</b>		<b>2,229,312</b>	<b>1,725,724</b>
<b>Non-current assets</b>			
Property and equipment	19.	46,880	70,275
Intangible assets	20.	2,552	111,657
Staff loans and advances/guarantee fund	14.	325,793	322,040
Held-to-maturity investments	15.	77,768	109,832
Investors' Compensation Fund's investments	18.	3,895,460	3,921,056
<b>Total Non-current assets</b>		<b>4,348,453</b>	<b>4,534,860</b>
<b>Total Assets</b>		<b>6,577,765</b>	<b>6,260,584</b>
<b>Equity and Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21.	192,267	212,967
Provision for liabilities and charges	22.	97,134	95,752
Investors' Compensation Fund	18.	1,286,623	671,513
Deferred income	23.	60,215	32,641
Surplus payable to National Treasury	11 a.	-	147,557
Prior years' tax provision	31.	5,370	45,734
Building fund	26.	564,900	600,000
<b>Total Current liabilities</b>		<b>2,206,509</b>	<b>1,806,164</b>
<b>Non-current liabilities</b>			
Investors' Compensation Fund liabilities	18.	3,895,460	3,921,056
Non current provisions-Work in Progress	22b.	-	90,018
<b>Total Non-current liabilities</b>		<b>3,895,460</b>	<b>4,011,074</b>
<b>Total liabilities</b>		<b>6,101,969</b>	<b>5,817,238</b>
<b>Equity/Funds</b>			
Capital fund	25.	27,886	27,886
General fund	24.	53,641	43,324
Staff Mortgage and Car loan fund	27.	394,270	372,137
<b>Total Equity/Funds</b>		<b>475,797</b>	<b>443,347</b>
<b>Total Equity and Liabilities</b>		<b>6,577,765</b>	<b>6,260,584</b>

The financial Statements set out on pages 1 to 39 were approved for issue by the Board Members of the Authority on 24-08-2023 and were signed on its behalf by:


Chief Executive Officer

  
Date 20/9/2023

Director, Corporate Services

  
Date 19/9/23  
ICPAK Member No 1849

Chairman of the Board

  
Date 20-09-2023

**16. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023**

		June 2023	Prior Year Audited June 2022
	Note	Kshs'000	Kshs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	12.	1,716	1,753
Trade and other receivables from non exchange transactions	13(a).	89,213	33,047
Trade and other receivables from exchange transactions	13(b).	16,721	14,394
Staff loans and advances/guarantee fund	14.	72,088	53,206
Held-to-maturity investments	15.	722,139	880,019
Cash at bank and in hand	16.	40,812	71,792
		<u>942,689</u>	<u>1,054,211</u>
<b>Total Current Assets</b>			
<b>Non-current assets</b>			
Property and equipment	19.	46,880	70,275
Intangible assets	20.	2,552	111,657
Staff loans and advances/guarantee fund	14.	325,793	322,040
Held-to-maturity investments	15.	77,767	109,832
		<u>452,992</u>	<u>613,804</u>
<b>Total Non-current assets</b>			
		<u>1,395,681</u>	<u>1,668,015</u>
<b>Total Assets</b>			
<b>Equity and Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	21.	192,266	212,967
Provision for liabilities and charges	22.	97,134	95,752
Deferred Income	23.	60,214	32,641
Surplus to National Treasury	11(a).	-	147,557
Prior years' tax provision	31.	5,370	45,734
Building fund	26.	564,900	600,000
		<u>919,884</u>	<u>1,134,651</u>
<b>Total Current liabilities</b>			
<b>Non-current liabilities</b>			
Non-current provisions-Work in Progress	22b.	-	90,018
		<u>-</u>	<u>90,018</u>
<b>Equity/Funds</b>			
Capital fund	25.	27,886	27,886
General fund	24.	53,641	43,324
Staff Mortgage and Car loan fund	27.	394,270	372,137
		<u>475,797</u>	<u>443,347</u>
<b>Total Equity/Funds</b>			
<b>Total Equity and Liabilities</b>			
		<u>1,395,681</u>	<u>1,668,015</u>

**17. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2023**

		June 2023	Prior Year Audited
	Note	Shs'000	June 2022 Shs'000
<b>ASSETS</b>			
<b>Current assets</b>			
Fees receivable	18.	36,698	93,512
Cash and cash equivalents	18.	1,029	2,510
Investor Compensation Fund Investments Held-to-maturity	18.	1,248,896	575,490
<b>Total Current assets</b>		<b>1,286,623</b>	<b>671,513</b>
<b>Non-current assets</b>			
Investments in Listed Companies	18.	64,575	74,550
Investors' Compensation Fund's investments Held to maturity	18.	3,830,885	3,846,506
<b>Total Non-current assets</b>		<b>3,895,460</b>	<b>3,921,056</b>
<b>Total Assets</b>		<b>5,182,083</b>	<b>4,592,569</b>
<b>The Fund</b>	18.	<b>5,182,083</b>	<b>4,592,569</b>

**18. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED JUNE 30, 2023**

		Capital fund Kshs'000	General fund Kshs'000	Staff Mortgage and Car loan fund Kshs'000	Total Kshs'000
<b>As at 1 July 2021</b>	<b>Note</b>	<b>27,886</b>	<b>356,166</b>	<b>-</b>	<b>384,052</b>
(Deficit)/Surplus for the Period		-	206,852	-	206,852
90% Surplus to National Treasury	<b>11.a</b>		(147,557)		(147,557)
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>372,137</b>	<b>443,347</b>
<b>At 01 July 2022</b>		27,886	43,324	372,137	443,347
(Deficit)/Surplus for the Period		-	32,451		32,451
Transfer to staff mortgage & Car loan fund		-	(22,133)	22,133	-
<b>At June 30, 2023</b>		<b>27,886</b>	<b>53,642</b>	<b>394,270</b>	<b>475,798</b>

**19. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2023**

	Note	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
<b>Cashflows from Operating Activities</b>			
<b>Receipts</b>			
CMA Equity and Bond Fee Transaction fee levy, capitalisation fees, right issue fees, approval fees		803,324	1,034,291
Licenses Fees		30,361	26,071
Market Development Fees		8,868	9,063
Finance income		14,201	13,368
Other income		1,227	71,667
<b>Total Receipts</b>		<b>857,982</b>	<b>1,154,460</b>
<b>Payments</b>			
Use of goods and services		116,875	102,666
Employee costs		522,352	527,283
Board Expenses		28,796	24,738
Repairs and maintenance		2,083	722
Finance Costs		672	791
Rent Paid		32,938	32,712
Taxation Paid		10,072	11,124
Surplus Payment to National Treasury		182,657	165,880
Staff Loans		29,395	43,052
Other Payments		77,499	69,810
Transfer of ICF Fees		74,244	98,033
<b>Total Payments</b>		<b>1,077,581</b>	<b>1,076,811</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>36. a</b>	<b>(219,599)</b>	<b>77,649</b>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment		(6,957)	(39,770)
Purchase of intangible assets		3,538	(3,538)
Proceeds from disposal of property and equipment		2,095	882
(Purchase)/sale of treasury bonds		32,064	18,845
(Purchase)/sale of treasury bills		157,880	(42,442)
<b>Net cash flows from/(used in) investing activities</b>		<b>188,620</b>	<b>(66,023)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(30,979)</b>	<b>11,626</b>
<b>Cash and cash equivalents at start of the year</b>		<b>71,792</b>	<b>60,166</b>
<b>Cash and cash equivalents at end of the year</b>	<b>16</b>	<b>40,812</b>	<b>71,792</b>

**20. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30,**

**2023**

		June 2023	Prior Year Audited June 2022
	Note	Shs'000	Shs'000
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Investment Income		505,042	488,042
Fines, penalties and levies		10,000	1,128
Other Income		150	-
Transaction fee Income		74,845	97,983
<b>Total receipts</b>		<b>590,037</b>	<b>587,154</b>
<b>Payments</b>			
ICF Payments		523	517
<b>Total Payments</b>		<b>523</b>	<b>517</b>
<b>Net cash flows from/(used in) operating activities</b>	36. b.	<b>589,514</b>	<b>586,637</b>
<b>Cash flows from investing activities</b>			
Purchase of PPE and Intangible assets		-	-
Proceeds from sale of PPE		-	-
Purchase of investments		55,704	(1,308,215)
Sale of Investments		(646,699)	721,603
<b>Net cash used in from investing activities</b>		<b>(590,995)</b>	<b>(586,612)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,481)</b>	<b>25</b>
<b>Cash and cash equivalents at start of the year</b>		<b>2,510</b>	<b>2,485</b>
<b>Cash and cash equivalents at end of the year</b>	18.	<b>1,029</b>	<b>2,510</b>

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

	Original budget	Adjustme nts (Revision)	Adjustme nts (Realloca tions)	Final Annual budget	Actual cummula tive to date	Performa nce differenc e	% Utiliza tion	
	June 2023	June 2023	June 2023	June 2023	June 2023	June 2023		
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000		
	a		b	C=(a+b)	d	e=(c-d)	f=d/c*	100
<b>Revenue</b>								
Fee income from Transaction fee - Equities	378,000	(168,934)	-	209,066	238,572	29,506	114%	a)
Fee income from Transaction fee - bonds	21,352	-	-	21,352	19,955	(1,397)	93%	
Application and Licensing fees	22,650	-	-	22,650	26,345	3,695	116%	b)
Market development Fees	8,596	527	-	9,123	9,073	(50)	99%	
Capitalization, rights & IPO's	42,500	(19,678)	-	22,822	11,411	(11,411)	50%	c)
REITS approval Income	2,150	17,350	-	19,500	37,200	17,700	191%	d)
Capitalisation and bond approvals	578,750	(78,176)	-	500,574	425,165	(75,409)	85%	e)
Derivatives Fees	26	-	-	26	17	(9)	65%	f)
<b>Fee based income</b>	<b>1,054,024</b>	<b>248,911</b>		<b>805,113</b>	<b>767,737</b>	<b>(37,376)</b>	<b>95%</b>	
Finance income - external investments	80,379	(29,840)	-	50,539	77,819	27,280	154%	g)
Other income	24,018	-	-	24,018	2,210	(21,808)	9%	h)
<b>Total income</b>	<b>1,158,421</b>	<b>(278,751)</b>		<b>879,670</b>	<b>847,766</b>	<b>(31,904)</b>	<b>96%</b>	
<b>Expenses</b>								
Personnel cost	630,308	(107,968)	-	522,340	535,593	(13,253)	103%	a)
Rent and maintenance	43,948	-	(1,650)	42,298	40,008	2,290	95%	b)
Equipment maintenance and stationery	68,917	(29,447)	850	40,320	40,724	(404)	101%	c)
Telephone, postage and utilities	23,195	(5,731)	(2,002)	15,462	15,444	18	100%	
Publicity and Advertising	36,000	(16,000)	(5,215)	14,785	13,288	1,497	90%	d)
Medical scheme and insurance expenses	47,838	98	(2,721)	45,215	43,416	1,799	96%	e)
Training and conferences (Staff Training & Development)	51,000	(20,000)	-	31,000	31,005	(5)	100%	
Motor vehicle running expenses	7,112	(2,098)	-	5,014	4,463	551	89%	f)
Subscriptions and IOSCO membership	8,689	(83)	1,080	9,686	8,654	1,032	89%	g)
Authority board members' emoluments and allowance	30,000	-	3,721	33,721	33,416	305	99%	
Professional & consultancy services	26,840	(13,420)	4,100	17,520	14,923	2,597	85%	h)
Litigation/legal expenses	26,000	(13,000)	(3,500)	9,500	7,067	2,433	74%	i)
Market Development & Islamic Finance	45,295	(25,290)	4,815	24,820	24,659	161	99%	
Capital Markets Master Plan (CMMP)	32,290	(9,430)	(3,126)	19,734	15,639	4,095	79%	j)
Investors' education and awareness programme	14,640	-	(1,352)	13,288	9,760	3,528	73%	k)
Tribunal expenses	2,553	(2,000)	5,000	5,553	388	5,165	7%	l)
Capital Expenditure	135,699	(106,284)	-	29,415	14,563	14,852	50%	
Commitments in Budget not recognized-OPEX-	-	-	-	-	8,748	-	0%	
Commitments in Budget not recognized-CAPEX-	-	-	-	-	19,998	-	0%	
<b>Total expenditure</b>	<b>1,230,324</b>	<b>(350,653)</b>		<b>879,671</b>	<b>881,755</b>	<b>-</b>	<b>100 %</b>	
<b>Net Surplus/(Deficit)for the Period</b>	<b>(71,903)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(33,990)</b>	<b>-</b>	<b>0%</b>	
90% Surplus due to National Treasury								
<b>90% Surplus balance payable</b>								

**RECONCILIATION BETWEEN SURPLUS AS PER THE BUDGET AND SURPLUS AS PER THE STATEMENT OF FINANCIAL PERFORMANCE**

A reconciliation between the actual amounts on a comparable basis as presented in the Budget Performance and the actual amounts in the Statement of Financial Performance for the Year Ended June 30, 2023 is presented below.

The financial statements and budget documents are prepared for the same period. There is a basis difference: the budget is prepared on a cash basis and the financial statements on the accrual basis.

DESCRIPTION	Original budget Kshs'000	Adjust'nts (Revision) Kshs'000	Adjust'nts (Reallocations) Kshs'000	Final Annual budget Kshs'000	Actual cumm'tive to date Kshs'000
Surplus under Statement of Financial Performance					32,451
Less: Surplus (Deficit) under the Statement of Budgeted and Actual Amounts					(33,990)
<b>Difference</b>					<b>66,441</b>

**Explained by:**

DESCRIPTION	Original budget Kshs'000	Adjust'nts (Revision) Kshs'000	Adjust'nts (Reallocations) Kshs'000	Final Annual budget Kshs'000	Actual cumm'tive to date Kshs'000
<b>Surplus under the Statement of Budgeted and Actual amounts</b>					<b>(33,990)</b>
Donor Funding- gifts and services-in-kind (Noncash item)	36,838	-	-	36,838	24,250
Depreciation and Amortization Expense (Noncash item)	71,830	(18,255)	-	53,575	(45,901)
Capital Expenditure	135,699	(106,284)	-	29,415	14,563
Commitments in Budget not recognized-OPEX	-	-	-	-	8,748
Commitments in Budget not recognized-CAPEX	-	-	-	-	19,998
Provision for doubtful debts	-	-	-	-	4,418
Reversal of Prior Years' Provisions for Tax	-	-	-	-	-
Penalties and Interests	-	-	-	-	40,365
<b>Surplus under Statement of Financial Performance</b>					<b>32,451</b>

**RECONCILIATION BETWEEN BUDGET REVENUE AND EXPENDITURE AS PER APPROVED BUDGET**

DESCRIPTION	Kshs '000
Total income above	1,158,421
Basis Differences: Donor Funding- gifts and services-in-kind (Noncash item)	36,838
<b>Total Revenue in the Approved Budget</b>	<b>1,195,259</b>
Total Expenditure above	1,230,324
Basis Differences: Depreciation and Amortization Expense (Noncash item)	71,830
:Capital Expenditure	(135,699)
<b>Total Expenditure in the Approved Budget</b>	<b>1,166,455</b>

## 22. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)

Notes on Significant variances between actual and budget. Given the end year tracking should be at 100%

### REVENUE

- a) **Transaction fee income from NSE:** The NSE Equities transactions fees performance was at 114% to budget, and fees from bond transactions performance was at 93%. Amidst the continued rising inflation across the globe and movement of foreign investors to safer havens, the trading in listed securities showed an improvement of the 14% to budget.
- b) **Application and licensing fees:** The annual performance was at 16% above budget. This was mostly due to increase in applications for new fund managers licensees.
- c) **Capitalization, rights & Initial Public Offers (IPO's):** The annual performance was at 50% to the annual budget. Mainly due to lack of new issuance of rights issues and approvals for new listings.
- d) **REITs approval income:** The performance was at 191% to the budget. This is attributable to the authorization fee and approval fee respectively for offering memorandum for the ISIGNIS I-REIT among others. The respective REIT securities shall be a close ended REIT listed on the Restricted Sub Segment of the Main Investment Market Segment of the Nairobi Securities Exchange at Kshs 20.00 per unit. The total number of units available for listing are 415,917,312.
- e) **Approval fees on the GOK (CBK) bonds:** The performance was at 85% of annual budget as the government continued with the borrowing program. It is worth noting that that this revenue stream contributed 49% of the overall CMA annual revenue (CMA received Kshs 425.165 Million as Bond commission against an annual revenue of Kshs 872.015 million).
- f) **Derivative fees:** The level of uptake has remained subdued, though uptake is expected to increase with the developments happening in KOMEX (Kenya national Multicommodity exchange limited). The performance was at 65% to the annual budget.
- g) **Interest income/finance income:** This revenue stream's performance was 60% above annual budget due to income from investment in GoK Securities of funds earmarked for own premises not yet utilised. The Building Fund initially approved by the National Treasury at Kshs 600million was recalled, and the Authority will remit it through a phased approach (since the funds are already in Treasury bills of differing maturity dates between August 2023 and March 2024) but in the interim shall continue to recognize some income until maturity.
- h) **Other Income:** The revenue reflects earnings from asset disposals. A planned enhanced charge (1% of Fund value) of management fees to Investor Compensation Fund (ICF) has been included in the deferred income and will be recognized as revenue upon approval.

### EXPENDITURE

- a) **Personnel costs:** Annual costs were 103% to the annual budget which is slightly above the budget allocations. This has been occasioned by the slight increase in personnel related costs, such as changes in NSSF pension payments. It is however expected to be maintained within the budget provisioned for the 2023/2024 budget year.
- b) **Rent and maintenance:** The expenditure was at 95% utilization attributable to the ordinary rental costs, parking fees and coupled with repair works for office floor works that was done during the year.
- c) **Equipment maintenance & stationery:** The actual spend was at 101% to the budget and it is attributable to the annual licence costs for the ERP system amongst other subscriptions for ICT license software renewals. There were

- scheduled quarterly preventive maintenance of the servers and ICT equipment carried out throughout the financial year.
- d) **Publicity and advertising expenses** closed at 90% of the annual budget attributable to the activities carried out during the financial year including the online advertisements, sponsorships and tree planting corporate social responsibility initiatives as well as soundness report media briefing.
- e) **Medical scheme and other Insurances:** The utilization was at 96% of the annual budget inline with the continued sensitizations given to staff on choices of service providers that could give services at modest costs to ensure the allocated costs are not exceeded hence controlling of the medical expenses.
- f) **Motor vehicle running expenses** was at 89% to the annual budget. The underspent is mainly attributable to prudent utilization of office transport during the period.
- g) **Subscriptions and IOSCO membership expenses** was at 89% of annual budget utilization attributable to the membership subscription and the in-person meeting activities undertaken during the year. Post Covid, there has been an increase in in-person engagements and participation of member organizations though fewer engagements were undertaken.
- h) **Professional and consultancy expenses** was 85% of the annual budget. ISO Certification related consultancy and consultancy on the Public Offers and Disclosures (POLD) regulations were some of the consultancies carried out during the period. There were fewer consultancies undertaken than envisaged, for instance, the ISMS 27001:2021 implementation and Certification consultancy is envisaged to be undertaken in the new financial year.
- i) **Litigation/legal expenses** were at 74% to the budget. The earmarked commitments carried out included review of Capital Markets Licensing Regulations 2002 costs, Data Protection Act sensitization and provisions for the ongoing legal cases among others. The Authority managed costs savings through competitive procurement of legal services that included negotiations for the legal fees charged.
- j) **Capital Markets Master Plan, (CMMP):** The expense tracked at 79% of the annual budget. The Authority also ensured there was completion of the formulation of the 5-year Strategic Plan for Year 2023-2028 during the financial year. The costs in this line comprise of strategic planning consultancy and other related stakeholder and capacity building activities. The designing and printing of the Strategic Plan 2023-2028 will be carried out in the next financial year.
- k) **Investor education expenses** tracked at 73% of annual budget. This vote performed below the budget by 17%, however, there were some accelerated activities undertaken in the last quarter of the year including the Nakuru and Meru counties' outreach and resource persons initiatives and Mobile App social media boosting activities. A number of engagements were undertaken through the online platforms hence the costs savings.
- l) **Capital Markets Appeals Tribunal:** The Capital Markets Appeal Tribunal Year to Date (YTD) costs were at 7% as hearing of the pending tribunal matters were not undertaken because the Tribunal was fully re-constituted in June 2023 and minimal expenses were incurred.
- m) **Provision for doubtful debts:** Debts were provided as per the new guidelines stipulated by the International Public Sector Accounting Standards Board (IPSAS) Standards.
- n) **Reversal of Prior Years' Provisions for Tax Penalties and Interests:** Relates to provisions of previous years tax penalties now reversed.

## 23. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and 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 financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Authority, and all values are rounded to the nearest thousand (Shs '000'). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared in accordance with PFM Act, the State Corporations Act and International Public Sector Accounting Standards(IPSAS). The accounting policies adopted have been consistently applied to all periods presented.

### 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 periods 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

Standard	Impact
	<p>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:</p> <p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The Authority runs a defined contribution pension scheme and no adverse effect is anticipated on adoption of this standard.</p>
<p><b>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023:</b></p> <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. No significant impact is anticipated on adoption of the new standard.</p>
<p><b>Other improvements to IPSAS</b></p>	<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>
<p><b>IPSAS 43</b></p>	<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. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. This will bring the Authority's lease of the premise into the statement of financial position (Balance Sheet)</p>
<p><b>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</b></p>	<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: 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 Authority did not early – adopt any new or amended standards in the period.

#### 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.

###### Donor income

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

###### Revenue from exchange transactions

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

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

###### Interest income

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

##### b) Budget information

The original budget for FY2022/2023 was approved by The National Treasury and Economic Planning on 24<sup>th</sup> June 2022. Subsequent reallocations were made to the approved budget in accordance with approval from the Board Members and The National Treasury.

The Capital Markets Authority's budget is prepared on a cash basis hence a reconciliation between the actual comparable amounts and the amounts presented has been presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

##### c) Taxes/surplus due to The National Treasury

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

This 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

##### Finance 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. 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 Leases

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 premises occupied expired on 30<sup>th</sup> June 2023 and was treated as an operating lease. A new lease contract for a period of six years to 30<sup>th</sup> June 2029 is in place, and in line with IPSAS, 43, will be recognized in the Statement of Financial Position with effect from 1<sup>st</sup> July 2023.

#### f) Intangible assets

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

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

## **g) Financial instruments**

### **Financial assets**

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

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

#### **Loans and receivables**

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

#### **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)

### **i. 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 signify 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 realizable 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 year end with a significant impact on the financial statements for the year ended June 30, 2023.

## 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.

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

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

### b) 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 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 realizable value or the recoverable amount of the asset.

### c) 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

### d) 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.

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.

<b>6. Revenue from non - exchange transactions</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Fees income</b>		
Capitalization, rights and new issue fees	11,411	89,326
Approval for listing of Government securities	425,165	532,240
NSE - transaction fees	258,526	318,462
Application and licensing fees	63,545	26,071
Market development fees	9,073	8,863
Derivative fees	17	23
	<u>767,737</u>	<u>974,984</u>

The Authority charges fees on the following basis :

- a) Capitalization / rights issues at a rate of 0.25% of the value of the issue.
- b) Approval for listing of Government securities is charged at a rate of 0.075% of the amount raised.
- c) New issues / IPOs at a rate of 0.15% of the value of the issue.
- d) 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.
- e) Application for license at Kshs 2,500 while annual licensing fees are up to a maximum of Shs 250,000.
- f) 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.
- g) 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>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Donor fund income	<u>24,250</u>	<u>39,279</u>

The Authority recognised support worth Kshs 24.25 million (2021:Kshs 39.28 million) in the year from deferred donor funded assets blade servers and video conferencing equipment.

<b>8. Revenue from exchange transactions - other income</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Interest income	77,819	79,458
Miscellaneous income	109	1,271
	<u>77,928</u>	<u>80,729</u>

<b>9. (Loss)/Gain on sale of assets</b>		
Property Plant and Equipment	<u>2,101</u>	<u>808</u>

10. Surplus		June 2023	June 2022
	Note	Shs'000	Shs'000
<b>a) Items charged</b>			
The following items have been charged in arriving at net surplus for the year			
Depreciation of property and equipment	18	30,352	25,081
Amortisation of intangible assets	19	15,548	18,845
Authority board members' emoluments, allowances and other Board related expenses	26	33,416	24,738
Post employment benefits expense	10(b)	58,250	57,249
Provision on Trade and other receivables	13(b)	(4,417)	250
		<u>                    </u>	<u>                    </u>

10 b. Employee benefits expense		June 2023	June 2022
		Kshs'000	Kshs'000
The following items are included in employee benefits expense:			
Gratuity Contributions		30,313	30,634
Defined contribution scheme		27,937	26,615
		<u>58,250</u>	<u>57,249</u>

The Authority operates an in-house defined contribution (DC) scheme for its employees. The investment of the scheme's assets is managed and administered by independent service providers on behalf of the Trustees. The Authority makes gratuity provisions for its staff on long term contract between 2 -5 years that is payable upon successful completion of their term.

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

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. In line with this legal requirement CMA remitted Kshs 147.557 million.

The Surplus Remission has been computed as follows:

	June 2023	June 2022
	Kshs'000	Kshs'000
Surplus/(Deficit) as Per the Budget Statement	(33,990)	179,924
Less: Staff Mortgages and Car loans (Net)	(22,133)	(15,972)
Adjusted Surplus	(56,123)	163,952
90% Surplus due to National Treasury	-	147,557
Instalment paid in the year	-	-
90% Surplus balance payable	<u>Nil</u>	<u>147,557</u>

On 20<sup>th</sup> 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.

Surplus Calculation has been done based on the Surplus as per the Statement of Budget Performance.

<b>11 b. Surplus Remission Payable</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Kshs'000</b>	<b>Kshs'000</b>
Payable at the beginning of the year	147,557	165,880
Surplus payable for the year	-	147,557
Paid during the year	(147,557)	(165,880)
<b>Payable at end of the year</b>	<b>Nil</b>	<b>147,557</b>

<b>12. Inventories</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Consumables	1,716	1,753

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

<b>13a. Trade and other receivables from non- exchange transactions</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Trade receivables	38,115	35,775
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(6,128)	(10,546)
Net trade receivables	31,987	25,229
Other receivables	57,226	7,817
Trade and other receivables from non exchange transactions	89,213	33,046

<b>13b. Trade and other receivables from exchange transactions</b>	<b>June 2023</b>	<b>June 2022</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Trade receivables	1,905	2,326
Less: Provision for impairment losses	-	-
Net trade receivables	1,905	2,326
Prepayments	14,815	12,068
Trade and other receivables from exchange transactions	16,720	14,394
Total trade and other receivables from non-exchange and exchange transactions	105,933	47,440

The movement on the provision for impairment losses for non exchange transactions is as follows:

At 1 <sup>st</sup> July	10,546	5,346
Add: Provision made in the year		5,750
Less: Provision reversed on debt collection		(550)
	<u>10,546</u>	<u>10,546</u>

The movement on the provision for impairment losses for exchange transactions is as follows:

At 1 <sup>st</sup> July	-	-
Add: Additional provision	(4,417)	5,200
At 30 <sup>th</sup> September/June	<u>(4,417)</u>	<u>5,200</u>

#### 14. Staff loans and advances

	Current June 2023 Shs'000	Current June 2022 Shs'000	Non- current June 2023 Shs'000	Non- current June 2022 Shs'000	Total June 2023 Shs'000	Total Jun-22 Shs'000
Car loans	9,078	7,686	23,268	14,180	32,345	21,866
Other loans and advances	3,612	3,109	-	-	3,616	3,109
Staff mortgage back up funds*	59,400	42,411	302,526	307,860	361,925	350,271
	<u>72,088</u>	<u>53,206</u>	<u>325,793</u>	<u>322,040</u>	<u>397,886</u>	<u>375,246</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**

171,545

190,380

361,925

15. Held-to-maturity investments - government securities	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
<b>Non-current</b>		
Treasury bonds		
Maturing after four years	25,100	25,100
Unamortised premium	-	-
	<u>25,100</u>	<u>25,100</u>
Treasury bonds		
Maturing after one year	55,005	88,600
Unamortised (discount)/premium	(2,338)	(3,868)
	<u>52,668</u>	<u>84,732</u>
	<u><u>77,768</u></u>	<u><u>109,832</u></u>
<b>Current</b>		
Treasury bonds		
Maturing within one year	-	-
Unamortised (discount)/premium	-	-
	<u>-</u>	<u>-</u>
Treasury bills	767,700	894,850
Unamortised discount	(45,561)	(14,831)
	<u>722,139</u>	<u>880,019</u>
	<u>722,139</u>	<u>880,019</u>
	<u><u>799,907</u></u>	<u><u>989,851</u></u>

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

<b>Non- current</b>		
Held-to-maturity investments	<u>77,768</u>	<u>109,832</u>
<b>Current</b>		
Held-to-maturity investments	<u>722,139</u>	<u>880,019</u>

16. Cash and Cash Equivalent	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
Current account	21,206	21,876
Cash in hand	140	140
On - call deposits	17,000	13,147
Call deposits account	2,466	36,629
	<u>40,812</u>	<u>71,792</u>

				June 2023	Prior year Audited June 2022
				Shs'000	Shs'000
<b>17a. Banks</b>	<b>Name of the Bank</b>	<b>Bank account no.</b>	<b>Account currency</b>		
	NCBA PLC	6580810018	Shs	12,034	14,451
	HF Bank	3000013543- 0	Shs	9,172	7,425
				<u>21,206</u>	<u>21,876</u>
<b>17b. Cash in hand</b>					
	Cash in hand		Shs	<u>140</u>	<u>140</u>
<b>17c. Short term deposits</b>					
			Shs		
	Fixed/Call Deposits	AA231819V7P1		17,000	13,147
	Gratuity Fund Call Deposit	AA23130C1F8H/AA23130GMVWB		2,466	36,629
				<u>19,466</u>	<u>49,776</u>
<b>Total cash in hand and bank</b>				<b><u>40,812</u></b>	<b><u>71,792</u></b>
For the purpose of the cash flow statement, cash and cash equivalents comprise the following:					
	Short-term bank deposits			19,466	49,776
	Cash at bank and in hand			21,346	22,016
	Investors Compensation Fund bank balance (Note 16) - (KCB)			1,029	2,510
				<u>41,841</u>	<u>74,302</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:

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

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
At beginning of the year	4,592,569	4,005,933
Nairobi Securities Exchange transactions fees	73,093	94,194
Interest on investments	560,761	491,155
Financial penalties	10,000	1,418
Withdrawals (Investor Claims)	(9,975)	(349)
Gain /(loss) in Investment in NSE	7,481	742
Management Fees	(51,824)	(500)
Bank Charges	(22)	(24)
At end of the year	<u>5,182,083</u>	<u>4,592,569</u>

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

	June 2023	Prior Year Audited June 2022
	Kshs'000	Kshs'000
<b>Non-current</b>		
Equity investment in the Central Depository and Settlement		
Equity investment in the NSE	<u>52,325</u>	<u>62,300</u>
	64,575	74,550
Treasury bonds		
Maturing after five years	2,791,150	3,201,150
Unamortised discount (premium)	<u>31,375</u>	<u>35,907</u>
	<u>2,822,525</u>	<u>3,237,057</u>
Maturing after one year	1,007,705	612,700
Unamortised discount	<u>55</u>	<u>(3,251)</u>
	<u>1,008,360</u>	<u>609,449</u>
	<u>3,830,885</u>	<u>3,846,506</u>
	<u>3,895,460</u>	<u>3,921,056</u>

**Current**

Treasury bonds	20,000	50,000
Unamortised discount	-	107
	<u>20,000</u>	<u>50,107</u>
Treasury bills	1,292,450	544,900
Unamortised discount	(63,554)	(19,517)
	<u>1,228,896</u>	<u>525,383</u>
	<b><u>1,248,896</u></b>	<b><u>575,490</u></b>
Fees receivable	36,698	93,512
Bank balance	1,029	2,510
	<u>37,727</u>	<u>96,022</u>
	<b><u>1,286,623</u></b>	<b><u>671,513</u></b>
	<b><u>5,182,083</u></b>	<b><u>4,592,569</u></b>

## 19. Property and equipment

	Motor vehicles Kshs'000	Computers & Copiers Kshs'000	Office equipment Kshs'000	Furniture & fittings Kshs'000	Capital work-in-progress Kshs'000	Total Kshs'000
<b>Cost</b>						
As at June 2021	37,123	171,639	21,452	95,085		325,299
Additions	25,590	6,092	193		7,895	39,770
Disposals		(1,006)			-	(1,006)
Reversal	(3,571)	-	-			(3,571)
<b>At 30 June 2022</b>	<b>59,142</b>	<b>176,725</b>	<b>21,645</b>	<b>95,085</b>	<b>7,895</b>	<b>360,492</b>
Additions	-	13,725	465	372	289	14,851
Disposals	(7,177)	(11,058)	(368)	(414)		(19,017)
Reversal/ Transfers					(7,895)	(7,895)
<b>At June 30, 2023</b>	<b>51,965</b>	<b>179,393</b>	<b>21,743</b>	<b>95,043</b>	<b>289</b>	<b>348,431</b>
<b>Depreciation</b>						
As at June 2021	(32,178)	(130,339)	(20,664)	(86,457)		(269,638)
Depreciation	(5,456)	(16,826)	(323)	(2,478)	-	(25,083)
Accumulated depreciation reversed on disposal	3,571	933	-			4,504
<b>At June 30 2022</b>	<b>(34,063)</b>	<b>(146,232)</b>	<b>(20,987)</b>	<b>(88,935)</b>	<b>-</b>	<b>(290,217)</b>
Depreciation	(8,516)	(19,176)	(335)	(2,326)		(30,352)
Accumulated depreciation reversed on disposal	7,177	11,058	368	414		19,018
<b>At June 30, 2023</b>	<b>(35,402)</b>	<b>(154,350)</b>	<b>(20,954)</b>	<b>(90,846)</b>	<b>-</b>	<b>(301,552)</b>
<b>Net carrying amount</b>						
<b>At June 30, 2023</b>	<b>16,563</b>	<b>25,043</b>	<b>789</b>	<b>4,197</b>	<b>289</b>	<b>46,880</b>
<b>At June 30 2022</b>	<b>25,079</b>	<b>30,493</b>	<b>658</b>	<b>6,150</b>	<b>7,895</b>	<b>70,275</b>

20. Intangible assets

	Intangible Assets Shs'000
<b>Software costs</b>	
<b>Cost</b>	
At 01 July 2021	309,024
Additions / Reclassification	(14,813)
Work in progress	3,538
<b>At 01 July 2022</b>	<b>297,749</b>
Additions/ Transfers from WIP	(3,538)
Work in progress	-
Derecognition	(49,907)
Transfers from WIP/Derecognition (Capital Work-in-Progress Items)	(90,018)
<b>At June 30, 2023</b>	<b>154,286</b>
<b>Amortisation</b>	
At 01 July 2021	182,060
Amortisation	18,845
Reclassification	(14,813)
<b>At 01 July 2022</b>	<b>186,092</b>
Amortisation	15,548
Derecognition	(49,907)
<b>At June 30, 2023</b>	<b>151,734</b>
<b>Net book value</b>	
<b>At June 30, 2023</b>	<b>2,552</b>
<b>At June 30 2022</b>	<b>111,657</b>

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
<b>21. Trade and other payables</b>		
Trade payables	3,848	4,706
Provisions	74,504	106,214
Gratuity obligations	67,257	37,759
Accruals	<u>46,657</u>	<u>64,288</u>
	<b><u>192,267</u></b>	<b><u>212,967</u></b>

Provisions	Leave benefits Kshs'000	Performance bonus Kshs'000	Total Kshs'000
At 01 July 2022	7,997	98,217	106,214
Additional provisions raised	9,108	24,103	33,211
Provision utilized		(56,924)	(56,924)
Provision reversed	<u>(7,997)</u>		<u>(7,997)</u>
At June 30, 2023	<b><u>9,108</u></b>	<b><u>65,396</u></b>	<b><u>74,504</u></b>

Accruals	Consultancies Kshs'000	Other Provisions Kshs'000	Total Kshs'000
At 01 July 2022	3,606	113,539	117,145
Additional accruals	858	21,420	22,278
Accruals realized	(3,606)	(89,576)	(93,182)
Accruals reversed	<u>-</u>	<u>-</u>	<u>-</u>
At June 30, 2023	<b><u>858</u></b>	<b><u>45,383</u></b>	<b><u>46,241</u></b>

	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
At 01 July 2022	95,752	92,965
Add: Additional provision	2,832	13,317
Less: Written back	<u>(1,450)</u>	<u>(10,530)</u>
At June 30, 2023	<b><u>97,134</u></b>	<b><u>95,752</u></b>

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.

**22b Non current Provisions-Work in Progress (WIP)**

Work in progress (WIP) in previous financial year relates to Supply, Installation and Commissioning of a Data Repository & Business Intelligence System and for the Review and Design Securities Market Surveillance System.

The donor support program contract through the FSSP ended on 30 June 2022, with no option of continuation in the subsequent year. Management have applied prudence to derecognize the accrued WIP in the current financial year.

June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
-	90,018
<u>-</u>	<u>90,018</u>

**23. Deferred income**

In line with the Authority's accounting policy, Kshs 8,392,000 of the donor funded income has been deferred for future periods. The amounts relate to the FSSP projects that were financed and capitalized previously. Included in the deferred income is the Investor Compensation Fund (ICF) management fee payable to the Authority for the fund for Ksh51,823,580 based on the ICF Fund value.

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
Opening balance	32,641	-
Recognized in the year	-	32,641
Utilized in the year	(24,250)	-
Management Fee due from ICF	51,824	-
	<u>60,215</u>	<u>32,641</u>

**24. General fund**

	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
Opening balance	43,324	356,166
Surplus/ (Deficit) for the Period/year	32,451	59,295
Transfer to Staff Mortgage & Car Loan fund	(22,133)	(372,137)
At June 30, 2023	<u>53,642</u>	<u>43,324</u>

General fund represents accumulated surpluses over the years.

**25. Capital fund**

	June 2023 Shs'000	Prior Year Audited June 2022 Shs'000
At June 30, 2023	<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.

26. Building fund	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
Opening balance	600,000	600,000
Transfer to The National Treasury	(35,100)	-
At June 30, 2023	<u>564,900</u>	<u>600,000</u>

The building fund represents an appropriation from the general fund towards the purchase/construction of the Authority's future building for approved limit of Ksh600million.

The Fund has since been restated as a current liability in view of the full recall by the National Treasury. Remittance has since commenced, and the balance will be remitted in the FY 2023/2024 when cash becomes available upon maturity of Government Securities where it is invested.

27. Staff Mortgage and Car loan fund	June 2023	Prior Year Audited June 2022
	Shs'000	Shs'000
Opening balance	372,137	-
Appropriation from general fund (Note 23)	22,133	372,137
At June 30, 2023	<u>394,270</u>	<u>372,137</u>

28. Related party transactions	June 2023 Shs'000	June 2022 Shs'000
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#### Board members of the Authority' remuneration

Honoraria	-	160
Retainer	8,095	6,912
Sitting allowances	9,458	9,992
Training expenses	11,978	4,154
Others (medical, mileage, bonus)	3,885	3,520
	<u>33,416</u>	<u>24,738</u>

#### ii) Key management compensation

Gross salaries	41,174	39,031
Pension-NSSF	13	10
Gratuity	9,296	9,322
	<u>50,483</u>	<u>48,363</u>

There were 6 members of senior management who served during the year (2022:5)

## 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 financial statements are as follows:

	June 2023 Kshs'000	June 2022 Kshs'000
Capital expenditure contracted for	19,998	65,600
Recurrent expenditure contracted for	8,748	
	28,746	65,600

b. <u>Item description</u>	Capital Kshs'000	Recurrent Kshs'000	Total Kshs'000
Network access	12,706		12,706
Furniture	3,150		3,150
Computers & Printers	1,681		1,681
Software	2,461		2,461
Supply of Goods		1,174	1,174
Supply of Services		7,574	7,574
<b>Total</b>	<b>19,998</b>	<b>8,748</b>	<b>28,746</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 38,453,000 (2021: Kshs40,030,000).

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

	June 2023 Shs'000	June 2022 Shs'000
Not later than 1 year	38,453	40,030
Later than 1 year and not later than 5 years	139,631	108,544
	178,084	148,574

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

On 31<sup>st</sup> January 2022, the International Public Sector Accounting Standards Board (IPSASB) issued a new standard IPSAS 43 on Leases. The standard has an effective date of 1<sup>st</sup> January 2025, and 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. The Authority is considering an early adoption in the Financial year 2023/2024.

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(e)) which may decrease earnings and equity immediately after compared to the current treatment of the operating lease.

**30. Contingent liabilities**

The Authority has no contingent liabilities in the financial year as all prior year tax penalties and interest (see note 31) for which waiver had been applied for with the Kenya Revenue Authority (KRA) have been fully recognized. More than 90% of the issues with KRA have been resolved with them and the previous provisions have since been reversed..

**31. Prior years' tax provision**

These relate to interest and penalties imposed against principal taxes that had already been settled 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 had ensured 100% compliance with statutory obligations by cleaning up the CMA tax ledgers. The Authority has continuously engaged with KRA and 90% of the original provisions have been resolved, and reversal of the tax demands in I-tax and CMA ledger effected.

	June 2023 Shs'000	Jun-22 Shs'000
Penalties and interest provision B/F	45,734	45,734
Charge/ (Reversals) for the year	(40,364)	-
	<u>5,370</u>	<u>45,734</u>

**32. Employee costs**

	June 2023 Kshs'000	June 2022 Kshs'000
Consolidated pay, leave pay and passages	456,798	452,573
Staff uniform expenses	237	145
Staff welfare and other costs	20,308	17,317
Staff retirement benefits	58,250	57,249
	<u>535,593</u>	<u>527,283</u>

**33. Depreciation and Amortization Expense**

	June 2023 Kshs'000	June 2022 Kshs'000
Property, plant and equipment	30,353	25,081
Intangible assets	15,548	18,845
	<u>45,901</u>	<u>43,926</u>

**34. Use of Goods and services**

	June 2023 Kshs'000	June 2022 Kshs'000
Rent and maintenance	40,008	41,268
Telephone, postage and utilities	15,444	14,405
Publicity and Advertising	13,288	19,008
Medical scheme and insurance expenses	43,416	32,138
Training and conferences	31,005	44,497
Motor vehicle running expenses	4,463	3,929
Subscriptions and IOSCO membership	8,654	6,294
Professional and market development services	59,928	74,586
Auditor's remuneration	2,361	1,713
Investors' education and awareness programme	9,760	9,439
Tribunal expenses	388	713
Prior years' tax provision	(40,365)	(4,160)
Provision for doubtful debts	(4,417)	5,200
	<u>183,932</u>	<u>249,030</u>

35. Repairs and Maintenance	June 2023 Kshs'000	June 2022 Kshs'000
Internet Bandwidth & Web hosting	6,361	5,465
Software Licenses & Support	8,550	9,167
Other ICT Expenses	3,104	4,445
Printing Costs	281	71
Purchase of Stationery items	1,829	1,161
Toners & Computer Consumables	1,644	1,403
Equipment & Computer Maintenance	737	722
Maintenance of Office Furniture & Fittings	399	196
Annual Service Maint. Contracts	17,630	20,095
Other General Office costs	189	1,246
	<b>40,724</b>	<b>43,971</b>

36.a Cash Generated from Operations-CMA

	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
<b>Cash flows from operating activities</b>		
Surplus for the year	32,451	206,852
<b>Adjustments for:</b>		
Tax expense	(40,364)	(4,260)
Depreciation of property and equipment	18 30,352	25,081
Amortisation of intangible assets	19 15,548	18,844
Deferred donor funded income	22 27,574	(20,356)
Gain on disposal of property and equipment	9 (2,095)	(809)
Interest income	8 (77,819)	(79,458)
<b>Operating Surplus before working capital changes</b>	<b>(14,352)</b>	<b>145,894</b>
Decrease/(increase) in:		
Inventories	12 37	33
Trade and other receivables	13 (58,493)	34,539
Staff loans and advances	14. (22,635)	791
Increase/(decrease) in:		
Trade and other payables	21. (20,700)	(12,783)
Provision for liabilities and charges	22. 1,382	2,788
Non current provisions	-	(7,191)
<b>Cash generated from operations</b>	<b>(114,761)</b>	<b>164,071</b>
Interest received	8 77,819	79,458
Surplus paid	(182,657)	(165,880)
<b>Net cash generated from operating activities</b>	<b>(219,599)</b>	<b>77,649</b>

### 36.b Cash Generated From Operations-ICF

	Note	June 2023 Kshs'000	Prior Year Audited June 2022 Kshs'000
<b>Cash flows from operating activities</b>			
Interest income	18	(560,761)	(491,155)
<b>Operating Surplus before working capital changes</b>		(560,761)	(491,155)
Decrease/(increase) in:			
Trade and other receivables		56,814	(5,379)
Increase/(decrease) in:			
ICF Fund		532,700	592,016
Provision for liabilities and charges			
<b>Cash generated from operations</b>		28,753	95,482
Interest received	18	560,761	491,155
Surplus paid		-	-
<b>Net cash generated from operating activities</b>		<b>589,514</b>	<b>586,637</b>

### 37. Risk management objectives and policies

#### a) Financial risk management

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

#### i) Credit risk

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

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.

At June 30, 2023	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
Held-to-maturity investments	799,907	-	-	799,907
Staff loans and advances/ fund	397,882	-	-	397,882
Trade receivables	33,892	-	-	33,892
Other receivables	14,815	-	-	14,815
Cash at bank, in hand and deposits	40,672	-	-	40,672
Maximum exposure to credit risk	<u>1,287,168</u>	<u>-</u>	<u>-</u>	<u>1,287,168</u>

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

	2023 Shs'000	2022 Shs'000
Over 6 months	-	-

## 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 Kshs'000	Between 1-3 months Kshs'000	Between 3-12 months Kshs'000	Over 1 year Kshs'000	Total Kshs'000
<b>Year ended June 30, 2023</b>					
Trade payables	3,848				3,848
Other payables	36,338	5,804	4,515		46,657
Provision for liabilities and charges	(17,529)			92,032	74,504
Gratuity obligations	67,257				67,257
	<u>89,915</u>	<u>5,804</u>	<u>4,515</u>	<u>92,032</u>	<u>192,267</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 ending 30<sup>th</sup> June 2023 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. Hence the exposure to foreign exchange risk does not exist.

## **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

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Transactions with related parties</b>		
<b>a. Sales to related parties</b>		
Others (specify) Bond Approval fees	425,165	532,240
Salaries for seconded staff	3,829	5,338
<b>Total</b>	<b>428,994</b>	<b>537,578</b>
<b>b. Purchases from related parties</b>		
Purchases of electricity from KPLC	4,528	4,261
Training and conference fees paid to govt. Agencies	6,568	13,315
<b>Total</b>	<b>11,096</b>	<b>17,576</b>
<b>c. Grants /transfers from the government</b>		
Donations in kind- FSSP Consultancy payment.	-	11,733
<b>Total</b>	<b>-</b>	<b>11,733</b>

### **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



Date..... 20/9/2023

Chairman of the Board



Date..... 20-09-2023

APPENDIX II INTER ENTITY TRANSFERS									
Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent/Development/Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	
FSSP	See Appendix 3	Development	24,249,760	24,249,760	-	-	-	-	24,249,760
National Treasury	See Appendix 3	Others/ Reimbursement	3,828,973	3,828,973	-	-	-	-	3,828,973
<b>Total</b>			<b>28,078,733</b>	<b>28,078,733</b>	-	-	-	-	<b>28,078,733</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 were confirmed based on the projects' milestones. Donor funds related to purchase of assets are treated as deferred income and allocated to statement of financial performance income over the useful lives of the related assets while grants related to expenses are treated as donor fund income in the income statement.

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.

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

ENTITY NAME: CAPITAL MARKETS AUTHORITY				
Break down of Transfers from Donors				
FY 2022/2023				
<b>a.</b>	<b>Reimbursements for Capacity building Technical Costs.</b>			
		<b>Bank Statement Date</b>	<b>Amount (Kshs)</b>	<b>Indicate the FY to which the amounts relate</b>
<b>b.</b>	<b>Other Payments- Reimbursement</b>			
	<b>Details of the Payment</b>	<b>Transaction Description</b>	<b>Amount (Kshs)</b>	
	Reimbursements for National Treasury Seconded staff		1,908,387	2022/2023
	Reimbursements for Ministry of Trade-State Department of Investment Promotion		1,920,586	2022/2023
			<b>3,828,973</b>	
<b>b(ii)</b>	<b>Donor funded Consultancies.</b>			
	Blade Server and Switches - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	7,195,128	2022/2023
	Video Conferencing RP100-55A and vMCU Suite	Contra-Donor Funded Consultancies and Donor Funding income	2,032,032	2022/2023
	Integration of Surveillance System with NSE/CDSC	Contra-Donor Funded Consultancies and Donor Funding income	2,396,820	2022/2023
	Business Central - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	10,027,788	2022/2023
	Vmware and VEEM Availability Suite	Contra-Donor Funded Consultancies and Donor Funding income	2,597,992	2022/2023
		<b>Total</b>	<b>24,249,760</b>	
		<b>GRAND TOTAL</b>	<b>28,078,733</b>	

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