

REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT	DATE: 01 OCT 2024
DAY:	Tuesday
TABLED BY:	Hon. Owen Baya (Deputy Leader of the Majority Party)
OF	Anastacia Thorsbi

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

CAPITAL MARKETS AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2024**



CAPITAL MARKETS AUTHORITY

UNAUDITED DRAFT ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30th JUNE, 2024

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

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Registered office	3 rd Floor, Embankment Plaza Longonot Road, Upper Hill P.O. Box 74800, 00200 Nairobi, Kenya.
Authority contacts	Telephone: (254) 2221910/ 2264900/2221869/2226225 E-mail: corporate@cma.or.ke Website: www.cma.or.ke
Principal bankers	NCBA Bank Kenya PLC Mara/Ragati Roads Upper Hill , P.O. Box 30437, 00100 Nairobi, Kenya. HFC Limited Kenyatta Avenue/Koinange Street, Rehani House P.O. Box 30088, 00100, Nairobi, Kenya. KCB Mortgage Centre, Salama House, Mama Ngina Street P.O. Box 45129, 00100 Nairobi, Kenya.
Authorized independent auditor	Ronalds LLP Certified Public Accountants 136 Manyani East Road, . Off Waiyaki Way, P. O. Box 41331,00100 Nairobi, Kenya.
On behalf of	The Auditor-General Office of the Auditor General Anniversary Towers University Way P.O. Box 30084, 00100 Nairobi, Kenya.
Principal legal adviser	The Attorney General State Law Office Harambee Avenue P.O. Box 40112, 00200 Nairobi, Kenya.

1. ABBREVIATIONS

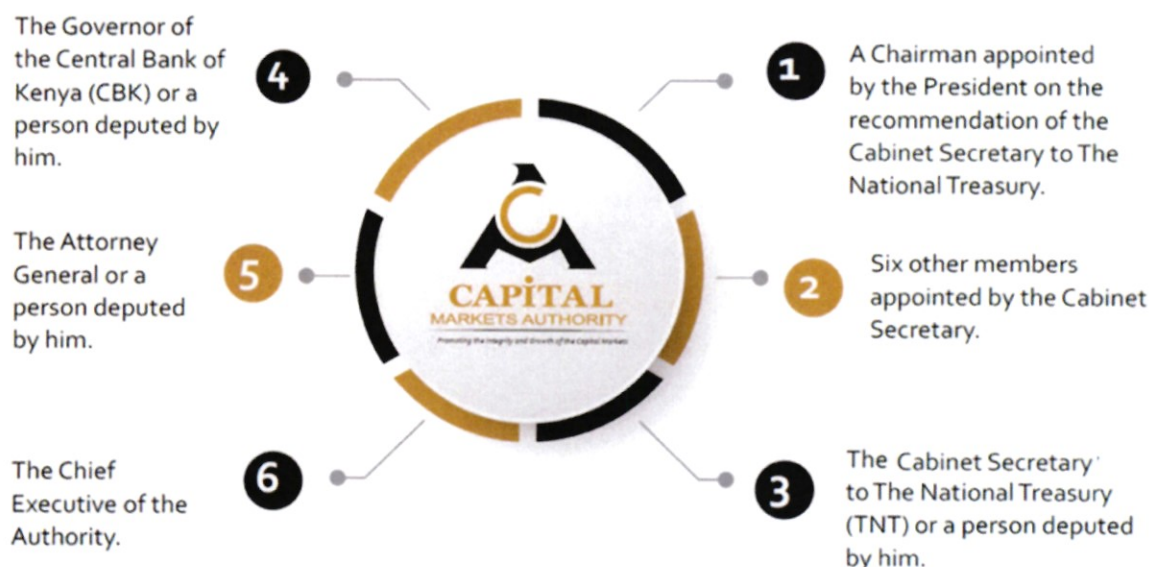
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
CMA	Capital Markets Authority
ERP	Enterprise Resource Planning- software
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IPSAS	International Public Sector Accounting Standards
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
FSDK	Financial Sector Deepening Kenya

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. CMA is domiciled in Kenya, Nairobi Upper Hill.

The Authority is composed of a Board constituted as follows:



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.

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.

i. Onsite Inspections

In discharging the responsibility of supervising, licensing, and monitoring the activities of market intermediaries, the market supervision undertakes onsite inspections periodically.

In the financial year 2023/2024, inspections were conducted during two periods: August 2023 to September 2023 and March to May 2024. The table below summarizes the number of firms inspected during these periods.

Period	Number
1 August 2023 to September 2023	14
2 March 2024 to May 2024	14
Total	28

In addition, a joint AML/CFT inspection, conducted in collaboration with the Financial Reporting Center, was carried out in August 2023 targeting identified high-risk market intermediaries. This inspection was in response to the

requirements of the Eastern and Southern African Anti-Money Laundering Group (ESAAMLG) Mutual Evaluation Report 2022. The data collected, covering the year 2022, was assessed using the AML/CFT risk profiling tool developed in partnership with the International Monetary Fund (IMF) in 2015 as part of a Technical Assistance initiative. The firms were rated by considering their structural risk factors and business risk factors which include inherent risks (customer risk, delivery channel risk, product/service risk, geographic risks) and risk mitigants/controls to come up with an overall/residual risk score.

The structural risks were given a weight of 20% and the business risks were given a weight of 80% which includes a weight of 70% for inherent risks and 30% for risk mitigants.

The formulae for the overall risk assessment is as follows; **Residual Risk = 20% of structural risk + 80% Business risks (Inherent risk of 70% + Risk mitigants of 30%).**

The risk assessment score was used to rate the licensees from Very high risk to Very low risk according to the following ranges:

OVERALL RISK SCORE (RESIDUAL RISK)	RATING
>4.01	Very High
>3.01	High
>2.01	Medium
>1.01	Low
=<1.01	Very Low

61 firms were profiled out of a total of 88 licensed entities. The licensees profiled included 8 Stockbrokers, 13 Investment Banks, 24 Fund Managers, 9 Investment Advisers, 6 Non-Dealing Online Forex Exchange Brokers and 1 Online Foreign Exchange Money Manager. This culminated in recommending standalone AML/CFT onsite inspections on 14 identified high-risk market intermediaries and the remaining 47 licensees rated as medium/low risk subjected to offsite monitoring. The 14 high risk market intermediaries include 3 Fund Managers, 5 Investment Banks, 2 Stockbrokers, 1 Investment Advisor and 3 Non-Dealing Online Foreign Exchange Brokers as below:

From the AML/CFT risk assessments conducted, in terms of license categories, it was observed that Non-Dealing Online Forex Exchange Brokers had the highest average risk score followed by Investment Banks, Stockbrokers, Fund Managers, Non-Dealing Online Forex Exchange Money Managers and Investment Advisers in that order. The table below illustrates the rankings and average risk scores:

	License Category	Average Risk Score	Ranking
1.	Non-Dealing Online Foreign Exchange Brokers	3.39	1
2.	Investment Banks	2.90	2
3.	Stockbrokers	2.87	3
4.	Fund Managers	2.64	4
5.	Online Foreign Exchange Money Manager	2.45	5
6.	Investment Advisers	2.11	6

The **key vulnerabilities** for each licensed category were also identified as per the table below:

License Category	Key Vulnerabilities
1. Non-Dealing Online Foreign Exchange Brokers	• Non face to face clients • Ease of entry and exit • Lapses in KYC/ Customer Due Diligence procedures which increases the risk of facilitating illicit activities. • Anonymity provided through online forex transactions can be attractive for money laundering

License Category	Key Vulnerabilities
2. Investment Banks	• Large number of trades transacted • Inadequate suspicious transactions and activities systems • Engaging with customers from high-risk jurisdictions • Use of third-party intermediaries, such as payment processors, to facilitate transactions. • Online and mobile account opening and trading • Insufficient training of staff on AML/CFT matters • Low number of STRs and SARs reported to the Financial Reporting Centre • Overall AML/CFT risk controls and mitigants are deficient • Use of Nominee accounts • Dealing with many foreign customers • Foreign customers mostly onboarded and transacting through omnibus accounts • KYC lapses • Use of agents • Use of online and mobile platforms transactions • Third-party risks through relationships with third parties such as correspondent banks or other financial institutions • High number of PEP's transactions • High number of customers from high-risk jurisdictions • High value transactions • Low number of STRs and SARs reported to the Financial Reporting Centre • Overall risk controls and mitigants are deficient
3. Stockbrokers	• Use of Nominee accounts • Dealing with many foreign customers • Foreign customers mostly onboarded and transacting through omnibus accounts • KYC lapses • Use of agents • Use of online and mobile platforms transactions • Third-party risks through relationships with third parties such as correspondent banks or other financial institutions • High number of PEP's transactions • High number of customers from high-risk jurisdictions • High number of transactions delivered at the custodian • High value transactions • Low number of STRs and SARs reported to the Financial Reporting Centre • Overall risk controls and mitigants are deficient
4. Fund Managers	• Large assets under management • High number of PEP's transactions • Inadequate suspicious transactions and activities systems • High number of transactions delivered by brokers • Customers with links to high-risk countries • Wealthy and powerful clients, particularly those who insist on strong confidentiality • High value transactions • Low number of STRs and SARs reported to the Financial Reporting Centre • Overall risk controls and mitigants are deficient
5. Online Foreign Exchange Money Manager	• Insufficient monitoring of suspicious transactions • Lack of independent testing of AML/CFT program • Online and mobile platform transactions • Low number of STRs and SARs reported to the Financial Reporting Centre

License Category	Key Vulnerabilities
6. Investment Advisers	• Reliance on offshore third parties, foreign customers, and providing offshore solutions

REGULATORY ACTIONS UNDERTAKEN

License Category	No. of onsite inspections conducted; high risk	No. of offsite monitoring conducted; medium/low risk
1. Non-Dealing Online Foreign Exchange Brokers	3	3
2. Investment Banks	5	8
3. Stockbrokers	2	6
4. Fund Managers	3	21
5. Online Foreign Exchange Money Manager	0	1
6. Investment Advisers	1	8
Total	14	47

ii. List of license applications processed in the financial 2023/2024 is provided below:

LIST OF LICENSE APPLICATIONS PROCESSED 2023/2024

Month	S/N	Entity	Type of License	License Number
September 2023	1.	KCCE Marketing Agency Limited	Coffee Broker	189
	2.	MKM Capital Limited	Fund Manager	188
	3.	Investcent Partners Limited	Investment Bank	187
November 2023	4.	Arvocap Asset Managers	Fund Manager	191
	5.	Myxeno Investment Management Limited	Fund Manager	190
	6.	Kingdom Securities	Authorised Securities Dealers	192
	7.	Meru South Coffee Marketing Company Limited	Coffee Broker	Conditional
	8.	Baringo Kawa Brokerage Company	Coffee Broker	Conditional
December 2023	9.	Kirinyaga Slopes Coffee Brokerage Company Limited	Coffee Broker	Conditional
	10.	ALA Capital Limited	REIT Manager	195
	11.	Prime Limited	Investment Adviser	194
	12.	FP Markets	Non-Dealing Foreign Exchange Broker	193
January 30, 2024	13.	NCBA Bank Kenya Plc	REIT Trustee	197
	14.	VCG Asset Management	Fund Manager	196
	15.	EABX Plc	OTC Exchange	198
April 25, 2024	16.	GTXN Investments Limited	Fund Manager	200
	17.	Tim Walsh Advisory Services	Investment Adviser	201

Month	S/N	Entity	Type of License	License Number
	18.	Kirinyaga Slopes Coffee Brokerage Company	Coffee Broker	202
	19.	Baringo Kawa Brokerage Company Limited	Coffee Broker	Extension of conditional license
	20.	Coffee Estates Bourgeoisie Brokers Agency Limited-CEBBAL	Coffee Broker	Conditional License
	21.	IC Markets KE Limited	Non-Dealing Online Foreign Exchange Broker	199
	22.	Empire Fx	Dealing Online Foreign Exchange Broker	203

iii. The licenses revoked during the year is provided below:

REVOCATIONS OF LICENSES 2024

Date	Entity	Type of License	License No.
April 25, 2024	Stanlib Kenya Limited	Fund Manager	043
	Stanlib Kenya Limited	REIT Manager	082

iv. The list of Authorized Equity Transactions in the financial year 2023/2024 is provided below:

LIST OF AUTHORIZED EQUITY TRANSACTIONS 2023-2024

Issuer	Transaction Type, Description and Value	Authorization Date
AA Kenya Limited	Approval for Short Form Prospectus for Restricted Offer of 7,762,881 shares at an offer price of KES 25.80 to the members of AA KENYA Holding Company Limited and an additional 3,681,999 shares at a par value of Kes 8.00 to the employees of AA Kenya Plc.	September 22, 2023
Nairobi Securities Exchange	Application To Issue 182,140 additional Shares to the Nairobi Securities Exchange Plc Share Ownership Plan	June 10, 2024
Kenya Re Corporation Limited	Application for approval of bonus issue of kes. 6,999,492,000 by Kenya Re corporation limited in the proportion of one (1) ordinary share for everyone (1) share fully paid up of par value (kes 2.50) held in the capital of the company	June 24, 2024

v. List of Circulars issued by CMA in the financial year 2023/2024

Date	Circular No.	Title
21 st September 2023	Circular No. 3/2023	Online Foreign Exchange (FX) Dealers
25 th September 2023	Circular No. 4/2023	World Investor Week
2 nd November 2023	Circular No. 5/2023	Anti Money Laundering Counter Financing of Terrorism (AMLCFT) Independent Review
2 nd November 2023	Circular No. 6/2023	National Risk Assessment (NRA) Findings
20 th December 2023	Circular No. 7/2023	Nairobi Securities Exchange and CMA Circular
18 th March 2024	Circular No.1/2024	Public Notice- Payment Of CMA Regulatory And Trading Fees Through E-Citizen
28 th March 2024	Circular No.2/2024	Coffee Trading Procedures At The Nairobi Coffee Exchange
2 nd April 2024	Circular No.3/2024	Conditions of Re-Offering Coffee for Auction
29 th May 2024	Circular No. 4/2024	Coffee Trading at the Nairobi Coffee Exchange
7 th June 2024	Circular No. 5/2024	Intermediaries' virtual open day
12 th June 2024	Circular No. 6/2024	Public Offers Listing and Disclosures (POLD) Collective Investment Schemes (CIS)

Our Vision

The Trusted Regulator of an Inclusive Capital Markets.

Our Mission

To regulate and promote the development of 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:

1. **C - Customer focus** We are dedicated to providing exceptional service and value to our customers, and we strive to exceed their expectations in every interaction.
2. **A - Accountability and Integrity** We are committed to acting with honesty, fairness, transparency, ethically and above board in all of our operations.
3. **P - Professionalism** We are committed to upholding the highest standards of behavior, ethics, and expertise in all of our interactions.
4. **I -Innovativeness** 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.
5. **T - Teams and Trustworthiness** We encourage open communication, mutual respect, and shared decision-making among our employees and partners.
6. **A- Agility and continuous learning** We are committed to adapting quickly to changing circumstances, embracing new ideas and technologies, and continuously developing our skills and knowledge.
7. **L – Leadership** 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 Officer (CEO).
- 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. 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. Senior Manager, Market Supervision	Evelyn Loko Mbithi
16. Senior Manager, Policy & Regulatory Framework	Jairus Muaka

Designation	Name
17. Senior Manager Research and Analytics	Wilberforce Ongondo
18. Head, Capital Markets Fraud Investigation Unit	Michael Wiso
19. Senior Manager Investigations and Enforcement	Esther Syombua Manthi
20. Senior Manager Market Supervision	Evelyn Mbithi
21. Senior Manager Market Deepening	Justus Nyameiyo Agoti

e) Fiduciary Oversight Arrangements

Board Committees

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

The Finance and Planning Committee

This committee consists of four members all of whom are non-executive members of the Board. The committee was chaired by Mr. 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. 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 Prof. Michael Bowen. It is responsible for human resource matters including recruitment, management succession and 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 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. A. THE BOARD OF DIRECTORS/ BOARD MEMBERS

NAME	POSITION
Mr. Ugas Sheikh Mohamed	Chairman of the Board
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
Mr. Gibson Kimani Maina	Member
Ms. Elena Natalia Pellegrini	Member
Ms. Natasha Awuor Aduwo	Member
Prof. Michael Bowen	Member
Mr. Nicholas Kamuya Ngarua	Member
Mr. Wyckliffe Shamiah	Chief Executive Officer

B. CORPORATION SECRETARY

Ms. Hellen Ombati	Director Legal and Company Secretary-Capital Markets Authority.
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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 seven 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, ITIL, 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 was the Cabinet Secretary, The National Treasury & Economic Planning during the period. 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 the Cabinet Secretary, National Treasury and Economic Planning)



Mr. Musa Kathanje (OGW) serves on the Board of Capital Markets Authority Board as the Alternate to the Cabinet Secretary, National Treasury and Economic Planning since 17th July 2020. He is the Director of Macro and Fiscal Affairs Department at the National Treasury a post he has held since November 2016. He joined the National Treasury in June 2013 on secondment from the Central Bank of Kenya where he had grown through the ranks for over 17 years.

Mr. Kathanje oversees the formulation and analysis of macroeconomic and fiscal policies to support the national budget process at the National Treasury. He has over 28 years of experience in macroeconomic and fiscal policy formulation as well as regional economic integration gained. He has extensive professional training from among others, the International Monetary Fund, the

United Nations Department of Economic and Social Affairs, the Federal Reserve Bank of New York, the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) and the IMF East Afritac.

Key areas of training include macroeconomic policy and forecasting, monetary policy management, fiscal policy formulation and econometrics. Mr. Kathanje serves as Kenya's Focal Point for the Human Capital Project of the World Bank.

He holds among others, a two-year certificate in macroeconomic modeling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa. Mr. Kathanje holds Masters and Bachelor degrees (first class honors in Economics) from the University of Nairobi and is currently finalizing a PhD programme in Business Administration (Finance) from the Jomo Kenyatta University of Agriculture and Technology. Additionally, he has a CPA Part I certificate.

Mr. Kathanje represents the Principal Secretary, National Treasury in the Monetary Policy Committee of the CBK and has previously served as an Alternate to the Principal Secretary, National Treasury in the following Boards: Vision 2030 Delivery Secretariat; Kenya Revenue Authority; Konza Technopolis and the Kenya Institute of Public Policy Research and Analysis.

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



During the period, Hon. Justin B. N. Muturi E.G.H was the Attorney General of the Republic of Kenya and served as a Director on the Board of Directors of the Capital Markets Authority. Hon. Justin B.N Muturi previously served 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 Master's in Business Administration from the University of Nairobi. He is a Certified Public Accountant and a fellow of the Institute of Certified Public Accountants of Kenya (ICPAK). He has served on the ICPAK Council from 2009 to 2022.

CORPORATION SECRETARY



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, FCPA, BSP, Certificate in Public Policy (Harvard Kennedy School)



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, FCPA, CIA, CISA, CPS (K)



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



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 November 11, 2008
 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



Esther Syombua Manthi

Position

Senior Manager Investigations and Enforcement

Date joined the Authority

March 01, 2011

Profession

Lawyer, Certified Financial Analyst

Key qualifications

MA (International Conflict Management), LLB, SLDP
 Senior Management Course (SMC), International
 Introduction to Securities & Investment (Kenya) (CISI),
 Certificate in Fintech & Regulatory Innovation



Evelyn Mbithi

Position

Senior Manager Market Supervision

Date joined the Authority

November 06, 2008

Profession

Business & Finance

Key qualifications

Bcom, MBA finance, Dip in Applied Maths & statistics



Justus Nyameyio Agoti

Position

Senior Manager Market Deepening

Date joined the Authority

January 14 2010

Profession

Economist

Key qualifications

M.A. (Economics), B.A. (Economics), H.Dip HRM,
 CPA, CMSA



KEY

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

5. CHAIRMAN'S STATEMENT



Overview of the Global Economy

Recent figures released by World Bank indicate that in 2024, the global economic performance is projected to remain positive, with major world economies avoiding a significant drop. To this end, the world economy is anticipated to grow by about 2.6 percent. Backing this performance are factors such as better-than-expected performance of the United States economy and an anticipated improved performance in several large and emerging economies that include India, China and some countries in South Asia and the Eastern part of Africa.

Emerging Markets

As regards emerging markets, their growth is expected to remain steady in 2024 at between 3.7% and 4%. Generally, there are expectations that most emerging markets will have inflation moving towards a rate of about 2%. Some exceptions include among others, Argentina, Turkey, Nigeria, Ghana, Pakistan and Egypt where inflation is anticipated to remain elevated.

Africa and the East African Community (EAC) Region

Africa continues to face significant challenges and multiple shocks, including heightened food and energy prices driven by geopolitical tensions such as the Russia – Ukraine conflict, climate disruptions affecting agriculture and energy production, and political instability in select member countries. Despite these, however, the economic outlook for the continent is more positive, with growth expected to increase to between 3.8 and 4 percent in 2024 highlighting the strong resilience of African economies. This growth is anticipated to be underpinned by improvements in global economic conditions and effective policy reforms.

East Africa's economy is anticipated to grow at about 4.9 percent. This is despite the recently experienced floods and war in some of the member states. This strong performance is largely supported by robust growth in key member countries like Rwanda, Uganda, Kenya, and Tanzania. The services sector, especially tourism and related industries, continues to be a significant driver of economic activity in the EAC. This is despite the region facing risks ranging from rising commodity prices, and domestic challenges such as infrastructure gaps and political instability. To address this, policymakers will need to implement strategies to mitigate these risks to sustain the growth momentum.

Domestic Performance and National Outlook

Kenya's GDP is projected to grow at about 5.4 percent (2023 – 5.6 percent), driven by growth in the services industry and household consumption, amidst some downside risks including inflationary pressure, driven by food and energy price rises. Also, the country's monetary policy is expected to remain tight against global economic uncertainties, tight global financing, impact of recent floods.

Strategic Partnerships

Strategic Engagements

The Authority continued to engage various strategic partners including Kenya Association of Manufacturers, Financial Sector Deepening Kenya (FSDK), SME Foundation Association, capital markets subsidiaries, and MSME Authority, among others. These engagements were aimed at mainstreaming the utilization of market-based financing opportunities to different players with the aim of improving uptake of capital markets products.

Green Bond program

On climate the Authority partnered with Financial Sector Deepening Kenya (FSDK), Augusto & Co, NSE and Ada Consortium and conducted engagements with various County Governments with the aim of evaluating projects which

could be bankable to support the green agenda. Among the Counties visited included Vihiga, Kisumu, Nairobi, Embu and Laikipia. As a culmination of the County assessments, the Authority also participated in the launch of the County Green Finance Assessment Report.

Engagement on Islamic Finance

As part of the effort to mainstream Islamic Finance in the country, during the period, the Authority hosted three Islamic Finance workshops for Scholars and Stakeholders bringing together key stakeholders Islamic Finance stakeholders as well as Islamic Finance experts and scholars. The three workshops were conducted with the objective of nurturing better appreciation and comprehension of Islamic finance, its practical implementation, and the role it could play in Kenya's economic progress.

Legal and Regulatory Reforms

The following regulations aimed at supporting improved uptake and deepening of the country's capital markets were progressed:

- a. Gazettement of Capital Markets (Credit Rating Agencies) Regulations, 2023 to provide for oversight of the domestic registered and foreign licensed credit rating agencies by the Authority to enable them conduct rating activities in Kenya.
- b. Gazettement of Capital Markets (Alternative Investment Funds) Regulations, 2023 establish a legal framework for the registration, operation, and regulation of alternative investment funds (AIFs) ensuring they adhere to specific standards of governance, transparency, and investor protection, thereby fostering the growth of the alternative investment sector within the country's capital markets.
- c. Gazettement of Capital Markets (Collective Investment Schemes) Regulations, 2023 to strengthen investor protection, ensure market integrity
- d. Gazettement of The Capital Markets (Public offers, Listings and Disclosures) Regulations, 2023 to increase and retain listings at the Nairobi Securities Exchange (NSE).
- e. Development of the Capital Markets (Conduct of Business) (Market Intermediaries) Regulations 2023, The Capital Markets (Margin Trading) Regulations 2023, Guidelines on Financial Resource Requirements for Market Intermediaries, and The Capital Markets (Coffee Exchange) Regulations 2020

Other Achievements

i. County Initiatives

As part of the Authority's investor education and public awareness effort, the Authority continued to engage the diaspora community, professionals, the youth, the business community, county governments, influencers and staff of various ministries, government agencies and departments across the country. County awareness initiatives were conducted in Murang'a, Busia, Nakuru, Kisumu, Nairobi, Mombasa, Kakamega and Kirinyaga counties with a view to increasing knowledge, attitude and uptake of capital markets products and services among various segments.

ii. Capital Markets Resource Persons Program

Given the Authority's commitment to broaden its investor education initiatives with a view to reaching various constituents within the country, the Authority revamped its outsourcing strategy by recruiting and contracting a fresh cohort of resource persons for two years on part-time basis effective September 1, 2023. The revamped program aims at recruiting a maximum of three (3) resource persons per county in several phases. Phase one involved recruiting and training 36 resource persons in 14 counties (Baringo, Bomet, Elgeyo Marakwet, Kericho, Kirinyaga, Laikipia, Nakuru, Nandi, Narok, Nyamira, Nyandarua, Nyeri, Uasin Gishu and Vihiga) who commenced undertaking awareness initiatives in respective counties in September 2023. The program has continued to gain momentum, with 53% of the recruited resource persons having conducted 53 awareness initiatives reaching 1,962 participants at the grassroots in 11

counties. The valuable lessons learnt from the pilot phase will inform subsequent recruitment phases for the remaining 33 counties.

iii. Innovation

Given last financial year's launch of the retail securities trading App dubbed 'Dosikaa App', the Authority in partnership with the Kenya Association of Stockbrokers and Investment Banks (KASIB), the Nairobi Securities Exchange PLC (NSE) and the Central Depository and Settlement Corporation (CDSC) has continued to conduct activation initiatives at the grassroots aimed at creating awareness of the App and onboarding potential investors including the Bodaboda operators among other segments.

iv. Securities Industry Certification Program (SICP) and Continuous Professional Development (CPD) Program

On the Securities Industry Certification Program (SICP), 640 professionals successfully undertook Level I examination in International Introduction to Securities & Investment (Kenya) and Level II examination in Regulations & Market Practice (Kenya) during the 2023/2024 Financial Year. Among them were 11 CMA staff members who were trained inhouse at the Authority's premises. The program has shown positive progress since inception in 2015, with a total of 5,014 market practitioners having undertaken either Level I or both Level I and II examinations as of June 30, 2024. The market practitioners continued to log in their annual Continuous Professional Development (CPD) points with the Capital Markets Authority's accredited CPD providers.

v. Interaction with minority shareholders

The Authority continued to facilitate engagements with minority shareholders' representatives to deliberate on developments in capital markets, challenges faced by the minority shareholders and determine the way forward.

Appreciation

On behalf of the Capital Markets Authority, I am grateful for the consistent support from the Government of Kenya in executing our responsibilities since my appointment to this position by His Excellency Dr. William Samoei Ruto, C.G.H. President of the Republic of Kenya in 2022. I also wish to express my sincere appreciation to the National Treasury and Economic Planning, the entire capital markets sector, and our fellow Financial Services Regulators for their significant contribution, which have been crucial in helping us achieve our goals during this period.

I also wish to acknowledge the invaluable efforts of my colleagues on the CMA Board, as well as the Chief Executive Officer, Management, and Staff of the Authority. Their continued commitment and teamwork were and will continue to be instrumental as we advance our mission of enhancing capital formation and fostering a culture of savings in our country.



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Chairman

6. REPORT OF THE CHIEF EXECUTIVE

1) Market Performance

Primary Market

During the 2023/24 financial year, a total of thirty-seven (37) Treasury bonds were issued. These included fifteen (15) re-opened bonds, sixteen (16) tap sales and six (6) new issues. In this period, the government aimed to raise KShs.626.00 billion. The Bids received amounted to KShs.1,015.78 billion, with the government accepting offers worth KShs.789.01 billion, indicating an aggregate acceptance rate of 126.85%. As regards the corporate bond market, the total outstanding amount on issue was KShs.27.18 billion, a 4.71 percent decrease from KShs.28.38 billion as at September 2023.

Also, despite there being a drought of equity issuances, the Authority together with other industry stakeholders continued to engage potential issuers with a view to building a pipeline of issues. To this end a number of companies have expressed interest in listing in the future.

In terms of the country's commodities markets facilitation, the Authority continued to spearhead reforms in the coffee sector while building on the ground laid in the previous year. On this, the Authority's focus was on ensuring that the coffee market operates under a regulated framework, enhancing transparency, and promoting fair trade practices. To this end, the Authority successfully licensed two (2) more additional number of coffee brokers, bringing the total to 14 licensed brokers.

2023/24 also saw significant regulatory advancements aimed at improving market development and strengthening market integrity and investor protection. To this end, the Authority successfully spearheaded the gazettment of Capital Markets (Credit Rating Agencies) Regulations, 2023; Capital Markets (Alternative Investment Funds) Regulations, 2023; Capital Markets (Collective Investment Schemes) Regulations, 2023 and The Capital Markets (Public offers, Listings and Disclosures) Regulations, 2023.

Further, in line with its new strategic direction, the Authority developed Margin Trading Regulations, reviewed the Guidelines on Financial Resource Requirements for Market Intermediaries, and amended the Commodity Markets Regulations. The regulatory review is aimed at enhancing responsiveness to changing dynamics, market developments, technological advancements, improving market liquidity and addressing emerging stakeholder expectations.

Secondary Market

As of June 2024, the country's equity market capitalization was Shs. 1.71 trillion (June 2023-Shs. 1.67 trillion), a 2.66 percent increase. This significant growth reflects a positive sentiment in the equity market and investor confidence as well as favourable market conditions compared to what was recorded in 2022/23. Also, the shares traded, and NSE 20 share index also increased by 23.35 per cent - and 5.18 per cent respectively (2022/23 -2.35 percent) to close the year at 1,656.50 points (2021/23 - 1574.92 points).

In terms of equity turnover, the country's 2023/24 figure stood at Shs.76.48 billion (Shs. 99.4 billion – 2022/23), a 23.06 percent decrease against the equity turnover levels recorded in the previous financial year.

As regards the secondary bond market, during the financial year, the country's bond market turnover increased significantly to Shs.1,115.74 billion (2022/23– Shs. 665.15 billion) - a 67.74 percent increase. This was the highest bond turnover ever achieved!

In terms of foreign equity portfolio, investors made purchases worth Shs.41,950 million and foreign sales worth Shs.47,077 million, resulting in a cumulative net equity outflow worth Shs.5,127 million.

2) Major Market Developments

Below is a highlight of some of the key market developments during the financial year.

- i) During the year, the Authority hosted the Capital Markets Industry Leaders Forum which brought together key industry leaders to dialogue on the state of Kenya's capital markets and strategies for the future. The forum was a good platform in which stakeholders took stock of the country's capital markets' performance and proposed

ways to manage pain points, received feedback on key areas of regulatory focus on AML/CFT matters and provided a concrete way forward on the initiatives that need to be implemented, to improve the industry's performance.

ii) The Authority initiated several initiatives aimed at leveraging technology to enhance customer experience.

These included:

- a) CMA app enhancements, incorporating new features aimed at attracting a broader range of investors, intermediaries, and other users, further solidifying its role in advancing financial inclusion through innovative technology.
- b) 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:

- c) The Credit Rating Workshop - 20th September 2023 and 23rd April 2024.
- d) The trustees' Forum hosted by Enwealth- 26th August 2023.
- e) The County Green Bond validations in Makueni, Kisumu, Embu, Nairobi and Wajir for the basis of assessing bankable green projects that could be used to issue green bonds to address ESG challenges.
- f) The 4th Annual National Capital Markets SME forum - 20th September 2023.
- g) The NSE REIT roundtable- 31st August 2023 and the REITs conference – 30th October 2023 & 2nd November 2023
- h) The Islamic Finance CEOs engagement forum – 5th September 2023.
- i) The 3rd Meeting of the Africa Network of National Regulators on Credit Rating Agencies, – 26th March 2024.
- j) The ISSB president's workshop on the adoption of the IFRS1 & IFRS2 standards in the Kenyan market – 18th March 2024.
- k) The inaugural Absa Institutional Investor Economic Forum organized by Absa Bank Kenya PLC - 27th February 2024.
- l) The Kakamega International Investment Conference 2024 – 19th & 22nd March 2024.
- m) The Islamic Finance workshops for Scholars and Stakeholders – 4th & 5th October 2023 and 30th April 2024.
- n) The Kenya Association of Manufacturers in the 2023 6th & 3rd editions of the Changamka Festival between October 31, 2023 – November 3, 2023, and November 30, 2023 – December 2, 2023.
- o) The National Housing Corporation 70th Anniversary at the Bomas of Kenya in Nairobi- 27th May 2024.
- p) The Water & Sanitation Investors Conference 2024 – 6th & 8th March 2024.
- q) The capital markets consultative forum for CEOs of key capital markets intermediaries and other key representatives - 3rd April 2024.
- r) The inaugural Capital Markets Deep Dive workshop - May 22nd, 2024.

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 the complaint's portal and email.
- b. Issuance of investor alerts for the protection of investor interests and use of alternative dispute resolution mechanisms in resolution of disputes between market stakeholders.
- c. Collaboration with global regulators under the IOSCO MMoU to bolster information sharing and cross border fraud deterrence initiatives.

- d. Engagements with market intermediaries on fraud risk assessment and discussions on promoting cooperation within the industry to address emerging challenges, and
- e. Stakeholder engagements for market fraud deterrence by closely working with other state agencies including financial industry regulators and agencies (CMFIU, DCI and ODPP).

All the above Authority efforts were aimed at not only improving the impact of the execution of the Authority's regulatory mandate but also fostering market development. We hope that the next financial year will bring higher growth to the country's capital market.

I. Financial Highlights RESULTS

		2024 Shs '000	2023 Shs '000
The results for the year are summarised below:-	Notes		
Total income for the year	6-9	962,606	872,015
Total operating expenditure for the year		(907,610)	839,565)
Surplus before tax		54,996	32,450
Remission to National Treasury	11(a)	(140,000)	-
Retained Surplus		(85,004)	32,450

**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 2023/24

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

The CMA Strategic Plan 2023 – 2028 charts the strategic direction within our broad mandate of regulating and developing the capital and commodities markets for the next five years. The Plan design model focused on five key perspectives (Key result areas) namely Customers, Financial Sustainability, Internal Business Processes, Learning & Development/Organization Capacity, and Leadership and Governance. The overriding theme within each perspective is to enhance inclusivity in the markets, maintain institutional sustainability, enhance operational excellence, develop agility in dealing with emerging issues, and strengthen investor protection and governance respectively. The Plan's overall goals include:

1. Growing aggregate market capitalization from Kshs. 5.6 trillion to Kshs. 6.6 trillion by 2028
2. Growing revenue from Kshs. 1 billion to Kshs. 1.6 billion by 2028
3. Enhancing strategy, performance, and enterprise risk management by attracting, developing, engaging, and retaining a competent staff compliment
4. Strengthening leadership and governance

CMA develops its annual work plans based on the above five (5) pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done every quarter.

These strategic pillars/ themes/ issues are as follows;

- | | |
|-----------------------------|---|
| i. Pillar /theme/issue 1: | Customer perspective themed on Inclusivity. |
| ii. Pillar/theme/issue 2: | Financial perspective themed on Sustainability |
| iii. Pillar /theme/issue 3: | Internal Business Processes Perspective themed on Enhanced Operational Excellence |
| iv. Pillar /theme/issue 4: | Organizational Capacity/Learning & Growth Perspective themed on Agility. |
| v. Pillar /theme/issue 5: | Leadership & Governance Perspective themed on Effective Governance. |

The CMA achieved its performance targets set for the FY 2023/24 period for its five strategic pillars, as indicated in the table below:

Table 2: Performance against predetermined objectives.

Key Result Area 1: Customer Base						
Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
Increase customer base and democratize wealth	Increased uptake of capital markets products and services.	i. Leverage technology and social media to enhance product uptake and customer experience ii. Partner with market intermediaries to increase customer base.	% Growth in the Number of investors.	3%	7%	The target was achieved. Equity and Collective Investment Scheme investors cumulatively increased from 2.7 million in July 2023 to 2.9 million in June 2024, marking a 7% increase.
		iii. Decentralization of capital market services. iv. Partner with the National government, professional institutions, and other key stakeholders to offer training on Capital markets to both public servants and private sector employees.	Aggregate Market Capitalization (Kshs. Trillion)	5.8 Tn	6.6 Tn	The target was achieved. During the review period, the aggregate market capitalization was approximately KES 6.61 trillion. This comprised KES 4.642 trillion in Treasury Bonds (TBs), KES 19.227 billion in Corporate Bonds (CBs) as of June 2024, KES 1.7 trillion in equities, and KES 225.415 billion in Collective Investment Schemes (CIS) Assets Under Management (AUM) as of June 2024.
		v. Continuous review of the policy and regulatory framework to respond to dynamic market needs. vi. Continuous engagement with issuers, investors, and intermediaries.	Number of issuers	2	4	The target was achieved. During the review period, there were four issuers: Linzi Sukuk (KES 3 billion), Spearhead Africa Infrastructure (Special Fund) (KES 15.2 billion), Acorn Supplementary REIT (KES 2.7 billion), and Satrix ETF (approximately USD 1 billion in fund size).
			% Growth in Value of Assets	3%	28%	The target was achieved.

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
		vii. Facilitate ease of access to capital markets by issuers.	Under Management (AUM)			Assets under management increased by KES 49.478 billion, rising from KES 176 billion in June 2023 to KES 225.454 billion as of June 30, 2024, reflecting a 28% increase.
Increase annual market turnover/liquidity	Increased market liquidity.	i. Support the National Government agenda through capital markets products and services. ii. Ease access to, and participation in capital markets by investors. iii. Enhance market infrastructure along the value chain to ensure a straight-through process from trading to settlement.	Turnover ratio - equities	5%	-1.5%	The target was not achieved. The equities turnover ratio on the Nairobi Securities Exchange (NSE) decreased from 6% in June 2023 (with an equities turnover (ETO) of KES 99.4 billion and a market capitalization of KES 1.67 trillion) to 4.5% in June 2024 (with an ETO of KES 76.5 billion and a market capitalization of KES 1.71 trillion). This represents a 1.5 percentage point decrease in the equities turnover ratio over year on year.
		iv. Facilitate the introduction of new products and services. v. Facilitate market-based financing initiatives to support ESG.	Turnover ratio - bonds	5% Increase YoY	7.6%	The target was not achieved. As of June 2024, the bond turnover ratio was 24.1%, with a bond turnover (BTO) of KES 1.12 trillion against a value of bonds outstanding of KES 4.64 trillion. This represents an increase from the 16.58% ratio in March 2024, when the BTO was KES 665 billion and the value of bonds outstanding was KES 4 trillion, reflecting a 7.6% increase in turnover ratio year on year.
Improve customer experience and brand visibility	Improved customer experience.	i. Enhance investor experience. ii. Enhance investor protection.	Customer satisfaction index	78.4%	78.4%	The overall Customer Satisfaction Index was 78.4% as of FY 2020-2021. The next survey will be undertaken in 2025/2026.

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
		iii. Enhance customer relationship management. iv. Demystify capital markets by simplifying messaging. v. Enhance the effectiveness of the regulatory sandbox.				
Improve strategic Influence and Advocacy	Improved strategic Influence and advocacy.	Establish partnerships with international and domestic partners to advance the Authority's agenda.	Level of implementation of MOUs	100%	100%	The target was achieved. Eight MoUs were successfully implemented during the review period, focusing on activities related to ESG mainstreaming, education, awareness and certification, and capacity building.

Key Result Area 2: Financial Sustainability

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
Increase revenue	Improved revenue base	i. Ensure all new products come along with sufficient fees to cover their cost of supervision. ii. Ensure existing products and services generate revenue commensurate to the cost of their supervision.	Revenue	1,181,692,000.00	962,606,115.64	The target was not achieved. Revenues were adversely impacted by decreased trading activity in the equity market during the review period.

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
		iii. Create vibrancy at the Exchanges iv. Diversifying revenue sources.				
Enhance resource mobilization	Successful implementation of strategic initiatives.	Leverage relationships with the Government and other development partners to raise funding.	Amount of externally mobilized funds in Kshs	50M	40 Mn	The target was broadly achieved. In December 2023, FSDK provided a KES 40 million grant to the Authority, effective for one year until December 2024. This grant will be used to strengthen the ESG policy and regulatory framework and to support capacity building for issuers, investors, and staff on ESG-related matters.
Improve cash flow management	Increased return on investments.	Increased return on investments	Rate of return on investments	2% ROI above 91-day T-bill rate	1.345%	The target was achieved. The overall ICF portfolio gained 1.345 percentage points during the review period. It is important to note that ICF investments are primarily long-term, so portfolio rebalancing to take advantage of short-term interest rate fluctuations is not the primary investment strategy. Additionally, the average ICF portfolio return during the period was 14%, which compares favorably with the 91-day average Treasury bill rate of 15%.
Optimize Costs	Increased cost savings.	Increased cost savings	% of cost savings per annum	10%	2.12%	The target was partially achieved. Cost savings on procurement spend were achieved through outsourced services, inventory management, and software licensing.

Key Result Area 3: Productivity, Performance, and Risk Management

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
Improve Performance, Productivity, and Risk Management	Improved organizational performance and productivity.	i. Improve Strategic Planning, implementation, monitoring, and evaluation. ii. Augment Enterprise Risk Management and Business Continuity Framework. iii. Maintain the Authority's Quality Management System (QMS) certification under ISO 9001.	Performance Contract score	Very Good	-	The evaluation, scheduled for the next financial year by NT&EP, will follow up on the Authority's previous score of 2.5765 in FY 2022-2023, which was rated as "Very Good." The Authority is confident in meeting the target for the current reporting period.
		iv. Implement effective project management practices. v. Effective management of the litigation function. vi. Reduce exposure of the Authority to legal and financial risk.	Productivity Score	Good	-	The target was achieved During the review period, the Authority achieved a score of 3.382, which the Ministry of Labour and Social Protection rated as "Very High Productivity."
Increase the Level of Automation	Increased Organizational efficiency.	i. Digitize and optimize operational systems (front-end and back-end systems). ii. Develop an ICT innovation Centre to support in-house software development and R&D of emerging technologies.	% level of utilization	70%	87%	The target was achieved. An automation survey conducted by the ICT Authority in October 2023 rated the CMA's business process automation level at 87%.
		iii. Establish and operationalize a knowledge management framework.	% level of automation	70%	88.85%	The target was achieved. The ICT Authority evaluated the CMA's overall digital maturity at 88.85%, categorizing it at Level 5 (Optimizing) on the ICTA Maturity Reference Model.

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
		iv. Upgrade ICT infrastructure (Upgrade hardware and software).				
Comply with ALL applicable policy, legal, and Regulatory requirements	Reduced risk exposure.	i. Ensure legal and compliance audits are undertaken. ii. Ensure alignment of CMA processes with the Data Protection Act.	% level of compliance	100%	100%	The target was achieved. A legal and compliance audit conducted by the Kenya School of Law concluded that the Authority was, in all material respects, compliant with the Constitution, the Capital Markets Act, and other relevant statutes and regulations affecting its mandate and operations.
Optimize supply chain operational efficiency	Enhanced customer satisfaction and cost efficiency.	i. Promote strategic sourcing. ii. Enhance strategic relationships with suppliers. iii. Promote competitive sourcing using appropriate methods and negotiations where applicable.	Turnaround time for delivery of requisitioned goods and services	82%	71.95%	The target was broadly achieved. The turnaround time for Procurement Requisitions for 2023/2024 was 71.94%.
		iv. Maintain optimal inventory levels. v. Ensure compliance with the Public Procurement and Asset Disposal Act (PPADA), Regulations, and Safety Requirements.	Savings on intermediate inputs and activity cost	5%	2.12%	The target was partially achieved. Cost savings on procurement spend were achieved through outsourced services, inventory management, and software licensing.

Key Result Area 4: Human Resource

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
Enhance human resource capacity	Improved staff productivity, motivation, and retention.	i. Implement Competency-based talent acquisition. ii. Implement employee development programs.	Employment engagement index	75%	-	To be undertaken in 2025/2026
		iii. Maintain a conducive and adaptive work environment. iv. Enhance a high-performance and productivity culture.	Work environment index	75%	-	To be undertaken in 2025/2026
Improve succession management	Increased knowledge transfer.	i. Implement a Coaching and Mentoring Program. ii. Implement a succession management policy.	% employees coached and mentored	80%	57%	The target was partially achieved. This achievement is progressing well, as the target for coaching and mentoring staff is an ongoing initiative. To date, 59 staff members have participated in coaching and mentoring programs, representing 57% of the total staff.
			Level of implementation of succession management policy	80%	70%	The target was broadly achieved.
Strengthen compliance with HR laws, regulations, and government directives	Reduced risk exposure.	Comply with all employment/labor-related legislations and government circulars.	% level of compliance	100%	100%	The target was achieved.

Key Result Area 5: Environmental, Social and Governance

Strategic Objective	Outcome	Strategic Initiatives/Activities	Outcome Indicators (KPI)	Target	Achievement	Observation
Promote environmental, social, and governance practices	Improved adoption of ESG principles.	i. Ensure Board compliance with the Mwongozo Code. ii. Mainstream ESG factors into CMA's operations.	Level of compliance with the Mwongozo Code of Conduct	100%	95.6%	The target was partially achieved.
			Level of implementation of the CMA ESG policy.	-		To be undertaken in the FY 2024/2025.
Strengthen Internal Control systems	Enhanced accountability.	Enhancement of internal controls within the Authority.	Level of implementation of audit recommendations.	100%	73%	The target was partially achieved. Fifty-eight percent of audit recommendations have been implemented and closed, while fifteen percent are implemented and currently undergoing review.

Implementation challenges

The following implementation challenges were identified during the review period.

- i. Transitioning between strategic plans led to delayed implementation of some initiatives.
- ii. The need to adjust to broad-based fiscal austerity measures leading to resource constraints.
- iii. Lengthy approval and legislative processes.
- iv. Court injunctions affecting the implementation of some initiatives.

Material matters that are likely to have a significant impact on sustainability which might influence the ability of value creation over the short, medium, and long-term include:

1. Regulatory and Policy Environment:

- Regulatory Compliance: Ensuring compliance with local and international regulatory standards.
- Policy Development: Adapting to and implementing new policies to enhance market stability and integrity.
- Enforcement Actions: Effective enforcement of regulations to prevent malpractices.

2. Economic Environment:

- Economic Stability: Impact of macroeconomic factors such as inflation, GDP growth, interest, and exchange rates.
- Market Liquidity: Availability of liquidity in the capital markets.
- Investment Climate: The overall environment for both local and foreign investments.

3. Technological Advancements:

- Digital Transformation: Adoption of new technologies for business processes, surveillance, and regulatory compliance.
- Cybersecurity: Protection against cyber threats and data breaches.
- Fintech Integration: Incorporation of financial technologies to improve market efficiency.

4. Environmental Factors:

- Climate Change: Impact of climate change on market stability and investment patterns.
- Sustainable Finance: Promoting green bonds and other sustainable financial instruments.
- Environmental Regulations: Compliance with environmental laws and regulations.

5. Social Factors:

- Stakeholder Engagement: Effective communication and engagement with stakeholders, including investors, issuers, and the public.
- Corporate Governance: Promoting good governance practices among market participants.
- Inclusion and Diversity: Ensuring diversity and inclusion in market operations and governance structures.

6. Political and Legal Environment:

- Political Stability: The impact of political stability on investor confidence and market operations.
- Legal Framework: The adequacy and robustness of the legal framework governing the capital markets.
- Market Manipulation and Fraud: Measures to combat market manipulation, money laundering, and fraud in the markets.

7. Market Dynamics:

- Market Innovation: Encouraging innovation in financial products and services.
- Competitiveness: Enhancing the competitiveness of Kenya's capital markets on a regional and global scale.

- Market Infrastructure: Developing and maintaining robust market infrastructure, including trading platforms and clearing systems.

8. Human Capital:

- Talent Development: Investing in the development of skilled professionals in the capital markets.
- Capacity Building: Enhancing the capacity of the CMA and market participants through continuous training and education.
- Workforce Well-being: Ensuring the well-being and satisfaction of the workforce.

9. International Relations:

- Global Integration: Integration with global financial markets and adherence to international standards.
- Cross-Border Collaboration: Collaboration with other regulatory bodies and international organizations.
- Foreign Direct Investment (FDI): Attracting and managing foreign investments.

10. Risk Management:

- Risk Identification: Identifying and mitigating potential risks to market stability.
- Crisis Management: Preparedness for managing financial crises and market disruptions.
- Resilience Building: Building resilience to withstand economic and market shocks.

Highlight on the Authority's value creation model

1. Inputs

i. Financial Capital

- Fees and levies from market participants.
- Grants and funding from international organizations.

ii. Human Capital

- Skilled professionals with expertise in regulatory, legal, financial, and technological domains.
- Continuous professional development and training programs.

iii. Intellectual Capital

- Regulatory frameworks and guidelines.
- Market research and data analytics capabilities.
- Knowledge management systems.

iv. Technological Capital

- Advanced IT systems for market surveillance and business operations.
- Cybersecurity infrastructure.

v. Social and Relationship Capital

- Strong relationships with market participants, government agencies, and international bodies.
- Stakeholder engagement mechanisms.
- Public awareness and investor education programs.

vi. Natural Capital

- Environmental policies and sustainable practices within the organization.
- Support for green finance initiatives.

2. Business Activities

i. Regulatory Oversight

- Monitoring compliance with capital market regulations.
- Conducting market surveillance and investigations.
- Enforcement of regulatory actions.

ii. Policy and Framework Development

- Formulating and updating regulations and policies.
- Aligning local regulations with international standards.
- Promoting sustainable finance initiatives.

iii. Market Development and Innovation

- Facilitating the introduction of new financial products and services.
- Supporting the development of market infrastructure.
- Encouraging fintech integration and digital transformation.

iv. Investor Protection and Education

- Conducting investor education and awareness campaigns.
- Implementing measures to protect investors' interests.
- Addressing investor complaints and disputes.

v. Stakeholder Engagement and Collaboration

- Engaging with market participants, government bodies, and international organizations.
- Facilitating dialogue and collaboration among stakeholders.
- Promoting corporate governance and ethical practices

vi. Risk Management and Crisis Response

- Identifying and mitigating systemic risks.
- Developing crisis management protocols.
- Enhancing market resilience and stability.

3. Outcomes

i. Market Integrity and Stability

- Enhanced market transparency and fairness.
- Reduced instances of fraud and malpractices.
- Stable and resilient capital markets.

ii. Increased Market Participation

- Growth in the number of issuers and investors.
- Enhanced access to capital for businesses.
- Greater inclusion of retail investors.

iii. Innovation and Competitiveness

- Introduction of innovative financial products.
- Improved market infrastructure and efficiency.
- Increased competitiveness of Kenya's capital markets regionally and globally.

iv. Sustainable Development

- Growth in green finance and sustainable investments.
- Promotion of environmental, social, and governance (ESG) standards.
- Contribution to national, regional, and global sustainability goals

4. Impact on Stakeholders

i. Investors

- Increased investor confidence and protection.
- Greater access to diverse investment opportunities.
- Improved returns on investments.

ii. Issuers

- Access to capital for growth and expansion.
- Enhanced corporate governance and transparency.
- Support for sustainable business practices.

iii. Market Intermediaries

- Clear regulatory guidelines and support.
- Opportunities for innovation and business growth.
- Strengthened relationships with the CMA.

iv. Government and Policy Makers

- Contribution to economic growth and stability.
- Alignment with national development goals.
- Enhanced regulatory environment.

v. International Community

- Strengthened international collaboration and partnerships.
- Adherence to global standards and best practices.
- Contribution to regional and global financial stability and development.

vi. General Public

- Increased financial literacy and awareness.
- Opportunities for wealth creation and economic participation.
- Assurance of a well-regulated and stable market environment.

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 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 has five members, all non-executive members of the Board. The committee was chaired 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 four times during the year.

The Human Resource and Communication Committee

This committee has five members, all non-executive members of the Board. The Committee was chaired by Prof. Michael Bowen. It is responsible for human resource matters including recruitment, management succession and the corporate communication function. The committee met nine 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 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 eight 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:4	Technical and Policy Committee (TPC) Total number of Meetings:8(5 Scheduled and 2 special)	Human Resources and Corporate Communication Committee (HRCC) Total number of Meetings:9 (Scheduled 8 and 1 Special)	Joint Audit and Finance and Planning Committee:1	AD Hoc Committee on Uchumi Supermarket Limited Total number of Meetings:1	Board Total number of Meetings: 7 (5 scheduled and 2 special)	Other Board Engagements Meetings;70
1.	Mr. Ugas Mohamed	Chairperson	Board Chairperson						1/1	6/7	61
2.	Ms. Natasha Aduwo	Independent Member		1/1 (Coopted)	4/4		9/9	1/1		6/7	18
3.	Ms. Elena Pellegrini	Independent Member	Chairperson. Technical and Policy Committee.	6/6		8/8		1/1		7/7	13
4.	Mr. Meshack Kiprono	Independent Member	Chairperson. Finance & Planning Committee.	6/6			9/9	1/1		7/7	20
5.	Mr. Gibson Maina	Independent Member	Chairperson. Audit, Corporate Governance and Risk Management Committee		4/4	6/8		1/1		6/7	17

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6.	Prof. Michael Bowen	Independent Member	Chairperson. Human Resources and Communications Committee	6/6			9/9	1/1		7/7	23
7.	Mr. Nicholas Ng'arua	Independent Member			4/4	7/8		1/1	1/1	7/7	16
8.	Mr. Musa Kathanje	Alternate to the Cabinet Secretary National Treasury		5/6	3/4	7/8		1/1		7/7	9
9.	Mr. David Luusa	Alternate to the Governor Central Bank of Kenya			1/1	7/8		1/1		5/7	4
10.	Ms. Christine Kanini	Alternate to the Attorney General of Kenya		1/1 (Coopted)		8/8	9/9		1/1	7/7	15

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11.	Mr. Chrisologus Makokha	Representing the Inspector General (State Corporations)		5/6	2/2	4/8	9/9	1/1		7/7	8
12.	Ms. Cecilia Mbothu	Representative State Corporation Advisory Committee								1/1	
13.	Mr. Mutinda Muema	Representative State Corporation Advisory Committee								1/1	
14.	Mr. Matthew Tuitoek	Representative State Corporation Advisory Committee								1/1	
15.	Ms. Anne Ericksson	Ad hoc Member							1/1		

CAPITAL MARKETS AUTHORITY
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16.	Ms. Patricia Kiwanuka	Ad hoc Member							1/1		
17.	Dr. James Boyd Mcfie	Ad hoc Member							1/1		

*Mr. Ugas Sheikh Mohamed - Chairperson

*Mr. Moses Meshack Kiprono - Chairperson Finance and Planning Committee

*Prof. Michael Bowen- Chairperson Human Resource and Communications Committee

*Mr. Gibson Kimani- Chairperson Audit Corporate Governance and Risk Management Committee

*Ms. Elena Natalia Pellegrini- Chairperson Technical and Policy Committee Meeting

*Mr. Chrisologus Makokha is an alternate to the Inspector General, State Corporations.

*Mr. Mutinda Muema, Mr. Matthew Tuitoek and Ms. Cecilia Mbothu are SCAC officials and attended the board evaluations for financial year 2023/2024.

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

Section 81 of the Public Finance Management Act (PFMA), 2012 requires the Board Members to prepare annual financial statements in respect of Capital Markets Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial period and the operating results of the Authority for that period. 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 financial statements, which give a true and fair view of the state of affairs of the Authority for and at the end of the financial period ended 30th June 2024. 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 Authority;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the 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.

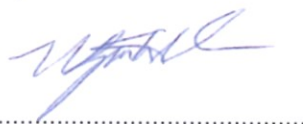
The Board Members accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act, 2012 and the State Corporations Act. The Board Members are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial period ended 30th June 2024, 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 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 financial statements

The Authority's financial statements were approved by the Board on.....19-09.....2024 and signed on its behalf by:



Chairman



Chief Executive

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. The surplus for the year ended June 30, 2024 was Kshs 54.996 million. However, Kshs 140 million was transferred to the National Treasury as part of a budget rationalization exercise cash call, resulting in an overall net deficit of Kshs 85.004 million.

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 in place an Enterprise Risk Management (ERM) Framework based on which Risk Management has been mainstreamed within the Authority to allow for structured risk assessments on a continuous basis.

During the period ended June 30, 2024, the Authority reviewed and enhanced its ERM Framework in line with the 2023-2028 Strategic Plan, national policy guidelines and international best practices such as ISO 31000. Maturity risk assessment for CMA's framework was undertaken identifying gaps and giving proposals for continuous improvement. Management reviewed the existing risks and opportunities registers, and aligned the framework to the strategic plan and developed a new risk opportunity register at a strategic level and a departmental level.

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 risks are ranked in accordance with their probable likelihood and impact, on a scale of 1-5, with the ones scoring above 20 being flagged as major risks.

All members of the Authority share the responsibility of managing risks to ensure the fulfillment of strategic objectives. The Authority follows the Three Lines of Defense Model, which establishes clear accountability and ownership for risk management and separates risk-taking from risk oversight. This model promotes a risk culture that emphasizes awareness, appropriate behaviors, and decision-making based on risk.

Risk Management Process

The Authority's risk management process is a systematic application of policies, procedures, and practices that involves various activities such as communicating and consulting, establishing the context, assessing, treating, monitoring, reviewing, recording, and reporting on risks and opportunities that may have an impact on achievement of strategic objectives. CMA's risk management process complies with the requirements of the PFM Act Section 165, Treasury Circular No 3/2009, and has been designed in-line with the ISO 31000:2018 Risk Management Standard Guidelines. The process is integrated with the CMA Quality Management System based on ISO 9001:2015 standard.

Risk assessment

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. Risk assessment should be conducted systematically, iteratively, and collaboratively, drawing on the knowledge and views of stakeholders. It should use the best available information, supplemented by further enquiry as necessary.

1. **Risk Identification** - The purpose of risk identification is to find, recognize and describe risks that might help or prevent an organization from achieving its objectives.
2. **Risk Analysis** - The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk. Risk analysis involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls, and their effectiveness.
3. **Risk Evaluation** - The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required.

The Authority has a 5*5 risk assessment methodology for the likelihood and impact of its possible risks and opportunities that informs its risk treatment decisions as summarized below:

Risk Impact Rating and Score

Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
An event that, if it occurs would have no effect on the achievement of the targets set	An event that, if it occurs, will cause small cost (and/or schedule) increases that, in most cases, can be absorbed by the activity, project or department	An event that, if it occurred, would cause moderate cost and schedule increases, but important requirements would still be met	An event that, if it occurred, would cause major cost and schedule increases. Secondary requirements may not be achieved	The regulatory or statutory standing of the Authority is brought into serious question or the project is terminated

Risk/ Opportunity Likelihood Rating and Score

Probability	Description	Risk Score	Opportunity Score	Consideration
Almost Certain	90% or greater chance of the event occurring during the life of the objective	5	5	The risk/ opportunity event has occurred during the last 3-6 months or is certain to occur in the next 3-6 months
Highly Likely	65% to 90% chance of the event occurring during the life of the objective	4	4	There is a history of frequent occurrence. The risk/ opportunity event has occurred during the last 6-12 months or may occur in the next 6-12 months
Likely	35% to 65% chance of the event occurring during the life of the objective	3	3	There is a history of casual occurrence. The risk/ opportunity event has occurred during the last 12-36 months or may occur in the next 12-36 months
Unlikely	10% to 35% chance of	2	2	The risk/ opportunity event occurs from

Probability	Description	Risk Score	Opportunity Score	Consideration
Rare	the event occurring during the life of the objective			time to time. The event has occurred during the last 36-60 months or may occur in the next 36-60 months
	Less than 10% chance of the event occurring during the life of the objective	1	1	The risk/ opportunity event has not occurred in CMA but has occurred in other similar organizations. The risk event may occur beyond the next 60 months

Overall Risk Rating

Impact	Catastrophic - 5	5	10	15	20	25
	Major - 4	4	8	12	16	20
	Moderate - 3	3	6	9	12	15
	Minor - 2	2	4	6	8	10
	Insignificant - 1	1	2	3	4	5
		Rare 1	Unlikely 2	Likely 3	Highly Likely 4	Almost Certain 5
		Likelihood				

The Authority continuously identifies risks and opportunities and assesses them and puts in place treatment measures or exploitations strategies respectively to address the risks and opportunities. For the period ended June 30, 2024, the key corporate risks and opportunities with a score of 20 and above and the strategies deployed to treat or harness them respectively are as summarized below:

RISKS

- Conflict of interest due to cross-ownership along the coffee value chain** – (linked to the strategic objective of enhancing strategic alliances)

The Authority's treatment strategies include engaging with commodities market stakeholders to improve uptake as well as leveraging on the convening power of the Office of the Deputy President to bring all conflicting parties to the negotiating table.

- Sub-optimal staffing** (linked to the strategic objective of building and enhancing human resource capacity)
The treatment strategy of this risk is engaging temporary staff and through the deployment of Public Service Commission Interns. There are also ongoing efforts to increase the productivity of existing staff and re-designation and deployment of staff.

- Successful cybersecurity attacks arising from system and application vulnerabilities, data breaches, and unauthorized access.** (Linked to the strategic objective of enhancing operational efficiency)

The Authority's treatment strategies include:

- Conducting quarterly cyber-security awareness sessions on current and emerging threats,
- Maintenance of an effective Firewall and anti-virus program for web and spam filtering, malware detection and prevention, and robust email hygiene solution,
- Maintaining a successful backup,
- Conducting timely deployment of patches and server updates,
- Maintaining a licensed endpoint detection system (antivirus) and a licensed firewall.

4. **Less than optimal adoption of technology in market supervision.** (Linked to the strategic objectives of growing annual market turnover and enhancing operational efficiency)

The Authority is addressing this risk through the development of a Regulatory Management Information System (RegMIS) to revamp the RBSS and Licensing Application Module.

5. **Failure or delay in submission of financial information by some issuers and market intermediaries to the Authority and the investing public leading to a decline in investor confidence.** (Linked to the strategic objective of optimizing customer experience and brand visibility)

The Authority is addressing this by:

- a) undertaking risk-based inspections and analysis of financial returns by issuers and market intermediaries.
- b) Taking enforcement action against non-compliant issuers and market intermediaries.
- c) Grant of extensions to companies not able to submit and publish their audited financial statements provided the request is justifiable.
- d) Grant of exemptions on a case-by-case basis to companies not complying.
- e) Providing continuous sensitizations of companies on areas they need to comply with and on clarification areas.

6. **Inadequate budget to implement market development initiatives to promote uptake of capital and commodity markets products and services.** (Linked to the strategic objective of growing customer base, democratize wealth and enhance liquidity)

CMA is addressing this by fully implementing market deepening and stakeholder engagement strategies and programs to promote the uptake of capital and commodities market products as well as continued leveraging technology and viable partnerships.

OPPORTUNITIES

1. **Leveraging periodic meetings with relevant stakeholders such as Kenya National Bureau of Statistics and financial sector regulators among others to gather all required data for research through signing of Memorandums of Understanding with relevant research partners on conducting joint research and surveys.**

The Authority continues to hold engagements with government agencies / Data providers and key research partners during data-sharing meetings such as Monetary Financial Statistics and Balance of Payment workshops. For example, the Authority held FinAccess Survey preparation workshops.

2. **Optimize partnerships with stakeholders, leveraging technology and social media, to enhance knowledge, attitude, and practice towards the uptake of capital and commodities market.**

The Authority is leveraging partnerships with public and private sector stakeholders including learning, research institutions, and policymakers to build knowledge, capacity, and ultimate uptake in the capital and commodities market and various initiatives were held leveraging technology.

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.

1. Sustainability strategy and profile

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

2. 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 also recently collaborated with NETPAD in the tree planting exercise at Kaptagat Forest in Uasin Gishu County and as part of Corporate social Investment, the Authority on 13th November 2023, being the national tree planting day, carried out the national duty through collaboration with Kenya Forest Service (KFS) who had organized the tree planting event at the Bomas Block of the Ngong Forest.

The Authority carried out a tree planting exercise for this financial year 2023/2024 on 19th April 2024, at Ngong Forest in partnership with the Kenya Forest Service. Subsequently, the Authority participated in the final tree planting exercise for the financial year at the National Tree Planting Day in Machakos on May 10th 2024.

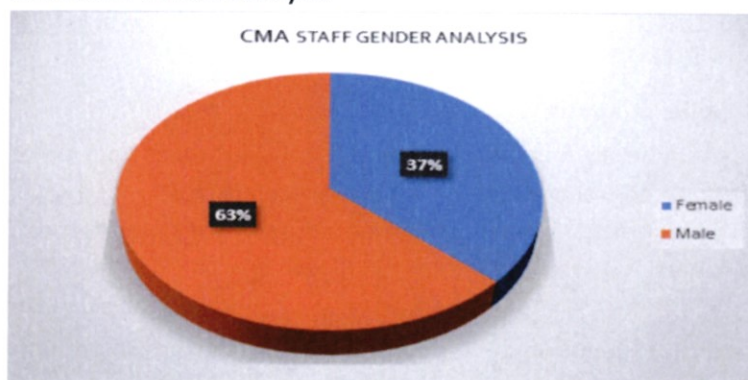
The Authority continues to support the efforts of pursuing sustainable development, environmental conservation and protection through the Kaptagat Integrated Conversation Program and extended Kshs 300,000/= support towards the 8th edition of the Kaptagat forest annual tree growing event on 13th July 2024.

3. 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.

CMA Staff Gender Analysis



As at June 30, 2024, the ratio of male to female gender was 63%:37%; therefore fulfilling the requirement for not more than 2/3 of either gender.

CMA Staff Age Analysis

The average age for CMA staff is 42 years with the highest percentage of staff being in the age bracket of 31-40 years. Only 10% of staff are 30 years and below.

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 the 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.

4. 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 FY2023/2024 ended with opportunities awarded to the special registered groups under (AGPO) including; Women, Youth and Persons with Disabilities contracts worth a total of KShs. 29,735,339.12 translating to 44.76 % 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 86.94 % of the total expenditure for the period to locally registered firms for locally produced goods and services with the amount awarded totaling Kshs. 97,344,070.15 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 best evaluated suppliers were comprehensive with clearly outlined expectations, deliverables, timelines and payment terms within the locked competitive prices.

Furthermore, the list of registered suppliers for two years due 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 Quarter 3 of the FY 2023/2024 to enlighten them on the available procurement opportunities presented by the Authority and the intention to engage them as partners.

The Supply Chain Department also ensured timely submission of supporting documents 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 formed and maintained with competent suppliers.

The Authority maintained and achieved a performance target to pay suppliers for fully delivered goods and services upon verification within 30 days of invoicing.

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. It's oversight role seeks to promote responsible conduct among key officers of market intermediaries, who are responsible for safeguarding investor's assets. CMA continues to build strategic alliances with key stakeholders 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 working closely with the office of the Director of Public Prosecution and benefits from global regulatory cooperation on exchange of information. CMA 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.

5. Corporate Social Responsibility/Community Engagements

As a responsible corporate citizen, the Authority seeks to actively contribute to solutions to mitigate environmental and social challenges. In line with the Government's agenda to plant 15 billion trees by 2032, the Board and Management planted 4500 tree seedlings in Ngong Forest, Bomas Block. Through a long-standing partnership with Kenya Forest Service, the latter will continue to support CMA with the maintenance and regular tending of the tree seedlings for three years. Half year reports the tree planting efforts were submitted to the Ministry of Environment, Climate Change and Forestry.

The Authority carried out a tree planting exercise for this financial year 2023/2024 on 19th April 2024, at Ngong Forest in partnership with the Kenya Forest Service. Subsequently, the Authority participated in the final tree planting exercise for the financial year at the National Tree Planting day in Machakos on May 10th 2024.

The Authority continues to support the efforts of pursuing sustainable development, environmental conservation and protection through the Kaptagat Integrated Conversation Program and extended Kshs 300,000/= support towards the 8th edition of the Kaptagat forest annual tree growing event on 13th July 2024.

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 30 June 2024, which show the state of the Capital Markets Authority's affairs.

i. Principal activities

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

ii. Results

The results of the Authority for the year ended 30 June 2024, are set out on page 61 to 100.

iii. Directors

The members of the Board of Directors who served during the year are shown on page 14.

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.

The Authority remitted more than 90% surplus based on a pre-year end assessment and demand by the National Treasury to remit Kshs 140 Million as anticipated savings on budget.

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 30 June 2024, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on her behalf.

By Order of the Board

Uluwamboka

Hellen Ombati
Corporation Secretary/Secretary to the Board

Date.....25-09-2024

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 30th June 2024. 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 30th June 2024, 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 19-09 2024.


.....

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, 2024

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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 61 to 101, which comprise of the statement of financial position as at 30 June, 2024, 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 Capital Markets Authority as at 30 June, 2024, 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 Authority Act, Cap.485A of the Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Capital Markets Authority Management in accordance with ISSAI 130 on the 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, were of most significance in our audit of the financial statements. These matters were addressed in the context of the audit of the financial statements as a whole, 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

Key Audit Matter	How the Audit Addressed the Key Audit Matter
Estimation of Expected Credit Loss Model on Financial Assets IPSAS 41 – 'Financial Instruments' was adopted by the Authority in the financial year ended 30 June, 2024. The standard requires recognition of loss allowance for expected credit losses on a financial asset recognized as provision for impairment losses in the financial statements.	The following audit procedures were conducted; • We obtained an understanding of the basis and parameters used to determine the expected credit losses and evaluated if it is in accordance with IPSAS 41 requirements.

Key Audit Matter	How the Audit Addressed the Key Audit Matter
The financial assets subjected to expected credit loss model are receivables, staff loans and advances, held to maturity investments and cash at bank as shown in Notes 13, 14, 15 and 17 to the financial statements. The determination of the values in the expected credit loss model requires judgements which has been highlighted in in the following areas; • Assessment criteria of the risk of default occurring in the financial statements and the determination criteria for significant increase in credit risk. The segmentation of the financial assets into a 12 month or a lifetime probability of default relies on the above assessment and determination criteria. • The assumptions and parameters used in determining the Probability of Default, Loss Given Default and Exposures at Default for the categories of financial assets in the financial statements. • The reasonableness and the supportability of the forward-looking information used in the model. Therefore, there is complexity in determining the level of accuracy and reasonableness of the management estimates with regards to expected credit loss.	• On a sample basis, we assessed the segmentation of the financial assets by reviewing the credit performance and the aging analysis to determine compliance with model requirements. • We performed subsequent tests on significant account balances' receipt after the year end. • We assessed the appropriateness of the assumptions used in the model by recalculating the Probability of Default, Loss Given Default and Exposure at Default. • Reviewed the appropriateness of the assumptions used in determining forward-looking information by assessing the internal and publicly available information.

Other Information

The Directors are responsible for the other information which comprises of the Chairman's report, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The other information does not include the financial statements and our 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.

Other Matter

In the audit report of the previous year, an issue on non-compliance with the Data Protection Act, 2019 was raised under Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issue or given an explanation on failure to do so.

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 described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, 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

Irregular Engagement of Temporary Staff

Review of the staff establishment and other staff records revealed that during the year under review, the Authority engaged twenty-eight (28) members of staff on short term employment basis. However, the Authority did not demonstrate the emergency situation that needed to be mitigated and/or the specific expertise required. This is contrary to Public Service Commission Circular Ref. PSC/GEN/10/111/(28) dated 5 April, 2019 which provides that short term employment contracts will only be awarded in instances where there is need to mitigate emergency situations and/or where specific expertise is required.

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 are in compliance, 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 controls, 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 (IPSAS), and for maintaining effective internal controls as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and 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

My responsibility is to conduct an audit of the financial statements in accordance with the International Standards of Supreme Audit Institutions (ISSAIs), Article 229(4) of the Constitution and Section 35 of the Public Audit Act, 2015.

Further, Article 229(6) of the Constitution requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements comply with the law and other authorities that govern them and that public resources are applied in an effective way.

In addition, I also consider the Authority's control environment in order to give assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

The report is submitted to Parliament in accordance with Article 229(7) of the Constitution and Section 48 of the Public Audit Act, 2015.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 September, 2024

14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2024

	Note	June 2024 Shs'000	June 2023 Shs'000
Revenue from non-exchange transactions			
Capitalization, rights and new issue fees	6	734,546	767,737
Donor fund income	7	11,894	24,250
		<u>746,440</u>	<u>791,987</u>
Revenue from exchange transactions			
Finance income	8	73,354	77,819
Other income/CMA-ICF Management Fees	8	142,765	109
		<u>216,119</u>	<u>77,928</u>
Total revenue		<u>962,559</u>	<u>869,914</u>
Expenses			
Employee costs	33	(522,881)	(535,593)
Use of goods and services	35	(303,499)	(183,932)
Remuneration of directors	29	(14,126)	(33,416)
Depreciation and amortization expense	34	(25,655)	(45,901)
Repairs and maintenance	36	(41,449)	(40,724)
Total expenses		<u>(907,610)</u>	<u>(839,565)</u>
Other gains/ (losses)			
(Loss)/Gain on sale of assets	9	47	2,101
		<u>47</u>	<u>2,101</u>
Surplus/(Deficit) before tax		54,996	32,450
Taxation	11 b	-	-
Surplus/(deficit) for the year		54,996	32,450
Remission to National Treasury	11 a	(140,000)	-
Net Surplus for the year		<u><u>(85,004)</u></u>	<u><u>32,450</u></u>

15. CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024
(INCLUDING INVESTOR COMPENSATION FUND)

		June 2024	Prior Year Audited June 2023
		Shs'000	Shs'000
ASSETS	Note		
Current assets			
Inventories	12	1,892	1,716
Trade and other receivables from non exchange transactions	13	105,303	89,213
Trade and other receivables from exchange transactions	13	20,499	16,721
Staff loans and advances/guarantee fund	14	47,046	72,088
Held-to-maturity investments	15	171,274	722,139
Cash at bank and in hand	17	177,374	40,812
Investors' Compensation Fund	18	1,217,112	1,286,623
Total Current assets		1,740,500	2,229,312
Non-current assets			
Property and equipment	19	46,596	46,880
Intangible assets	20	588	2,553
Staff loans and advances/guarantee fund	14	339,004	325,793
Held-to-maturity investments	15	40,172	77,767
Right of Use- Lease Asset	24	133,883	-
Investors' Compensation Fund's investments	18	4,661,393	3,895,460
Total Non-current assets		5,221,636	4,348,453
Total Assets		6,962,136	6,577,765
Liabilities			
Current liabilities			
Trade and other payables	21	263,185	192,267
Provision for Legal liabilities and charges	22	89,990	97,134
Investors' Compensation Fund	18	1,217,113	1,286,623
Deferred income	23	36,498	60,215
Surplus payable to National Treasury	11	-	-
Prior years' tax settlement provision	32	-	5,370
Lease Liability/Obligation	22b	23,043	-
Building fund	27	-	564,900
Total Current liabilities		1,629,829	2,206,509
Non-current liabilities			
Investors' Compensation Fund liabilities	18	4,661,393	3,895,460
Lease Liability/Obligation	22b	115,220	-
Total Non-current liabilities		4,776,613	3,895,460
Total liabilities		6,406,442	6,101,969
Net Assets		555,694	475,796
Capital Fund	26	27,886	27,885
General Fund	25	144,525	53,641
Staff Mortgage and Car loan Fund	28	383,283	394,270
Total Net Assets		555,694	475,796
Total Net Assets and Liabilities		6,962,136	6,577,765

The financial Statements set out on pages 61 to 100 were approved for issue by the Board Members of the Authority on 19-09-2024 and were signed on its behalf by:

Chief Executive Officer

Director, Corporate Services

Chairman of the Board

Date: 25-09-2024

Date: 25-09-2024

Date: 25-09-2024

16. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

		June 2024	Prior Year Audited June 2023
	Note	Shs'ooo	Shs'ooo
ASSETS			
Current assets			
Inventories	12	1,892	1,716
Trade and other receivables from non exchange transactions	13(a)	105,303	89,213
Trade and other receivables from exchange transactions	13(b)	20,499	16,721
Staff loans and advances/guarantee fund	14	47,046	72,088
Held-to-maturity investments	15	171,274	722,139
Cash at bank and in hand	16.	177,374	40,812
Total Current Assets		523,388	942,689
Non-current assets			
Property and equipment	19	46,596	46,880
Intangible assets	20	588	2,553
Staff loans and advances/guarantee fund	14	339,003	325,793
Held-to-maturity investments	15	40,172	77,767
Right of Use- Lease Asset	24	133,883	-
Total Non-current assets		560,242	452,993
Total Assets		1,083,630	1,395,682
Liabilities			
Current liabilities			
Trade and other payables	21	263,185	192,266
Provision for Legal liabilities and charges	22	89,989	97,134
Deferred Income	23	36,498	60,215
Surplus to National Treasury	11	-	-
Prior years' tax settlement provision	32	-	5,370
Lease Liability/Obligation	22b	23,044	-
Building fund	27	-	564,900
Total Current liabilities		412,716	919,885
Non-current liabilities			
Lease Liability/Obligation	22b	115,220	-
Total Non-current liabilities		115,220	-
Total liabilities		527,936	919,885
Equity/Funds		555,694	475,798
Capital fund	26	27,886	27,886
General fund	25	144,525	53,642
Staff Mortgage and Car loan fund	28	383,284	394,270
Total Equity/Funds		555,694	475,798
Total Equity and Liabilities		1,083,630	1,395,682

The financial Statements set out on pages 61 to 100 were approved for issue by the Board Members of the Authority on 19-09-2024 and were signed on its behalf by:


Chief Executive Officer

Date: 25-09-2024


Director, Corporate Services
Date: 25-09-2024


Chairman of the Board

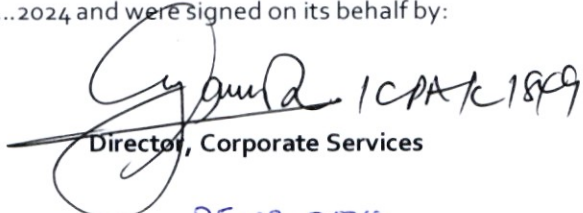
Date: 25-09-2024

17. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

		June 2024	Prior Year Audited
ASSETS	Note	Shs'000	June 2023 Shs'000
Current assets			
Fees receivable	18	97,234	36,698
Cash and cash equivalents	18	27,200	1,029
Investor Compensation Fund investments Held-to-maturity	18	1,092,678	1,248,896
Total Current assets		1,217,112	1,286,623
Non-current assets			
Investments in Listed Companies	18	63,525	64,575
Investors' Compensation Fund's investments Held to maturity	18	4,597,868	3,830,885
Total Non-current assets		4,661,393	3,895,460
Total Assets		5,878,505	5,182,083
 The Fund	 18	 5,878,505	 5,182,083

The financial Statements set out on pages 61 to 100 were approved for issue by the Board Members of the Authority on 19-09-2024 and were signed on its behalf by:


Chief Executive Officer


Director, Corporate Services


Chairman of the Board

Date: 25-09-2024

Date: 25-09-2024

Date: 25-09-2024

18. STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED JUNE 30, 2024

	Capital Fund Shs'000	General Fund Shs'000	Staff Mortgage and Car Loan Fund Shs'000	Total Shs'000
As at 1 July 2022	27,886	43,324	372,137	443,347
Surplus for the year	-	32,451	-	32,451
Transfer to staff mortgage & Car loan fund		(22,133)	22,133	-
At 30 June 2023	27,886	53,642	394,270	475,798
At 01 July 2023	27,886	53,642	394,270	475,798
(Deficit)/Surplus for the Period	-	54,996		54,996
90% Surplus to National Treasury/Advance Payment on budget Rationalization 11.a		(140,000)	-	(140,000)
Transfer from Building Fund	-	164,900	-	164,900
Transfer to staff mortgage & Car loan fund	-	10,987	(10,987)	-
At June 30, 2024	27,886	144,525	383,283	555,694

19. CAPITAL MARKETS AUTHORITY (CMA) STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

	Note	June 2024 Shs'000	Prior Year Audited June 2023 Shs'000
Cashflows from Operating Activities			
Receipts			
CMA Equity and Bond Fee Transaction fee levy, Capitalisation fees, Right issue fees, Approval fees, Derivatives Fees		800,639	803,324
CMA-ICF Management Fees		122,994	-
Licenses Fees		32,209	30,361
Market Development Fees		9,710	8,868
Finance income		14,895	14,201
Other income		3,926	1,227
Total Receipts		984,372	857,982
Payments			
Use of goods and services		129,568	116,875
Employee costs		449,492	522,352
Board Expenses		33,695	28,796
Repairs and maintenance		3,275	2,083
Bank Charges		706	672
Rent Paid		37,922	32,938
Taxation Paid		9,395	10,072
Payment to National Treasury		540,000	182,657
Staff Loans		30,608	29,395
Other Payments		80,080	77,499
Transfer of ICF Fees		98,168	74,244
Total Payments		1,412,911	1,077,581
Net cash flows from/(used in) operating activities	36. a	(428,539)	(219,599)
Cash flows from investing activities			
Purchase of property and equipment		(22,930)	(6,957)
Purchase of intangible assets		(642)	3,538
Proceeds from disposal of property and equipment		213	2,095
(Purchase)/sale of treasury bonds		9,915	32,064
(Purchase)/sale of treasury bills		578,545	157,880
Net cash flows from/(used in) investing activities		565,101	188,620
Net increase/(decrease) in cash and cash equivalents		136,562	(30,979)
Cash and cash equivalents at start of the year		40,812	71,792
Cash and cash equivalents at end of the year	16	177,374	40,812

20. INVESTOR COMPENSATION FUND (ICF) STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2024

	Note	June 2024 Shs'000	Prior Year Audited June 2023 Shs'000
Cash flows from operating activities			
Receipts			
Investment Income		717,902	505,042
Fines, penalties and levies		3,865	10,000
Other Income		-	150
Transaction fee Income		98,168	74,845
Total receipts		819,934	590,037
Payments			
Bank Charges		(18)	(23)
CMA-ICF Management Fees		(123,494)	(500)
Total Payments		(123,512)	(523)
Net cash flows from/(used in) operating activities	37. b.	696,422	589,514
Cash flows from investing activities			
Purchase of treasury bonds from the Investors' Compensation Fund		(827,165)	55,704
(Purchase)/sale of treasury bills from the Investors' Compensation Fund		156,914	(646,699)
Net cash used in from investing activities		(670,251)	(590,995)
Net increase/(decrease) in cash and cash equivalents		26,171	(1,481)
Cash and cash equivalents at start of the year		1,029	2,510
Cash and cash equivalents at end of the year	18	27,200	1,029

21. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjust ments	Final Annual budget	Actual Cumulative to date	Performance difference	% Utilization	
	June 2024	June 2024	June 2024	June 2024	June 2024		
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000		
REVENUE							
Fee income from Transaction Fee-Equities	291,000	-	291,000	183,545	(107,455)	63%	a)
Fee income from Transaction Fee-Bonds	26,250	-	26,250	33,474	7,224	128%	
Application and Licensing fees	25,300	-	25,300	37,619	12,319	149%	b)
Market development Fees	9,100	-	9,100	9,108	8	100%	c)
Capitalization, rights & IPO's	60,000	-	60,000	4,672	(55,328)	8%	d)
REITS approval Income	22,100	-	22,100	-14,699	(36,799)	-67%	e)
Capitalisation and bond approvals	501,000	-	501,000	480,819	(20,181)	96%	f)
Derivatives Fees	26	-	26	8	(18)	31%	g)
Fee based income	934,776	-	934,776	734,546	(200,230)	79%	
Finance income-External Investments	38,401	-	38,401	73,354	34,953	191%	h)
Other income/ICF Management Fees	45,507	-	45,507	142,812	97,305	314%	i)
Total income	1,018,684	-	1,018,684	950,712	(67,972)	93%	
EXPENSES							
Personnel cost	549,763	-	549,763	522,881	26,883	95%	a)
Rent and maintenance	44,000	-	44,000	44,998	-998	102%	b)
Equipment maintenance and stationery	48,441	-	48,441	41,449	6,992	86%	c)
Telephone Courier & Postage	6,350	-	6,350	5,292	1,058	83%	d)
Office Expenses and Utilities	14,719	-	14,719	9,406	5,313	64%	e)
Publicity and Advertising	23,300	-	23,300	18,720	4,580	80%	f)
Medical scheme and insurance expenses	39,000	-	39,000	37,988	1,012	97%	g)
Other Insurances	9,195	-	9,195	6,225	2,970	68%	h)
Training and Conferences (Staff Training & Development)	70,000	-	70,000	67,824	2,176	97%	i)
Motor vehicle running expenses	6,069	-	6,069	5,886	183	97%	j)
IOSCO membership	5,077	-	5,077	5,065	12	100%	k)
Library Books and Periodicals	4,748	-	4,748	3,964	784	83%	l)
Board Members Expenses	30,000	-	30,000	14,126	15,874	47%	m)
Professional & consultancy services	34,880	-	34,880	30,563	4,317	88%	n)
Litigation/Legal expenses	17,700	-	17,700	6,002	11,698	34%	o)
Market Development & Islamic Finance	37,390	-	37,390	37,613	-223	101%	p)
Capital Markets Master Plan (CMMP)	10,640	(6,789)	3,851	1,650	2,201	43%	q)
Investors' education and awareness programme	21,190	-	21,190	17,335	3,855	82%	r)
Tribunal expenses	3,180	6,789	9,969	9,969	-	100%	s)
Capital Expenditure	25,740	-	25,740	6,512	19,228	25%	
Commitments in Budget not recognized-OPEX		-		6,159		0%	
Commitments in Budget not recognized-CAPEX		-		6,422		0%	
Total expenditure	1,001,383	-	1,001,383	906,048	107,914	90%	
Budget Surplus/(Deficit) for the period	17,301		17,301	44,664	27,362	258%	
Remittance to National Treasury	-	-	-	(140,000)	-	-	
Net Surplus/(Deficit) for the period				(95,336)			

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 Period Ended June 30, 2024 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	Adjustments	Final Annual budget	Actual Cumulative to date
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Surplus under Statement of Financial Performance				(85,004)
Less: Surplus (Deficit) under the Statement of Budgeted and Actual Amounts				(95,336)
Difference				10,333

Explained by:

Surplus under the Statement of Budget and Actual amounts				44,664
External Mobilization/Donor Funding (Noncash)	37,059		37,059	11,893 32% j)
Depreciation and Amortization Expense	54,360		54,360	(25,655) 47% t)
Capital Expenditure	25,740		25,740	6,512 25%
Remittance to the National Treasury				(140,000)
Commitments in Budget not recognized-OPEX				6,159
Commitments in Budget not recognized-CAPEX				6,422
Provision for doubtful debts				(367) u)
Reversal of Prior Years' Provisions for Tax Penalties and Interests				5,369 v)
Surplus under Statement of Financial Performance				(85,004)

RECONCILIATION BETWEEN BUDGET REVENUE AND EXPENDITURE AS PER APPROVED BUDGET

	Kshs '000
Total Budget Revenue Above	1,018,684
Basis Differences: External Mobilization/Donor Funding (Noncash item)	37,059
Total Revenue in the Approved Budget	1,055,743
Total Expenditure Budget Above	1,001,383
Basis Differences: Depreciation and Amortization Expense	54,360
:Capital Expenditure	(25,740)
Total Expenditure in the Approved Budget	1,030,003

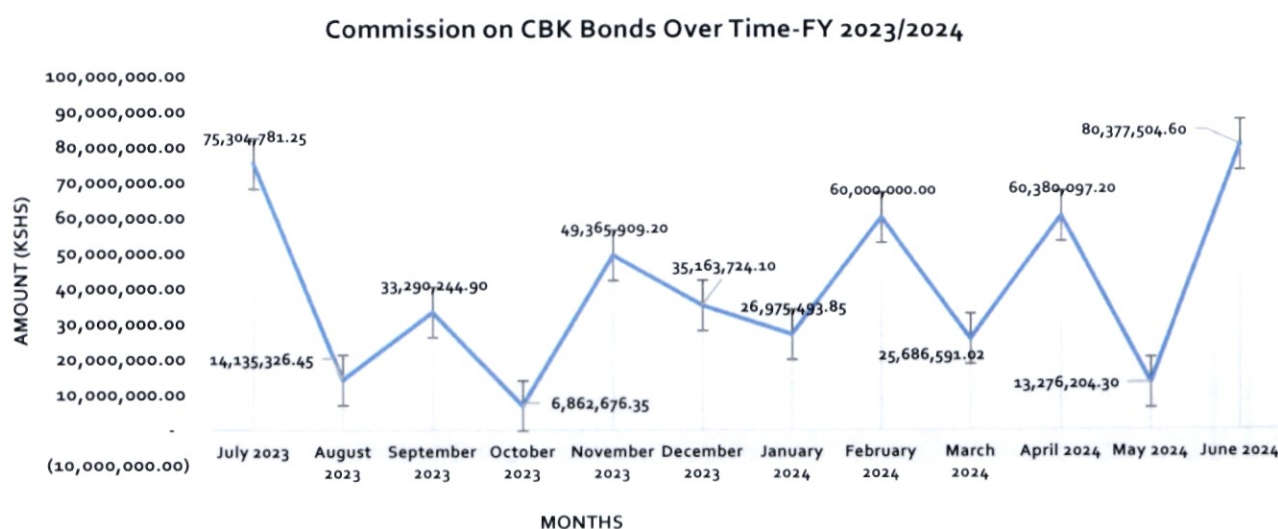
22. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS (CONTINUED)

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

REVENUE

- Transaction Fee income from NSE:** The CMA Equities transactions fees performance was at 63%, and fees from bond transactions performance was at 128% of the annual budget. A unique block trade took place in May 2024 where British International investment PLC sold 10.13 Percent of its Shares in I&M Group to East Africa Growth Fund, an investment vehicle established by Africinvest Fund IV LLC, Africinvest Fund IV Netherlands C.V. and Africinvest Fund Financial Inclusion Vehicle LLC.
- Application and licensing fees:** Performance was at 149% to the budget following the license renewal fees collected in Q3. There was an increase in new licenses (Fund Managers, Coffee Brokers and Online Forex Traders) issued in Q4, including the billing of securities exchange annual license fees during the quarter.
- Market development fees:** Billing for the market development fees based on the NSE listed companies' capitalization as of 30th November took place in Q2 hence the 100% performance to the annual budget.
- Capitalization, rights & IPO's:** There was minimal activity that included issuance of an Islamic Secured Residential Lease Based Security (Linzi Sukuk) during the period.
- REITs Approval Income:** The performance was at -67% of the annual budget. This shortfall is due to the reversal of the authorization and approval fees for a transaction from the previous Financial Year. These fees were reversed because the applicant was unable to transfer assets into the REIT as planned due to the uncertainty on the stamp duty tax deliberations.
However, the Authority will issue invoices later based on the actual assets transferred into the REIT.
- Approval fees on the GOK (CBK) bonds:** The performance was at 96% of the annual target and a shortfall of 4% of the year-end target. This is in line with the borrowing by the government within the domestic market.

The following line plot shows the Commission on CBK Treasury Bonds over the last one year.



Commission on CBK Bonds Over Time in FY 2023/2024

In the year 2023/2024, this revenue stream, accounting for 48% of total income, continues to be the primary driver of revenue for the CMA.

- g) **Derivative Fees:** As the Authority remains hopeful of developments within Komex (Kenya national Multicommodity exchange limited), the line has been aligned to the level of market activity.
- h) **Interest Income/Finance Income:** The Authority's investment income exceeded projections by 91% as interest was earned on the building fund until National Treasury's cash call in May 2024. A total of Kshs 540 million was remitted to National Treasury, with Kshs 140 million from budget rationalization and Kshs 400 million from government securities investments. This reduction in the investment's portfolio will affect interest income in future years.
- i) **Other Income:** The revenue reflects earnings from the Capital Markets Appeals Tribunal filings and the **CMA-ICF Management Fee** charged monthly at 2.0% of ICF fund value.
- j) **External mobilization/Donor Funding:** 32% of the annual budget spending is generated from deferred income for FSSP-sponsored projects that are capitalized based on their completion level as well as from other development partners such as FSDK. CMA received Kshs 40 million from FSDK for enhancing the capital markets ESG framework, with Kshs 20 million being received in January 2024 for initial project milestones. As of 30th June 2024, Kshs 3,502,252.25 had been utilized for ESG activities, leaving Kshs 16,497,747.75 unspent. This remaining amount is expected to be utilized in the first two quarters of the FY 2024/2025 as the Authority is currently in the process of engaging consultants for ESG assessments.

EXPENSES

Total expenditure for the period amounted to **Kshs 906.174 million**, representing an overall budget utilization rate of 90%. This is slightly below the anticipated 100% utilization expected by the end of the Financial Year. Consequently, the overall absorption rate fell short of the period target by 10% but this is aligned to expenditure control efforts at the national level.

- a) **Personnel Costs:** These costs ended the year at 95% of the allocated annual budget, slightly below the budgeted amount. This was due to measures implemented to enhance expenditure rationalization in alignment with the government's fiscal consolidation efforts.
- b) **Rent and maintenance:** The expenditure was at 102% utilization of the annual budget.
- c) **Equipment maintenance and stationery:** Budget utilization reached 86% of the annual allocation due to the decrease in maintenance costs during the last quarter of the year. ERP subscription renewals were completed, along with the scheduled preventive maintenance of servers and ICT equipment.
- d) **Telephone Courier & Postage:** The expenses closed at 83% annual budget utilization. This was due to the adoption of more cost-effective communication methods and a reduction in reliance on traditional mail services.
- e) **Office Expenses and Utilities expenses:** Utilization was at 64% of the annual budget. This lower-than-expected utilization is attributed to cost-saving measures and efficiency improvements implemented during the year.
- f) **Advertising and Publicity expenses:** Utilization under this vote head was 80% of the annual budget. Activities undertaken during the year included online advertisements, sponsorships, tree planting corporate social responsibility initiatives, and soundness report media briefings. However, these activities

did not reach the anticipated level due to expenditure rationalization measures implemented during the last quarter of the year.

- g) **Medical Scheme and Insurance Insurances:** Utilization was at 97% of the annual budget, aligning with the period target and staff needs.
- h) **Other Insurances Expenses:** Utilization was a 68% of the annual budget and is attributed to effective management of policy renewals and claims processing throughout the year.
- i) **Staff Training & Development expenses:** The expenditure reached 97% of the annual budget, driven by the implementation of planned learning and development initiatives. Due to government-mandated rationalization, no foreign training was conducted, keeping expenditures within the allocated annual budget.
- j) **Motor vehicle running expenses:** The expenditure under this allocation reached 97% of the annual budget, which aligns with expected spending levels. Despite the year's fuel price increases, deliberate efforts were made to manage motor vehicle expenses based on specific functional costs, thus keeping administrative vehicle running costs within budget.
- k) **IOSCO Membership expenses:** Expenditure has reached 100% of the annual budget. This increase in spending during Q4 of the year reflects payments made for IOSCO membership subscriptions and related physical engagements conducted within the quarter.
- l) **Library Books and Periodicals:** Expenditure on library books and periodicals accounted for 83% of the annual budget allocation.
- m) **Board Members Expenses:** The actual expenditure constituted 99% of the allocated annual budget. However, the reversals of prior board bonus provisions show the closing balance at 47% of budget.
- n) **Professional and consultancy expenses** comprised 88% of the budget, aligning with the activities conducted. Apart from ISO certification-related expenses, a consultancy was engaged to review and enhance the Capital Markets Enterprise Risk Management Framework and conduct risk assessment.
- o) **Litigation/Legal expenses:** were 34% below the annual budget. The Authority had a calmer year in terms of litigation.
- p) **Market Development and Islamic Finance costs** reached 101% of the annual budget, meeting the full-year target. This was driven by intensified market deepening activities, particularly expenses associated with presenting pending regulations to the National Treasury, Attorney General, and parliamentary committees on delegated legislation.
- q) **Capital markets master plan, (CMMP) Costs** amounted to 43% of the annual budget.
This expenditure line was reallocated to cover the approved transition costs of Kshs5 million required to transfer the Capital Markets Tribunal to the Judiciary.
- r) **Investor Education expenses'** spend was 82% of the annual budget as more county engagement investor awareness campaigns and outreaches through radio, Tv, and social media were undertaken. There were also sponsorships and partnerships undertaken including Sponsorship for the REITS Conference and CMA Kenya Contribution towards the 2024 FinAccess Survey. The Authority has aligned to the requirements of the new Government's agenda for investor awareness.

- s) **Capital Markets Appeals Tribunal:** The Capital Markets Appeal Tribunal costs were at 100% of the annual budget. This is in line with the full transition to Judiciary.
- t) **Depreciation and amortization of intangible assets expenses** were tracked at 47% of annual budget in the period. This was dependent on amounts spent on capital expenditure.
- u) **Provision for doubtful debts:** Debts were provided as per the new guidelines stipulated by the International Public Sector Accounting Standards Board (IPSAS) Standards.
- v) **Prior years' tax settlement:** 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 (Kshs '000') unless where indicated. 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 and where applicable revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments may be held 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 effective in the year ended 30 June 2024

IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations

Applicable 1st January 2025

The Standard requires, 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.

No Impact is expected

IPSAS 45-Property Plant and Equipment

Applicable 1st January 2025

The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.

IPSAS 46 Measurement	<i>No Impact is expected</i> Applicable 1st January 2025 The objective of this standard is to improve measurement guidance across IPSAS by: i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; and iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value. The Authority will assess the impact of the new standard by the due date.
IPSAS 47- Revenue	Applicable 1st January 2026 This standard supersedes IPSAS 9-Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. The Authority will assess the impact of the new standard by the due date.
IPSAS 48- Transfer Expenses	Applicable 1st January 2026 The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. The Authority will assess the impact of the new standard by the due date.

ii. Early adoption of standards

IPSAS 43: The Capital Markets Authority (CMA) has early adopted IPSAS 43, "Leases," which replaces IPSAS 13. This new standard changes how we account for leases by requiring us to recognize most lease agreements on the balance sheet, reflecting both the right to use the leased assets and the obligation to make lease payments.

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.

The Authority signed a new lease in July 2023 and therefore in line with its core value of agility, continuous learning and innovativeness decided to early adopt this standard. The impact of this standard is a slight increase in rent expense for the year and recognition of right of use of lease asset and a corresponding liability of lease liability.

The adoption of IPSAS 43 has led to recording lease asset totaling Kshs 133,883,106.97 and a lease liability totaling Kshs 138,263,988.21.

4. Summary of significant accounting policies

a) Revenue recognition

i) 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 attached 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 FY2023/2024 was approved by The National Treasury and Economic Planning on 30th June 2023.

The National Treasury Circular No.2 of 2024 dated 27th March 2024 laid out the various policy measures to enhance state corporations' revenue generation and expenditure rationalization in line with government's fiscal consolidation efforts.

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

The Authority's lease premises occupied expired on 30th June 2023 and was treated as an operating lease. However, a new lease contract for a period of six years to from 1st July 2023 was initiated to 30th June 2029 and in line with IPSAS, 43, this has been recognized in the financial statements with effect from 1st July 2023.

By early adopting IPSAS 43 we have recognized a right-of-use assets amounting to Kshs 133,883,106.97 and lease liabilities totaling Kshs 138,263,988.21.

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.

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.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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 currently the NSSF Rates Kenya 2024 saw a significant change, introducing a tiered contribution system. The NSSF Act of 2013 mandates a two-tier contribution system for Kenya's National Social Security Fund. Both employers and employees must each contribute 6% of an employee's pensionable earnings to the NSSF.

l) 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.

m) 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.

n) 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.

o) 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.

p) 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

q) Comparative figures

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

r) 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 30 June 2024.

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.

6. Revenue from non - exchange transactions

	June 2024 Shs'000	June 2023 Shs'000
Fees income		
Capitalization, rights and new issue fees	4,672	11,411
Approval for listing of Government securities	480,819	425,165
NSE - transaction fees	217,019	258,526
Application and licensing fees	22,921	63,545
Market development fees	9,108	9,073
Derivative fees	8	17
	<u>734,546</u>	<u>767,737</u>

The Authority charges fees on the following basis :

Fee Type	Rate
a) Capitalization / rights issues	0.25% of the value of the issue
b) New issues / IPOs	0.15% of the value of the issue
c) Approval for listing of Government securities	0.075% of the amount raised
d) Market development fees charged to listed companies	0.01% subject to a minimum of Kshs 50,000 and a maximum of Kshs 100,000 per annum.
e) NSE- Transaction Fees-Equity	0.12% of the value of the equities traded
f) NSE- Transaction Fees-Bonds	0.0015% of the value of bonds traded
g) Derivative fees (CMA Levy fees with respect to derivatives contracts traded)	0.01% of value of contracts traded.
h) License Fees:	
• Central Depositories	Kshs 200,000
• Credit Rating Agencies	Kshs 200,000
• Securities Exchange	1% of the gross earnings
• OTC Exchange	Kshs 2,500,000
• Derivatives Exchange	Kshs 2,500,000
• Investment Banks	Kshs 250,000
• Stockbrokers	Kshs 100,000
• Online Forex Money Manager	Kshs 100,000
• Authorized Securities Dealer	Kshs 200,000
• Fund Managers	Kshs 100,000
• Investment Advisers	Kshs 50,000

Fee Type	Rate
• Authorized Depositories	Kshs 100,000
• Reit Managers	Kshs 100,000
• Reit Trustees	Kshs 200,000
• Other Trustees e.g Corporate Trustees-Based on Existing CIS Regulations	Kshs 100,000
• Authorized Reits	Kshs 150,000
• Employee Share Ownership Plans (ESOPs)	Kshs 150,000
• Collective Investments Schemes	Kshs 150,000
• Forex Brokers	(i) Dealing Broker-Kshs 250,000/=
	(ii) Non-Dealing Broker-Kshs 100,000/=
• Derivatives Brokers	Kshs 50,000
• Coffee Brokers	Kshs 50,000
• Other Application & Licensing Fees	Application Fees-Kshs 2,500, CIS-Kshs 10,000

A more detailed description of the basis of charging CMA fees is available at the second schedule of the Capital Markets Authority's Act.

7. Donor fund income

	June 2024 Shs'000	June 2023 Shs'000
Donor fund income	<u>11,894</u>	<u>24,250</u>

The Authority recognised support worth Kshs 11.894 Million (2023:Shs24.25 Million) in the period from deferred donor funded assets blade servers and Video conferencing equipment and FSDK ESG activities grant. Out of the Kshs 11.894million, Kshs 3.502Million was spent in the ESG related activities in the period

In December 2023, the Authority received a Kshs 40 million grant from the Financial Sector Deepening Kenya (FSDK) to enhance the Environmental, Social, and Governance (ESG) framework from a capital market perspective. Kshs 20 million of this grant was received in January 2024 for initial project milestones.

To date, Kshs 3.502 million has been spent, and the remaining funds are expected to be utilized in the first two quarters of FY 2024/2025, as the Authority is currently engaging consultants for ESG assessments.

8. Revenue from exchange transactions - other income

	June 2024 Shs'000	June 2023 Shs'000
Interest income	73,354	77,819
Miscellaneous income	<u>142,765</u>	<u>109</u>
	<u>216,119</u>	<u>77,928</u>

The revenue comprises of CMA-ICF Management Fee charged monthly at 2.0% of ICF fund value. The total management fee earned to date is Kshs.142,596,752.70

9. (Loss)/Gain on sale of assets

Property Plant and Equipment	<u>47</u>	<u>2,101</u>
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10. Surplus

	Note	June 2024 Shs'000	June 2023 Shs'000
a) Items charged			
The following items have been charged in arriving at net surplus for the year			
Depreciation of property and equipment	18	23,049	30,352
Amortisation of intangible assets	19	2,606	15,548
Authority board members' emoluments, allowances and other			
Board related expenses	26	14,126	33,416
Post employment benefits expense	10(b)	58,504	58,250
Provision on Trade and other receivables	13(b)	367	250

10 b. Employee benefits expense		June 2024 Shs'000	June 2023 Shs'000
The following items are included in employee benefits expense:			
Retirement benefit costs			
Defined contribution scheme		58,504	58,250
		<u>58,504</u>	<u>58,250</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. There's no surplus for the period ended 30th June 2024

The Surplus Remission has been computed as follows:

		June 2024 Shs'000	June 2023 Shs'000
Total Revenue (Note No.6, 7,8 and 9)		962,606	872,016
Operating Expenses		(907,610)	(839,565)
Surplus before tax		54,996	32,450
Add back: Depreciation	23,049		30,352
Amortization	2,606	25,655	15,548
Adjusted Surplus		80,652	78,351
Less:			
Transfer from Deferred Income	(11,894)		(24,250)
Capital Expenditure	(6,512)		(14,563)
Transfer to Mortgage fund	10,987	(7,419)	(22,133)
Net Surplus/ (Deficit)		73,233	17,406
90%		65,910	15,665
90% Surplus due to National Treasury		65,910	15,665
Advance Payment on budget Rationalization		(140,000)	(35,100)
Overpayment		<u>(74,090)</u>	<u>(19,435)</u>

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

11 b. Surplus Remission Payable

	June 2024	June 2023
	Kshs'000	Kshs'000
Payable at the beginning of the year	-	147,557
Surplus payable for the year	65,910	-
Paid during the year	(140,000)	(147,557)
Payable at end of the year	(74,090)	-

12. Inventories

	June 2024	June 2023
	Shs'000	Shs'000
Supplies & Accessories for Computers, Printing, and Communication & Office and General supplies	1,693	1,552
Hospitality expenses/Kitchen Items	199	164
Total inventories at the lower of cost and net realizable value	1,892	1,716

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

13a. Trade and other receivables from non exchange transactions

	June 2024	June 2023
	Shs'000	Shs'000
Trade receivables	89,835	38,115
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(6,496)	(6,128)
Net trade receivables	83,339	31,987
Other receivables	21,963	57,226
Trade and other receivables from non exchange transactions	105,303	89,213

13b. Trade and other receivables from exchange transactions

	June 2024	June 2023
	Shs'000	Shs'000
Trade receivables	3,814	1,905
Less: Provision for impairment losses	-	-
Net trade receivables	3,814	1,905
Prepayments	16,686	14,815
Trade and other receivables from exchange transactions	20,499	16,720
Total trade and other receivables from non exchange and exchange transactions	125,802	105,933

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

At 1st July	6,129	10,546
Less: Provisions Reversed on Debt Collection	(883)	(5,600)
Add: Additional provision	<u>1,250</u>	<u>1,183</u>
At 30th June	<u>6,496</u>	<u>6,129</u>

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

At 1st July	-	-
Less: Provisions Reversed	(883)	(5,600)
Add: Additional provision	<u>1,250</u>	<u>1,183</u>
At 30th June	<u>367</u>	<u>(4,417)</u>

14. Staff loans and advances

	Current June 2024 Shs'000	Current June 2023 Shs'000	Non- current June 2024 Shs'000	Non- current June 2023 Shs'000	Total June 2024 Shs'000	Total Jun-23 Shs'000
Car loans	6,191	9,078	14,022	23,268	20,213	32,345
Other loans and advances	2,764	3,612	-	-	2,764	3,612
Staff mortgage back up funds*	38,091	59,400	324,982	302,526	363,073	361,925
	<u>47,046</u>	<u>72,088</u>	<u>339,004</u>	<u>325,793</u>	<u>386,050</u>	<u>397,882</u>

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

HFC: Mortgage 3000013543 and Mortgage 2000094161	177,275
HFC: Car Loans	15,729
KCB : Car Loans	4,483
KCB Mortgage MM1509100194	185,798
Total	<u>383,286</u>

15. Held-to-maturity investments - government securities

	June 2024	Prior Year Audited June 2023
	Shs'000	Shs'000
Non-current		
Treasury bonds		
Maturing after four years	25,100	25,100
Unamortised (discount)/premium	-	-
Sub-total (a)	<u>25,100</u>	<u>25,100</u>
Treasury bonds		
Maturing after one year	15,255	55,005
Unamortised		
(discount)/premium	(183)	(2,338)
Sub-total (b)	<u>15,072</u>	<u>52,668</u>
Total Non-current (a+b)	<u>40,172</u>	<u>77,768</u>
Current		
Treasury bonds		
Maturing within one year	28,300	-
Unamortised (discount)/premium	(620)	-
Sub-total (a)	<u>27,680</u>	<u>-</u>
Treasury bills	152,350	767,700
Unamortised discount	(8,756)	(45,561)
Sub-total (b)	<u>143,594</u>	<u>722,139</u>
Total Current (a+b)	<u>171,274</u>	<u>722,139</u>
Total	<u>211,446</u>	<u>799,907</u>

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

Non- current		
Held-to-maturity investments	<u>40,172</u>	<u>77,768</u>
Current		
Held-to-maturity investments	<u>171,274</u>	<u>722,139</u>

16. Cash and Cash Equivalent

	June 2024	Prior Year Audited June 2023
	Shs'000	Shs'000
Current account	47,234	21,206
Cash in hand	140	140
On - call deposits	130,000	17,000
Gratuity Fund Call Deposit	-	2,466
	<u>177,374</u>	<u>40,812</u>

17a. Banks

				June 2024	June 2023
				Shs'000	Shs'000
	Name of the Bank	Bank account no.	Account currency		
	NCBA PLC	6580810018	Kshs	36,553	12,03
	HF Bank	3000013543- 0	Kshs	10,681	9,172
				<u>47,234</u>	<u>21,206</u>
17b. Cash in hand					
	Cash in hand		Kshs	<u>140</u>	<u>140</u>
17c. Short term deposits			Kshs		
	Fixed/Call Deposits			130,000	17,000
	Gratuity Fund Call Deposit			-	2,466
				<u>130,000</u>	<u>19,466</u>
Total cash in hand and bank				<u><u>177,374</u></u>	<u><u>40,812</u></u>

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

Short-term bank deposits	130,000	19,466
Cash at bank and in hand	47,374	21,346
Investors Compensation Fund bank balance (Note 16) - (KCB)	<u>27,200</u>	<u>1,029</u>
	<u><u>204,574</u></u>	<u><u>41,842</u></u>

18. Investors' Compensation Fund

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

The Fund derives its income from the following sources:

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

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

	June 2024 Shs'000	June 2024 Shs'000
At beginning of the year	5,182,083	4,592,569
Nairobi Securities Exchange transactions fees	104,559	73,093
Interest on investments	678,590	560,761
Financial penalties	3,865	10,000
Withdrawals (Investor Claims)	-	(9,975)
Gain /(loss) in Investment in NSE	700	7,481
Management Fees	(91,273)	(51,824)
Bank Charges	(18)	(22)
At end of the year	<u>5,878,505</u>	<u>5,182,083</u>

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

	June 2024 Shs'000	June 2023 Shs'000
Non-current		
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	<u>51,275</u>	<u>52,325</u>
Total Equity Investment (a)	63,525	64,575
Treasury bonds		
Maturing after five years	3,041,350	2,791,150
Unamortised discount (premium)	<u>33,556</u>	<u>31,375</u>
Sub-total (b)	3,074,906	2,822,525
Maturing after one year	1,519,055	1,007,705
Unamortised discount	<u>3,906</u>	<u>655</u>
Sub-total (c)	1,522,961	1,008,360
Sub-total Non-current treasury bonds (b+c)	<u>4,597,868</u>	<u>3,830,885</u>
Total Non-current (a+b+c)	<u>4,661,393</u>	<u>3,895,460</u>
Current		
Treasury bonds	82,000	20,000
Unamortised discount	<u>(768)</u>	<u>-</u>
Sub-total (a)	81,232	20,000
Treasury bills	1,123,400	1,292,450
Unamortised discount	<u>(111,954)</u>	<u>(63,554)</u>
Sub-total (b)	1,011,446	1,228,896
Total (a+b)	<u>1,092,678</u>	<u>1,248,896</u>
Fees receivable	97,234	36,698
Bank balance	<u>27,200</u>	<u>1,029</u>
Sub-total (c)	124,434	37,727
Total Current (a+b+c)	<u>1,217,112</u>	<u>1,286,623</u>
Total Fund	<u>5,878,505</u>	<u>5,182,083</u>

19. Property and Equipment

	Motor vehicles Shs'000	Computer & Copiers Shs'000	Office equipm ent Shs'000	Furniture & fittings Shs'000	Capital work-in progress Shs'000	Total Shs'000
Cost						
As at June 2022	59,142	176,725	21,645	95,085	7,895	360,492
Additions	-	13,726	466	372	289	14,853
Disposals	(7,177)	(11,058)	(368)	(414)	-	(19,017)
Reversal	-	-	-	-	(7,895)	(7,895)
At 30 June 2023	51,965	179,393	21,743	95,043	289	348,433
Additions	-	4,677	410	782	17,349	23,219
Disposals	-	(4,457)	(277)	-	-	(4,734)
Reversal/ Transfers	-	-	-	-	(289)	(289)
At June 30, 2024	51,965	179,614	21,877	95,825	17,349	366,629
Depreciation						
As at June 2022	(34,063)	(146,232)	(20,987)	(88,935)	-	(290,217)
Depreciation	(8,516)	(19,176)	(335)	(2,326)	-	(30,353)
Accumulated depreciation	7,177	11,058	368	414	-	19,017
reversed on disposal	-	-	-	-	-	-
At June 30 2023	(35,402)	(154,350)	(20,954)	(90,847)	-	(301,553)
Depreciation	(6,397)	(14,892)	(347)	(1,412)	-	(23,049)
Accumulated depreciation	-	4,291	277	-	-	4,568
reversed on disposal	-	-	-	-	-	-
At June 30, 2024	(41,799)	(164,951)	(21,025)	(92,259)	-	(320,034)
Net carrying amount						
At June 30, 2024	10,166	14,663	852	3,566	17,349	46,596
At June 30 2023	16,563	25,043	789	4,196	289	46,880

20. Intangible assets

	Intangible Assets Shs'000
Software costs	
Cost	
At 01 July 2022	297,749
Additions / Reclassification	(3,538)
Work in progress	-
Derecognition	(49,907)
Transfers from WIP (Capital-in-Progress Items)	(90,018)
At 01 July 2023	154,286
Additions/ Transfers from WIP	642
Work in progress	-
Derecognition	(3,771)
At June 30, 2024	151,157
Amortisation	
At 01 July 2022	186,092
Amortisation	15,548
Reclassification	(49,907)
At 01 July 2023	151,733
Amortisation	2,607
Derecognition	(3,771)
At June 30, 2024	150,569
Net book value	
At June 30, 2024	588
At June 30 2023	2,553

21. Trade and other payables

	June 2024	June 2023
	Shs'000	Shs'000
Trade payables	25,745	3,848
Provisions	65,242	74,504
Gratuity obligations	101,302	67,257
Accruals	70,896	46,657
	263,185	192,267

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

Provisions	Leave benefits Shs'000	Performance bonus Shs'000	Others Shs'000	Total Shs'000
At 01 July 2023	9,108	67,851	-	76,959
Additional provisions raised	10,542	14,884	15,713	41,139
Provision utilized	-	-	(2,455)	(2,455)
Provision reversed	(9,108)	(636)	(40,656)	(50,401)
At June 30, 2024	10,542	82,099	(27,398)	65,242

Accruals	Consultancies Shs'000	Other Provisions Shs'000	Total Shs'000
At 01 July 2023	858	27,350	28,208
Additional accruals	5,537	183,102	188,639
Accruals realized/reversed	(1,320)	(165,116)	(166,436)
At June 30, 2024	5,075	45,336	50,410

22. Provision for Legal liabilities and charges

	June 2024 Shs'000	Prior Year Audited June 2023 Shs'000
At 01 July 2023	97,134	95,752
Add: Additional provision	7,431	2,832
Less: Provision written back	(14,576)	(1,450)
At June 30, 2024	89,989	97,134

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. Lease Liability/Obligation

The Authority occupies four floors at Embankment Plaza, a total of 24,765 square feet, in the Upper Hill under the open plan office design.

A new lease contract for a period of six years to 30th June 2029 is in place, and in line with IPSAS, 43, this was recognized in the Statement of Financial Position with effect from 1st July 2023.

The adoption of IPSAS 43 has led to recording of a lease liability totaling Kshs 138,263,988.21.

	June 2024 Shs'000	June 2024 Shs'000
Lease Liability/Obligation	138,264	-
	138,264	-

The Lease obligation is broken down as follows:

Not later than 1 year	23,044	-
Later than 1 year to 6 Years	115,220	-
	138,264	-

23. Deferred income

In line with the Authority's accounting policy, the donor funded income that was deferred for future periods relating to projects being financed by FSSP which include Blade Server and Switches and the Video Conferencing system has since been fully utilized.

CMA received Kshs 40 million from FSDK for enhancing the ESG framework, with Kshs 20 million received in January 2024 for initial project milestones.

As of 30th June 2024, Kshs 3,502,252.25 had been utilized for ESG activities, leaving Kshs 16,497,747.75 unspent. This remaining amount is expected to be utilized in the first two quarters of the FY 2024/2025 as the Authority is currently in the process of engaging consultants for ESG assessments.

	June 2024	Prior Year Audited June 2023
	Shs'000	Shs'000
Opening balance	60,215	32,641
Recognized in the Year	-	-
Utilized in the Year	(8,392)	(24,250)
Management fee due From ICF	(51,824)	51,824
FSDK ESG Development Grant Extended in the year	40,000	-
Grant Utilized in the Year	(3,502)	-
Total	36,497	60,215

24. Right of Use-Lease Asset

The adoption of IPSAS 43 has led to recording lease asset totaling Kshs 133,883,106.97

	June 2024	Prior Year Audited June 2023
	Shs'000	Shs'000
Right of Use-Lease Asset	133,883	-
	133,883	-

25. General fund

	June 2024	Prior Year Audited June 2023
	Shs'000	Shs'000
Opening balance	53,642	43,324
Surplus/ (Deficit) for the Period/year	(85,004)	32,451
Transfer from/(to) Staff Mortgage and Car loan fund	10,987	(22,133)
Transfer from Building Fund	164,900	-
At June 30, 2024	144,525	53,642

General fund represents accumulated surpluses over the years.

26. Capital fund

	June 2024	June 2023
	Shs'000	Shs'000
At June 30, 2024	<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.

27. Building fund

	June 2024	June 2023
	Shs'000	Shs'000
Opening balance	564,900	600,000
Appropriation To General Fund	(140,000)	(35,100)
Transfer to General Fund	(24,900)	
Transfer to National Treasury	(400,000)	-
At June 30, 2024	<u>-</u>	<u>564,900</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 CMA building fund of Kshs 600 million, was recalled in the last financial year by The National Treasury (NT), (Kshs35.1million was already remitted in FY2022/2023). The Kshs 564.9 Million balance had been spread over securities and the National Treasury made a cash call in May 2024. Kshs 400 Million was eventually called up by the National Treasury along Kshs 140Million from budget rationalization.

28. Staff Mortgage and Car loan fund

	June 2024	June 2023
	Shs'000	Shs'000
Opening balance	394,270	372,137
Appropriation from general fund (Note 23)	(10,987)	22,133
At June 30, 2024	<u>383,284</u>	<u>394,270</u>

29. Related party transactions

	June 2024	June 2023
	Shs'000	Shs'000
Board members of the Authority' remuneration		
Honoraria	-	-
Retainer	9,000	8,095
Sitting allowances	9,765	9,458
Training expenses	2,107	11,978
Others (medical, mileage, bonus)	8,544	3,885
Sub-total-Current Year	<u>29,416</u>	<u>33,416</u>
Prior Years Board Bonus Pay Provisions	(15,290)	-
Net Amount	<u>14,126</u>	<u>33,416</u>

ii)	Key management compensation	June 2024 Shs'000	June 2023 Shs'000
	Gross salaries	44,350	41,174
	Pension-NSSF	156	13
	Gratuity	12,945	9,296
		<u>57,451</u>	<u>50,483</u>

There were 7 members of senior management who served during the year (2023:6)

30. 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 2024 Kshs'000	June 2023 Kshs'000
Capital expenditure contracted for	6,422	19,998
Recurrent expenditure contracted for	6,159	8,748
	<u>12,581</u>	<u>28,746</u>

b. Item description

	Capital Kshs'000	Recurrent Kshs'000	Total Kshs'000
Security Incident & Event Management (SIEM) Solution	6,422		6,422
Office 365 and Exchange Online Protection Licenses Renewal		5,470	5,470
Supply of Services:		689	689
Total	<u>6,422</u>	<u>6,159</u>	<u>12,581</u>

31. Contingent liabilities

Because of the sensitive nature of the Authority as a regulator there are a number of legal cases that the Authority is defending in execution of its mandate in public interest. Due to the sensitivity and in line with IPSAS 19(109), detailed disclosure will prejudice seriously the position of the Authority and public interest. The Authority is not of the view of providing those details in public interest.

32. Prior years' tax settlement 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 2024 Shs'000	Prior Year Audited June 2023 Shs'000
Penalties and interest provision B/F	5,370	45,734
Charge/ (Reversals) for the year	(5,370)	(40,364)
	<u>-</u>	<u>5,370</u>

33. Employee costs

	June 2024 Kshs'000	June 2023 Kshs'000
Consolidated pay, leave pay and passages	444,826	456,798
Staff uniform expenses	820	237
Staff welfare and other costs	18,731	20,308
Staff retirement benefits	58,504	58,250
	<u>522,881</u>	<u>535,593</u>

34. Depreciation and Amortization Expense

	June 2024 Kshs'000	June 2023 Kshs'000
Property, plant and equipment	23,049	30,352
Intangible assets	2,606	15,548
	<u>25,655</u>	<u>45,901</u>

35. Use of Goods and services

	June 2024 Kshs'000	June 2023 Kshs'000
Rent and maintenance	44,998	40,008
Telephone Courier & Postage	5,292	5,819
Office Expenses and Utilities	9,406	9,625
Publicity and Advertising	18,720	13,288
Medical scheme and insurance expenses	37,988	37,489
Other Insurances	6,225	5,927
Training and conferences	67,824	31,005
Motor vehicle running expenses	5,886	4,463
IOSCO membership	5,065	4,782
Library Books and Periodicals	3,964	3,872
Professional and market development services	73,252	59,928
Auditor's remuneration	2,575	2,361
Investors' education and awareness programme	17,335	9,760
Tribunal expenses	9,969	388
Prior years' tax settlement	(5,369)	(40,365)
Provision for doubtful debts	367	(4,417)
	<u>303,499</u>	<u>183,932</u>

36. Repairs and Maintenance

	June 2024 Kshs'000	June 2023 Kshs'000
Internet Bandwidth & Web hosting	4,567	6,361
Software Licenses & Support	15,771	8,550
Other ICT Expenses	3,032	3,104
Printing Costs	311	281
Purchase of Stationery items	2,112	1,829
Toners & Computer Consumables	2,391	1,644
Equipment & Computer Maintenance	1,441	737
Maintenance of Office Furniture & Fittings	271	399
Annual Service Maint. Contracts	11,378	17,630
Other General Office costs	173	189
	<u>41,449</u>	<u>40,724</u>

37.a Cash Generated From Operations-CMA

		June 2024	Prior Year Audited June 2023
	Note	Shs'000	Shs'000
Cash flows from operating activities			
Surplus for the year		57,564	32,451
Adjustments for:			
Tax expense		(5,370)	(40,364)
Depreciation of property and equipment	18	23,049	30,352
Amortisation of intangible assets	19	2,607	15,548
Deferred donor funded income	22	(23,717)	27,574
Gain on disposal of property and equipment	9	(47)	(2,095)
Interest income	8	(73,354)	(77,819)
Operating Surplus before working capital changes		(19,268)	(14,353)
Decrease/(increase) in:			
Inventories	12	(176)	37
Trade and other receivables	13	(19,868)	(58,493)
Right of Use- Lease Asset	24	(133,883)	-
Staff loans and advances	14	11,831	(22,635)
Increase/(decrease) in:			
Trade and other payables	21	68,352	(20,700)
Provision for liabilities and charges	22	(7,144)	1,382
Non-current provisions		138,263	-
Cash generated from operations		38,107	(114,762)
Interest received	8	73,354	77,819
Transfer to National Treasury		(540,000)	(182,657)
Net cash generated from operating activities		(428,539)	(219,600)

37.b Cash Generated From Operations-ICF

		June 2024	Prior Year Audited June 2023
	Note	Shs'000	Shs'000
Cash flows from operating activities			
Interest income	18	(678,590)	(560,761)
Operating Surplus before working capital changes		678,590	(560,761)
Decrease/(increase) in:			
Trade and other receivables		(60,536)	56,814
Increase/(decrease) in:			
ICF Fund		756,958	532,700
Provision for liabilities and charges			
Cash generated from operations		17,832	28,753
Interest received	18	678,590	560,761
Surplus paid		-	-
Net cash generated from operating activities		696,422	589,514

38. 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.

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
At June 30, 2024				
Held-to-maturity investments	211,446	-	-	211,446
Staff loans and advances/ fund	386,050	-	-	386,050
Trade receivables	87,153	-	-	87,153
Other receivables	16,686	-	-	16,686
Cash at bank, in hand and deposits	177,234	-	-	177,234
Maximum exposure to credit risk	<u>878,569</u>	<u>-</u>	<u>-</u>	<u>878,569</u>

	2024 Shs'000	2023 Shs'000
Over 6 months	-	-

The past due debtors are nil. An impairment provision of Shs 6,495,703 (2023: Kshs 6,128,390) is held against the impaired receivables. The Authority does not hold any collateral against the past due or impaired receivables. The management continues to actively follow up past due and impaired receivables.

ii. Expected Credit Losses (ECL)

The Authority adopted IPSAS 41 (Financial Instruments) in the year and has considered all its financial assets in the modelling including the staff loans and advances, investments in the government's bonds and treasury bills and trade receivables. However, upon further assessment of the significant increase in credit risk (SICR) by comparing the risk of default at the initial recognition of the mentioned financial assets to the current risk of default, we have reasonable expectations of recovering the cashflows thereof in its entirety thus we consider them not risky. We therefore had an adjusted Probability of Default (PD) at 0% hence the Nil exposure as at 30th June 2024 and therefore Zero final expected credit losses.

Specific customers with deteriorating characteristics, for instance Uchumi and Mumias etc were considered in the model based on the actual historical losses experienced in the previous years.

Our forward-looking expected credit loss calculation has been based on estimation of current and future probability of default (PD), exposure at default (EAD), and loss given default (LGD).

iii. Liquidity risk

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

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

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
Year ended June 30, 2024					
Trade payables	25,745				25,745
Other payables	60,577	5,804	4,515		70,896
Provision for liabilities and charges	(26,790)			92,032	65,242
Gratuity obligations	101,302				101,302
	<u>160,834</u>	<u>5,804</u>	<u>4,515</u>	<u>92,032</u>	<u>263,185</u>

iv) Market risk

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

Interest rate risk

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

The Authority's investments in fixed rate bonds expose it to fair value interest rate risk. The Authority has no interest-bearing liabilities. The Authority considers that a change in interest rates of 2 percentage points in the year ending 30th June 2024 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 reported deficit 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.

39. 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

	2024 Kshs	2023 Kshs
Transactions with related parties		
a. Sales to related parties		
Others (specify) Bond Approval fees	480,819	425,165
Salaries for seconded staff	3,876	3,829
Total	484,695.00	428,994
b. Purchases from related parties		
Purchases of electricity from KPLC	4,473	4,528
Training and Conference Fees paid to govt. Agencies	8,168	6,568
Total	12,641.00	11,098
c. Grants /transfers from the government		
Donations in kind	-	-
Total	-	-

40. Events after the Reporting Period

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

41. 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.

42. Currency

The financial statements are presented in Kenya Shillings (Kshs) and rounded in "ooo" unless otherwise specified.

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.....25-09-2024

Chairman of the Board



Date.....25-09-2024

CAPITAL MARKETS AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2024

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	8,391,567	8,391,567	-	-	-	-	8,391,567
FSD-Kenya	See Appendix 3	Recurrent	3,502,252	3,502,252	-	-	-	-	3,502,252
State Department of Trade and Investments Promotion	See Appendix 3	Others/ Reimbursement	3,876,165	3,876,165	-	-	-	-	3,876,165
Total			15,769,984	15,769,984	-	-	-	-	15,769,984

As per note 7 - Donor Fund income: The Authority received support from FSSP, and the funds were paid directly to the consultants. The indicated income is therefore generated from deferred income for FSSP-sponsored projects that were capitalized based on their completion level. There was also Support from other development partners such as FSDK during the financial year

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 was 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 2023/2024			
a.	Reimbursements for Capacity building Technical Costs.			
b.	Other Payments- Reimbursement	Transaction Description	Amount (Kshs)	FY to which the amounts relate
	Details of the Payment			
	Reimbursements for State Department of Trade and Investments Promotion Seconded Staff	Reimbursement of costs incurred for seconded Staff	3,876,165	2023/2024
			3,876,165	
b(ii)	Donor funded Expenditure.			
	Blade Server and Switches - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	4,796,752	2023/2024
	Video Conferencing RP100-55A and vMCU Suite	Contra-Donor Funded Consultancies and Donor Funding income	1,524,047	2023/2024
	Integration of Surveillance System with NSE/CDSC	Contra-Donor Funded Consultancies and Donor Funding income	399,470	2023/2024
	Business Central - FSSP	Contra-Donor Funded Consultancies and Donor Funding income	1,671,298	2023/2024
		Total	8,391,567	
	Donor Funded- ESG Activities By FSDK Kenya	Contra-Donor Funded Expenses and Donor Funding income	3,502,252	2023/2024
		Total	3,502,252	
		GRAND TOTAL	15,769,984	

APPENDIX IV: INTER-ENTITY CONFIRMATION LETTER

The Authority did not have any inter-entity amounts disbursed to any other entity as at 30th June 2024.

APPENDIX V: REPORTING OF CLIMATE RELEVANT EXPENDITURES

The Authority did not incur any expenditures on any climate relevant activities for period ended 30th June 2024.

APPENDIX VI: DISASTER EXPENDITURE REPORTING TEMPLATE

The Authority did not incur any expenditures relating to any disasters within the period ended 30th June 2024