

THE NATIONAL ASSEMBLY	
DATE: 20 JUN 2023	Tuesday
TABLED BY:	Hon Dhen Bayamp Deputy leader, majority
CLEARER OF THE TABLE:	Luoga Amale

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CAPITAL
MARKETS AUTHORITY

Promoting the Integrity and Growth of the Capital Markets

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

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Letter of Transmittal

The Cabinet Secretary
The National Treasury and Planning
Nairobi

Dear Hon. Cabinet Secretary,

I have the honor of submitting the Annual Report of the Capital Markets Authority for the fiscal year ended 30 June 2022. The Report has been prepared in accordance with the provisions and requirements of section 36 (2) of the Capital Markets Act, Cap 485A.

Respectfully yours,



Mr. Nicholas Nesbitt
Chairman



1. KEY ENTITY INFORMATION

a) Background information

The Capital Markets Authority (CMA) is a body corporate established under the Capital Markets Act, 1989. The Act was amended in 2000 and renamed as Capital Markets Act.

The Authority is composed of a Board constituted as follows:

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

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

b) Principal Activities

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

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

Our Vision

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

Our Mission

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

Core Values

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

- i. Integrity
- ii. Commitment
- iii. Responsiveness
- iv. Innovation and Continuous learning
- v. Collaboration and Teamwork

Registered office

3rd Floor, Embankment Plaza Longonot Road,
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Nairobi, Kenya.

Authority contacts

Telephone: 254 (020) 2264900
E-mail: ceoffice@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

Mbaya & Associates
Certified Public Accountants
3rd Floor, Westlands Heights
Karuna Road, Westlands
P.O. Box 45390-00100
Nairobi, Kenya

On behalf of

The Auditor-General
Office of the Auditor General
Anniversary Towers
University Way
P.O. Box 30084-00100
Nairobi, Kenya

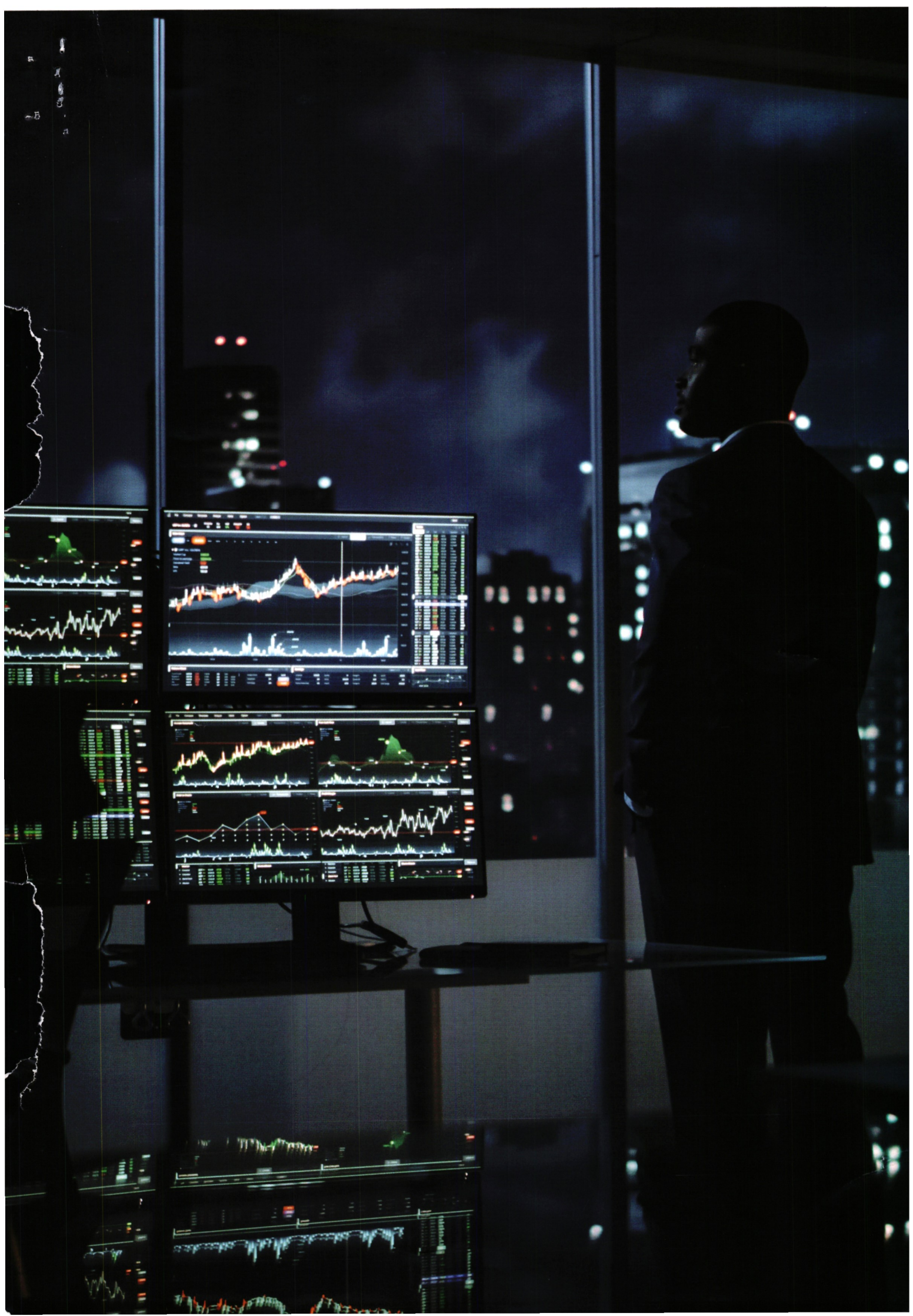
Principal legal adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112-00200
Nairobi, Kenya

Mohammed Muigai LLP
MM Chambers, 4th Floor, K-Rep Centre
Wood Avenue, Off Lenana Road, Kilimani
P.O. Box 61323-00200
Nairobi, Kenya

Waweru Gatonye & Co
Timau Plaza, 4th Flr, Argwings Kodhek Rd
P.O. Box 55207 – 00200
Nairobi, Kenya

Robson Harris LLP
Transnational Plaza
6th and 9th Floor
City Hall Way
P.O. Box 67845 – 00200
Nairobi, Kenya





2. BOARD MEMBERS OF THE AUTHORITY

The Board of the Authority 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 11 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.

Composition of the board

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

1) Mr. Nicholas A. Nesbitt, OGW, EBS (Appointed on 6 October 2021)

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

He also chairs the private sector's engagement with the Government of Kenya in its negotiations on the US Kenya Free Trade Agreement. Previously, Mr. Nesbitt was co-founder and Chief Executive of KenCall, a leading international BPO/call center outsourcing company in East Africa. The company was recognised as the top non-European Call Centre globally, and one of the best mid-size businesses in East Africa.

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

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

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

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

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

Hon Yatani was the pioneer Governor for Marsabit County (2013-2017), the largest County in the Republic of Kenya. Between June 2009 and October 2012, he served as Kenya's Ambassador to Austria with accreditation to Hungary and Slovakia and Permanent Representative to the United Nations in Vienna. In this position, he aggressively pursued and advanced Kenya's foreign interests. He held senior leadership positions at various diplomatic and international agencies such as International Atomic Energy Agency (IAEA), United Nations Organization on Drugs and Crimes (UNODC), United Nations Industrial Development Organization (UNIDO), Vice Chairperson of United Nations Convention Against Transnational Organized Crime (UNTOC), Vice President of Convention on Crime Prevention and Criminal Justice (CCPJ), and chair of African Group of Ambassadors, among others.

Between 1992-2015, he served in different positions in Kenya's Public Administration including a District Commissioner, where he sharpened his management and administrative skills. Hon.(Amb.) Ukur Yatani has Master of Arts in Public Administration and Public Policy, University of York, United Kingdom (2005) and Bachelor of Arts in Economics, Egerton University, Kenya, 1991.

3) Alternate to Cabinet Secretary, The National Treasury: Musa Kathanje

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

Fiscal Affairs Department in November 2016 by the Public Service Commission of Kenya.

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

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

4) Justice (Rtd) Paul Kihara Kariuki CBS, Hon. Attorney General

Hon. Paul Kihara Kariuki is the Attorney General (AG) of the Republic of Kenya with effect from April 2018. He obtained a Bachelor's Degree in Law from the University of Nairobi in 1977 and Post Graduate Diploma in Law from Kenya School of Law in 1978.

As the President of the Court of Appeal of Kenya, between 2013 and March 2018, he was instrumental in the decentralization of the Court of Appeal to Malindi, Kisumu and Nyeri Counties. He directed the development of the blueprint ten-point strategy for the transformation of the Court that culminated in the Court of Appeal Bill and the Strategic Plan for the Court of Appeal in Kenya.

As the first director of the Judiciary Training Institute (2009- 2013), Kenya. He was instrumental in establishing all the operational systems for the technical arm of the Judiciary incorporating professional development for all judges, magistrates, and all cadres of the paralegal staff at the Judiciary. Mr. Kihara also served as a Judge in the High Court of Kenya (2003- 2011). He served in the Civil and Commercial Divisions of the Court and as a Judge in the Election Court for various parliamentary petitions. Previously he was a partner, Messer Ndungu Njoroge and Kwach Advocates, Nairobi (1986-2000) and Legal Assistant and partner, Messer Hamilton Harrison and Mathews Advocates, Nairobi (1977-1985).

5) Alternate to Hon. Attorney General: Mr. Nevis Ombasa

Mr. Nevis Ombasa is a lawyer by profession. He holds a Bachelor of Arts (Econs) degree from D.A.V.V University India and a Bachelor of Laws (LLB) degree from Karnataka University, India. He has previously worked in the law firm of Maobe Maotsetung & Co. Advocates and Omboga & Co. Advocates. Mr. Ombasa is currently working in the Office of the Attorney General and Department of Justice as a senior state counsel in the Government transactions Division. His term ended on 16 March 2022.

***Ms. Christine Kanini (Appointed as the Alternate to Hon. Attorney General on 16 March 2022.)**

6) Alternate to Hon. Attorney General: Ms. Christine Kanini

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

Prior to joining the Office of the Attorney General, Ms. 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.

7) Dr. Patrick Njoroge, Governor, Central Bank of Kenya

Dr. Njoroge is an economist by profession and holds a PhD in Economics from Yale University, USA. He holds a Master's degree in Economics and a Bachelor's degree in the same discipline from the University of Nairobi. He joined the Washington-based IMF in 1995 as an Economist and rose through the ranks to hold the position of adviser. Prior to that, he worked briefly in the mid-1980s at the Ministry of Planning and as an Economist at the Ministry of Finance in the 1990s.

8) 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. He serves on the Board of the Capital Markets Authority as the alternate to the Governor of the Central Bank of Kenya. Prior to joining the Central Bank of Kenya, Mr. Luusa 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.

9) Ms. Christine Okoth

Christine is currently the Managing Director of MAL Consultancy Limited. She is an experienced Human Resource (HR) and Business leader, with over 15 years of HR and business partnering practice. Prior to her current position, Ms Okoth worked at Safaricom Limited where she held several roles including HR Systems and Communications, Head of Talent and Resourcing and Head of HR Business Partnership. She holds a degree in International Relations and Marketing from The United States International University. She is a certified Lead and Internal Auditor, Project Manager, HR Information Systems Manager, Competency Assessor, Organization Design Expert, a Leadership Coach and Mentor. She is a member of the Institute of Human Resource Management (IHRM) Kenya, and Chartered Institute of Personnel Development (CIPD) in the United Kingdom. Ms. Okoth served diligently upto the end of her second term on 2 May 2022.

10) Mr. John Birech

Mr. John Birech holds an MA (Economics), B Phil. (Economics) and BA (Economics) from the University of Nairobi. He is an independent director of the Board. Mr. Birech previously served as the Alternate to the Governor, Central Bank of Kenya (CBK) on the CMA Board and in various capacities at the Central Bank of Kenya, his last appointment being the Acting Director, Financial Markets Department before retirement in 2018.

11) Dr. Freshia Mugo -Waweru

Dr. Waweru earned her Ph.D. in International Finance (Derivatives Trading) from Sogang University in Seoul (South Korea), a Master's in Business Administration (MBA) and Bachelor of Commerce (Accounting) from Kenyatta University. She is also a Certified Public Accountant of Kenya (CPA-K). In 2012, she was appointed as part of a 16-member steering committee to come up with 10- year Master Plan of the Capital Markets Authority (CMA) of Kenya which was launched in November 2014. In January 2015, she was appointed as a member of the Capital Markets Master Plan Implementation Committee and the chairperson of the Financial Deepening Committee, especially on the introduction of derivatives market in Kenya. In April 2015, Dr. Waweru was appointed as a member of the Anti – Money Laundering Board where she was a member of the Finance Committee and the Chair of the Human Resources Committee. In October 2015, she was appointed as a member of the Nairobi Securities Exchange (NSE) Derivatives Risk Management Committee.

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

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

12) Mr. Peter Mungai

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

Mr. Mungai is the Head of Tax for ABSA Bank of Kenya Limited and has over 12 years' experience in tax management and policy. Prior to joining ABSA bank, Mr. Mungai worked with PricewaterhouseCoopers (PwC) and KPMG East Africa. He is a Trustee for ABSA Bank Pension Schemes and a Member of the Standards Tribunal. He has also worked with Diamond Trust Bank (DTB).

13) Mr. Moibi Mose

Mr. George Moibi Mose is an Advocate of the High Court of Kenya with over fifteen years experience. He is a Commissioner for Oaths and Notary Public, Chairperson of the ICT Ad Hoc Committee and past Chairperson of the Human Resource and Communication Committee. Mr. Moibi holds a Masters of Laws (LLM) and a Bachelor of Laws (LLB) degree (Honours) both from the University of Nairobi. Mr. Moibi is the Managing Partner and co-founder of Meritad Law Africa LLP, Nairobi, and has a vast experience in conveyancing, commercial, corporate, banking, insurance, international, and public finance law, litigation, arbitration, mediation, Real Estate, Family Court, Election Petitions and Immigration Law. He previously worked at Ongweny & Moibi Advocates as a managing Partner, and an Associate of both Sichale & Company Advocates as well as Munoru Kagiri & Wamae Advocates. Mr. Mose served diligently upto the end of his second term on 17 December 2021.

14) Dr. Thomas Kibua

Dr Kibua is Senior Faculty at Strathmore University Institute of Public Policy and Governance, Economic Advisor to the Governor of Makueni County, Chairperson of the Technical and Policy Committee & past Chairperson of the Audit, Corporate Governance and Risk Management Committee. Previously, he served as Director of Health Policy and Systems Research at the African Medical and Research Foundation (April 2008 -March 2011); the Executive Director of the Institute of Policy Analysis and Research (IPAR) a non-governmental think –tank specialising in policy analysis and research (2003-2008); and Chairman of Egerton University Council (2009-2012). He previously taught for many years at the Department of Economics, University of Nairobi. He was Deputy Governor of the Central Bank of Kenya for the statutory period of eight years (1993-2001), served as Advisor to the President of East and Southern Africa Trade and Development Bank (2001), worked on long Term Technical Assistance Programme as Economic Advisor to the Kenyan Ministry of Health (health care financing) (1991-1993) and sat on several Boards of State Corporations (Capital Markets Authority, Export Processing Zones Authority, Export Promotion Council and Deposit Protection Fund) and private companies. Dr.

Kibua served diligently upto the end of his second term on 17 December 2021.

15) Mr. Wyckliffe Shamiah

Mr. Wyckliffe Shamiah, is the Chief Executive Officer of Capital Markets Authority, Kenya. Prior to his appointment, Mr. Shamiah served in various capacities at the Authority, having been Acting Chief Executive, Director Market Operations, Manager- Market Supervision, Assistant Manager- Compliance among others, over a career of more than 26 years. He represented the Capital Markets Authority on the Council of the Institute of Certified Public Accountants of Kenya (ICPAK) from 2009 to 2020. Regionally, he sits on Financial Stability Board Regional Consultative Committee for Sub-Saharan Africa, Consultative Committee of Association of Securities Markets Regulators in East Africa (EASRA), which he chaired between 2020 and mid-2022. He sat on the International Organizations of Securities Commissions (IOSCO) representing Growth and Emerging Markets Committee Board (2020-2022) and he is a member of AMERC committee of IOSCO. He also sits on several other local boards including Retirement Benefits Authority of Kenya (RBA), Insurance Regulatory Authority of Kenya (IRA) and Kenya Vision 2030 Delivery Board. He is highly appreciated for his efforts towards development of capital markets in the region, having contributed immensely in capacity building programmes in Tanzania, Uganda, Rwanda and Burundi. Mr. Shamiah is a recognized speaker and facilitator on capital markets regulation both regionally and internationally.

Mr. Shamiah is a Fellow of the Institute of Certified Public Accountants of Kenya (FCPA), a CISI Level II, holds a Master's in Business Administration (Finance Option) from the University of Nairobi and a Bachelor of Arts Degree in Mathematics and Economics from Egerton University. He is an associate member of the Toronto Leadership Centre.

16) CS. Hellen Kwamboka Ombati, Director, Corporation Secretary and Legal Services

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

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

Fiduciary Oversight Arrangements

During the period the Board met seven (7) times: six (6) scheduled meetings and one (1) special meeting.

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 several 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 (4) members all of whom are non-executive members of the Board. The committee was chaired by Mr. Peter Mungai. This committee has oversight on all financial issues including budgets, financial reporting process and controls and procurement. The committee met six (6) times during the period under review.

The Audit, Corporate Governance and Risk Management Committee

This committee consists of five (5) members all of whom are non-executive members of the Board. The committee was chaired by Mr. Peter Mungai upto 10 October 2021 and subsequently by Dr. Freshia Mugo – Waweru. It has oversight responsibility for reviewing, assessing adequacy and monitoring of internal controls, risk management and corporate governance processes. This committee is also responsible for examining internal and external audit reports and recommendations as well as overseeing financial reporting and reviewing the accounting principles, policies and practices adopted in the preparation of Annual Report and Financial Statements. The committee met five (5) times in the period under review.

The Human Resource and Communication Committee

This committee consists of five members all of whom are non-executive members of the Board. The committee was chaired by Mr. John Birech. It is responsible for human resource matters including recruitment, management succession as well as the corporate communication function. The committee met four(4) times and had five(5) special meetings during the period under review.

The Technical and Policy Committee

The committee consists of six (6) members all of whom are non-executive members of the Board. The committee was chaired by Dr. Thomas Kibua upto 25 November 2021, Ms. Christine Okoth up to 7 April 2022 (her term expired on 2 May 2022) and thereafter Mr. John Birech. It is responsible for considering technical and policy matters of the Authority, including reviewing the Authority's strategy and continuous oversight of the review of the capital market legal and regulatory frameworks. The committee met eight times during the year and had one special meeting.

Ad hoc Board Committees

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

- i. The Implementation Committee for the Capital Markets Master Plan: Launched in 2015, it was established to ensure effective and efficient implementation of the Capital Market Master Plan. The objective of the Committee is to provide overall coordination, implementation, and monitoring of the Capital Market Master Plan. It draws representation from Vision 2030, National Treasury and Planning, Central Bank of Kenya, International Finance Corporation, Financial Sector Deepening Africa, Nairobi, International Financial Center Authority, the Four Working Group Chairpersons and is chaired by the Chief Executive of the Capital Markets Authority. The key responsibilities of the Implementation Committee include: Functioning as the secretariat for the implementation of the Capital Market Master Plan. Coordinating the implementation of actions, including liaising with the various Working Groups and other relevant parties. Identifying and managing the resolution of issues which may arise during implementation. Undertaking the monitoring of progress and evaluation of performance based on specific targets; and Coordinating the communication program for the Capital Market Master Plan. The committee met twice (2) during the financial year 2021/2022 on 23 July, 2021 and 7 June, 2022.
- ii. ICT Ad hoc Committee: The Board established this Committee in February 2017. This committee consists of five (5) members three of whom are recruited from the ICT Industry with ICT technical skills. The committee was chaired by Mr. Moibi Mose upto 18 November 2021 and thereafter by Mr. David Luusa. It consists of two non-executive members of the Board, and three external experts from ICT industry. It is responsible for continuous assessment of opportunities/innovation to improve service delivery through ICT, provide oversight and guidance on the initiative to automate and deliver effective technological solutions to access and provide inputs on strategies to deliver reliable ICT infrastructure and ensure Security (Confidentiality, Integrity and Availability) of ICT systems and to provide strategic guidance to ensure ICT operations, processes and resources are managed prudently. The committee met six (6) times in the year.
- iii. Ad hoc Committee on Chase Bank, Kenya (in Liquidation): This committee consisted of seven members four of whom were appointed from the industry with finance, auditing and legal skills. Mr. John Birech chaired the Senior Management Committee. The committee was appointed to conduct enforcement proceedings against former board members of Chase Bank Limited among others, in an effort aligned with its mandate of protecting investors.
- iv. Financial Markets Law Review Panel: The Board of the Capital Markets Authority, in line with the targets set out in the Capital Market Master Plan (2014-2023), established the Panel of 16 leading domestic and international financial market lawyers and practitioners. The Panel will play a key advisory role to the Board in exercising its mandate to ensure that capital markets law remains responsive to market realities and appropriately facilitative to evolving market expectations from both a domestic and international perspective. The Panel was chaired by Mr. Nevis Om-basa upto March 2022 and subsequently by Ms. Christine Kanini.

Table 1: Board Committee Meetings Attendance

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

No	Board Member	Classification	Designation	Finance and Planning Committee (FPC) Total number of Meetings:5 (5 scheduled)	Audit, Corporate Governance and Risk Management Committee (ACM) Total number of Meetings:4	Technical and Policy Committee (TPC) Total number of Meetings:6	Human Resources and Corporate Communication Committee (HRCC) Total number of Meetings:7	8 th Joint Audit and Finance Meeting	ICT Ad hoc Committee Total number of Meetings:6 (6 Scheduled)	AD Hoc Committee on Chase Bank Limited Hearings Total number of Meetings:26	Board Total number of Meetings: 7 (6 scheduled and 1 special)	Other Board Engagements Meetings:19
11	Mr. Moibi Mose	Independent Member	Chairperson-ICT Ad hoc Committee	2/5	1/5 (co-opted)	2/6		1/1	3/6		4/7	2/19
12	Mr. Andrew Meme	ICT Ad hoc Member							6/6			
13	Mr. Muchemi Wambugu	ICT Ad hoc Member							6/6			
14	Mr. Geoffrey Ng'etich	ICT Ad hoc Member							1/6			
15	Rtd. Chief Justice Dr Willy Mutunga	Ad hoc Member	Vice Chair-Ad hoc Committee on Chase Bank Kenya (in liquidation)							12/13		
16	Ms. Patricia Kiwanuka	Ad hoc Member								12/13		
17	Dr James Boyd Mcfie	Ad hoc Member								13/13		
18	Mr. Mahmood Manji	Ad hoc Member								11/13		

Notes

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

CMA Board Evaluation Results Financial Year 2021/2022 -Conducted by the State Corporations Advisory Committee (SCAC)

The Code of Governance for State Corporations (Mwongozo) requires boards of state corporations to undertake an annual evaluation of its performance. The table below shows the results of the CMA board evaluation as conducted by the State Corporations Advisory Committee (SCAC).

The following is a summary of the performance evaluation results for the financial year 2021/2022:

	Name	Position	Date of Appointment	Date of Expiry	Total Tally	% Score
1.	Mr. Nicholas Nesbitt	Chairperson	6 October 2021	5 October 2024		
2.	Dr Freshia Mugo -Waweru	Member	6 October 2021	5 October 2024	4.7928	95.8568
3.	Mr. John Birech	Member	6October 2021	5 October 2024	4.8071	96.1425
4.	Mr. David Luusa	Member	1 April 2020	N/A	4.8143	96.2855
5.	Mr. Musa Kathanje	Member	17 July 2021	N/A	4.8563	97.1250
6.	Ms. Christine Kanini	Member	17 March 2022	N/A	4.7286	94.5712
7.	Mr. Wyckliffe Shamiah	Chief Executive Officer	16 November 2020	15 November 2024	4.6381	92.7619
8.	Ms. Hellen Kwamboka Ombati	Corporation Secretary	N/A	N/A	4.6445	92.8892
	Corporate Full Board				4.8475	96.9500



3. MANAGEMENT TEAM

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

- The Chief Executive Officer (CEO)
- Senior Leadership Team (SLT)
- Senior Management Team (SMT)



FCPA Wyckliffe Shamiah

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



Edwin Njamura

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



Luke Ombara

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



Abubakar Hassan¹

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



Esther Maiyo

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



Hellen Ombati

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



Solomon Kirwa

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



Daniel Warutere

Position	Senior Manager, Approvals, Analysis & Issuer Governance
Date joined the Authority	10 November 2008
Profession	Advocate of the High Court
Key qualifications	LLM, LLB, CPS, CPA, Post Grad Cert

¹ Left on 02 December, 2022



Kamunyu Njoroge

Position
Date joined the Authority
Profession
Key qualifications

Senior Manager, Education, Awareness & Certification
3 January 2005
Economist
MA (Econ), BA (Econ), MCSI(CISI,UK), CIFA, Fellow,
FLPFI (USA)



Andrew Muthabuku

Position:
Date joined the Authority
Profession
Key qualifications

Senior Manager, People and Culture
1 July 2011
Human Resources & Administration
MBA, BA, H-Dip (HRM)



Richard Chirchir

Position:
Date joined the Authority
Profession
Key qualifications

Senior Manager, Information Communications & Technology
22 June 2009
Computer Science Engineering
BSc, Pg Dip - Computer Science



John Njoroge

Position
Date joined the Authority
Profession
Key qualifications

Senior Manager, Accounting and Finance
4 February 2008
Accountant/ Economist
BA, CPA(K), CPS(K), BSP



Matthew Mukisu

Position
Date joined the Authority
Profession
Key qualifications

Senior Manager, Commodities
7 March 2016
Economist
MA (Economics), BSc, CPA(K)



James Kivuva

Position
Date joined the Authority
Profession
Key qualifications

Senior Manager, Strategy, Risks and Projects
15 February 2016
Information Technologist

MA in Project Planning & Management, BSc, PRINCE 2,
CBAP, Advanced Sysbase Database Administration and
Performance Tuning Certification.



Jairus Muaka

Position
Date joined the Authority
Profession
Key qualifications

Senior Manager, Policy & Regulatory Framework
5 January 2009
Economist
MA Economic Policy, BA Economics



Willyson Nyale²

Profession Senior Manager, Market Supervision
Date joined the Authority 5 December 2005
Profession Accountant
Key qualifications MBA, BCom, CPA(K), CPS(K)



Wilberforce Ongondo

Position Senior Manager, Research and Analytics
Date joined the Authority 16 July 2002
Profession Researcher
Qualifications BSc, MBA



Jeremiah Yego

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

² left on 30 june 2022

4. ABBREVIATIONS

BA	Bachelor of Arts
Bcom	Bachelor of Commerce
BSc	Bachelor of Science
BSP	Balanced Scorecard Professional
CFE	Certified Fraud Examiner
CIFA	Certified Investment and Financial Analyst
CIPS	Chartered Institute of Procurement and Supply
CISA	Certified Information Systems Auditor
CPA	Certified Public Accountant
CPS	Certified Public Secretary
Dip	Diploma
EMBA	Executive Master of Business Administration
FCPA	Fellow, Chartered Public Accountant
FLPFI	The Fletcher School Leadership Program for Financial Inclusion
H. Dip	High Diploma
HRM	Human Resource Management
KISM	Kenya Institute of Supplies Management
LLB	Bachelor of Law
LLM	Master of Law
MA	Master of Arts
MBA	Master of Business Administration
MSc	Master of Science
Pg Dip	Post Graduate Diploma
SMC	Senior Management Course (Kenya School of Government)

5. CHAIRMAN'S STATEMENT



Overview of the Global Economy

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

Africa and the East African Community (EAC) Region

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

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

Domestic Performance and National Outlook

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

Strategic Influence

The Capital Markets Consultative Forum (CMCF)

The Authority values close interaction with its stakeholders as a way of receiving continuous feedback to better provide its services. To this end, following the inaugural Capital Markets Consultative Forum (CMCF) in the 2020/2021 Financial Year my Board hosted the second Annual Capital Markets Consultative webinar for all capital markets industry stakeholders in February 2022. The forum which was themed "Accelerating the growth & development of the capital markets - achievements and challenges", was instrumental in identifying existing market challenges and opportunities, and acted as a platform for providing possible solutions to remedy challenges identified and leverage on the opportunities presented.

The CMA National SME Forum

The second National SME Forum was part of a planned series of annual engagements with SMEs as industry stakeholders, to identify the obstacles that have been preventing them from utilizing capital markets to address their financing needs. The Forum emphasized the intensification of creation of awareness on existing capital markets financing options/platforms; simplification of the capital markets language and closer collaborative advocacy for removal of impediments to SMEs ecosystem growth at the highest policy-making levels, among others, as the possible initiatives to motivate the utilization of capital markets by the SME industry.

Legal and Regulatory Reforms

During 2021/22 Financial Year, the Authority developed draft regulations that are currently undergoing the necessary approval processes with the National Treasury and subsequently the National Assembly for enactment. The aim of the legal framework reform is to ensure responsiveness to market, issuer, institutional and retail investor needs as well latest global developments and standards.

These regulations include;

- i. Draft Capital Markets (Collective Investment Schemes) Regulations, 2022 and the Draft Capital Markets (Collective Investment Schemes (Alternative Investment Funds) Regulations, 2022. The Authority is in the final stages of

overhauling the Capital Markets (Collective Investment Schemes) Regulations, 2001 in partnership with Financial Sector Deepening Africa. At the core, the frameworks address emerging issues such as legal form of CISs, disclosures, innovation and technology, among others. The regulations aim to regulate both private and public pooling of funds and intend to license key players such as the fund manager, custodian, trustee, and the intermediary service platform provider.

- ii. Draft Capital Markets (Public Offers, Listing and Disclosures Regulation) 2022: The Authority concluded the process of reviewing the Capital Markets (Public Offers, Listing and Disclosures) Regulations, 2001.
- iii. Whistleblowing The Capital Markets (Whistle-blower) Regulations, 2022 anchored on Section 18(2A) and 18(2B) of the Capital Markets Act were gazetted on 6 June 2022 to empower the Authority to reward whistleblowers.
- iv. Credit Rating Regulations, 2022.
- v. Guidelines on Share Buy-backs for Listed companies gazetted in November 2021.
- vi. Rules and procedures on Securities Lending and Borrowing were approved in February 2022.
- vii. Recovery Board Rules (approved in 2020).
- viii. Day Trading Rules and ultimate launch (approved in October 2021).

1) Other Achievements

County Initiatives

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

Capital Markets Investor Education Measurement Index Survey

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

Interaction with minority shareholders

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

Industry Certification and Continuous Professional Development Programmes

The CISI Securities market certification programme in Kenya is making significant progress with Stage One, the Introduction to International Securities and Investments (IISI) Kenya module having been launched in April 2016 and thereafter Stage Two, the Regulations and Market Practice Module coming into operation in August 2016. At one point Kenya had one of the highest pass rates for the Introduction to Securities and Investments Kenya (ISII Kenya) at 80 percent against a global average of 65 percent. As of December 2021, 1,886 individuals had passed the International Introduction to Securities and Investments (Kenya and international versions) and 1,557 the Regulations and Market Practice (Kenya).


As part of its drive to enhance professionalism for customer-facing staff working for capital market intermediaries in Kenya, the Authority rolled out a Continuous Professional Development (CPD) Programme with effect from 7 August 2019. All employees of capital market intermediaries who have direct dealings with clients and/or undertake trading activities on behalf of the clients as well as influence or advice clients either directly or indirectly are required to satisfy annual CPD obligations as part of their training requirements, through programmes accredited by the Authority. The Authority has accredited three CDP service providers to facilitate the same. As of February 2022, CISI and ICIFA witnessed a total of 887 practitioners undertake the CPD programme which is a 60 percent increase compared to the slowdown in 2020 and part of 2021.

Appreciation

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

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

I appreciate you all.


..... Chairman

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

1) Market Performance

Primary Market

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

In the primary bond market, 32 Treasury Bonds were issued or re-opened, as the Kenya Government sought to raise Shs881.50 billion. In response, Shs1,144.66 billion worth of bond applications were received, with the Government accepting Shs888.66 billion. Regarding corporate bond issuance, during the year, the market was relatively active, with Acorn Holdings, an issuer in the Real Estate sector drawing down and issuing Shs1.22

billion worth of its bond, out of the approved Shs5.7 billion. Also, during the period, East Africa Breweries issued a Shs11 billion bond that received an overwhelming 345 percent subscription level. The year was capped with a Shs1.4 billion Kenya Mortgage Refinance Corporation (KMRC) bond issuance which received a 478.6 percent subscription. These inspiring developments in the corporate bond market set an unequivocal tone for future possible capital raisings in the corporate bond market, as the country's capital market sets itself up to better supporting economic growth, by vigorously facilitating and supporting active private sector participation.

Secondary Market

In the face of the global economic turbulence caused by disruption of energy supply value chains and the enduring effects of the Covid-19 pandemic, the 2021/22 Financial Year was dominated by efforts to stabilize markets and prepare them for resilience. During the year ended 30 June 2022 equity turnover totalled Shs191.49 billion, a 42 percent increase on the Shs135.17 billion equity turnover levels recorded in the previous financial year. The end-period NSE 20-Share index was down by 16.32 percent to 1,612.89 points, from the 1,927.53 points registered in 2021/21 Financial Year. As regards market capitalization, the market's value as of June 2022 was Shs1.93 trillion, a 28.24 percent contraction in value from the Shs2.70 trillion recorded in the previous financial year.

The Exchange Traded Funds (ETFs) and the Collective Investment Schemes (CISs) markets performed significantly better during the period. In the 2021/2022 Financial Year, ETFs registered a turnover of Shs456.7 million, compared to a Shs164.8 million turnover figures recorded in the previous year. On the CIS front, as of June 2022, Shs145.8 billion worth of assets were under Management, compared to the Shs117.8 billion worth assets managed in the period to June 2021.

With regards to the derivatives market, launched in 2019, it traded a cumulative turnover of Shs389 million by June 2022, with 2021 going on record as the best performing year, with a turnover of Shs289 million. Following the introduction of market making in this market, the industry is looking forward to improved future performance, as stakeholder understanding of this market segment gains more traction.

As regards foreign portfolio flows, the 2021/22 financial year registered significant net outflows, with net outflows rising by 95 percent to Shs19.8 billion, compared to net outflow of Shs10.2 billion registered in the year to June 2021.

In the secondary bonds market, during the financial year, the country's bond market turnover rose by 0.61 percent to Shs872.97 billion, compared to the Shs867.70 billion registered in the previous financial year.

2) Major Market Developments

- i. **Launch of Nairobi International Financial Centre (NIFCA):** The Government officially launched the Nairobi International Financial Centre (NIFC), a flagship initiative under the economic pillar of Kenya's Vision 2030. NIFC is designed to strengthen the country's global competitiveness by making it easier and more attractive to invest and conduct financial services, transactions, and related activities.
- ii. **County Government Bonds:** Increasingly, counties are getting approval to raise funds to complement the equitable share allocations from the Central Government. To this end, in April 2022, Laikipia County was granted an approval by the Central Government to issue a Shs1.16 billion infrastructure bond is expected to finance transformative projects in the county such as the smart town, water for production, and road construction.
- iii. **Sustainable Finance:** The Authority undertook several initiatives:
 - a. Developed a strategy on the design of ESG and integrated reporting legal framework for the capital markets in Kenya.
 - b. Facilitated the entrenchment of greater corporate governance practices and standards especially among issuers.
 - c. Facilitated the launch of an ESG manual by the Nairobi Securities Exchange.
 - d. Approved the framework for the issuance and listing/trading of green bonds by potential issuers.
 - e. Hosted a Green Bonds stakeholders' forum to share knowledge on the major developments in the field.

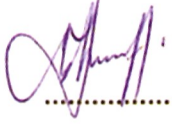
- f. Encouraged significant attention and focus on sustainability reporting by companies in the financial market.
- iv. **Commodity markets** The Authority licensed of six coffee brokers in line with the Capital Markets Coffee Exchange Regulations, 2020 which are: Kipkelion Brokerage Company Limited, Murang'a County Coffee Dealers Company, Mt. Elgon Coffee Marketing Agency Limited, Meru County Coffee Marketing Agency Ltd and United Eastern Kenya Coffee Marketing Company Limited.
- v. **Revised Capital Markets Master Plan** Industry stakeholders conducted a comprehensive review of the Capital Markets Master Plan (CMMP) to reprioritize activities that those that could be achieved within the remaining timeframe (based on achievability and importance) and those that can be moved to a subsequent CMMP.
- vi. **Day Trading Following approval by the Authority**, the Nairobi Securities Exchange launched day trading in November 2021. This will enable investors and traders to make gains from marginal price movements, while taking advantage of moving large volumes of securities.
- vii. **Other developments**
- Capital Markets Mobile Application: The Authority developed a Capital Markets Mobile Application which was launched in October 2021. The Mobile App provides capital markets information as well as facilitates investors to access market intermediaries' online platforms for transactions.
 - CMA Digital Handbook: The Authority launched a digital CMA Handbook in October 2021. The Handbook provides pertinent capital markets information for the supply and demand side, including products, investor protection, how to invest, how to issue, relevant regulations amongst other topical issues.
 - Inaugural Virtual Open Day: The Authority held the inaugural capital markets virtual open day in June 2022. The forum was attended by over 500 participants who held one on one discussions with various market intermediaries in different meeting rooms.
 - Financial Literacy in School Curriculum: The Authority partnered with the Kenya Institute of Curriculum Developed (KICD) in developing guidelines for financial literacy infusion in school curriculums in November 2021. KICD also scripted online financial literacy orientation courses for teachers in both Junior Secondary and Senior Secondary Schools in Kenya in May 2022.
 - Mass messaging: As an approach to efficiently reach higher populations within a short span, the Authority innovated a platform for mass messaging.
 - Pooling of Funds: A Pooled Funds Industry Players Committee comprising representatives from key financial institutions was launched to enhance uptake of investments through various vehicles.
- viii. **Capital Markets Related Policy Pronouncements**
Through the Budget Statement for the 2021/2022 Financial Year the Cabinet Secretary, National Treasury & Planning made provisions that shall over time, improve the level of facilitation of the country's Capital Markets for more efficient capital raising. These included:
- Introducing a provision to subject gains from financial derivatives earned by non-resident persons to withholding tax at a rate of 15 percent. This will play a significant role in promoting the uptake of exchange-traded financial derivatives as an investment class in the industry.
 - Amending Section 2 and Section 29 of the Capital Markets Act in the definition of investment adviser by deleting paragraph 3. To expand the spectrum of persons who can serve as investment advisers, to deepen retail investor participation in Kenya's capital markets by increasing the number of investment adviser's vis-a-vis the total population.
 - Introduction of a reduced corporate income tax rate of 15 percent, for the first 10 years upon commencement of operations, for a company operating:
 - A carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority. The amendment shall lead to promotion of Green Finance.
- ix. **Financial Highlights**

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

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

I. Future Prospects

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


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FCPA Wyckliffe Shamiah, Chief Executive Officer



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/22

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

a. The strategic objectives are as follows:

- a. To ensure a robust, facilitative, and responsive policy and regulatory framework for capital market development and efficiency;
- b. To facilitate the development, diversification, and uptake of capital markets products and services;
- c. To ensure sound market infrastructure, institutions and operations;
- d. To leverage technology to drive efficiency in the capital markets value chain;
- e. To ensure optimal institutional efficiency and effectiveness of Capital Markets Authority; and
- f. To enhance the strategic influence of the Capital Markets Authority.

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

b. The key thematic areas for 2021/2022 were:

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

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

Table 2: Performance against predetermined objectives.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
Ensure Sound Market Infrastructure, Institutions and Operations	Enhanced investor protection and sound market institutions	<ul style="list-style-type: none"> i) 100% implementation of authorization, supervision, and Enforcement Programs. ii) Develop workplans with NSE and CDSC for transitioning CDSC and NSE to full SRO's. iii) Admission to the enhanced Memorandum of Understanding (EMMOU) by June 2022 and CMA Application to be a member of AA arrangements. iv) Strategic Framework for Environmental, Social, and Governance (ESG) and integrated reporting by listed companies in place by June 2022. v) 100% online licensing applications, complaints management and financial and governance reporting by all listed companies and intermediaries through the Risk Based Supervision System. vi) Comprehensive and sustainable action plan for illegal activities in the market in place by June 2022. vii) Operational framework with ICIFA to resolve potential conflict of laws with respect to jurisdiction of CMA/ICIFA with respect to professional and regulated activities developed by March 2022. viii) Report on review of the Online-Foreign Exchange (FX) brokers, Fund Managers, and Investment Adviser license categories to determine whether there is a need for a moratorium by June 2022. 	<ul style="list-style-type: none"> a) Develop and implement effective authorization, supervision and enforcement programs that support the approvals of various applications, the supervision of regulated markets and products and investigation and enforcement actions to curb market abuse and deter fraudulent practices in the capital markets. b) Implement the recommendations of the Concluded Self-Regulatory Organization (SRO) consultancy report undertaken in the financial year 2020-2021 c) Enhance engagements with International Organization of Securities Commissions (IOSCO) in respect to assessment of Kenya to be a member of Enhanced Multilateral Memorandum of Understanding (EMMOU) and Administrative Arrangements d) Develop a strategy on the design of ESG and integrated reporting legal framework for the capital markets in Kenya. e) Enhance efficiency of receiving licensing applications by applicants, financial and governance reporting by all listed companies and intermediaries and Complaints from affected parties f) To develop and implement a comprehensive strategy to detect and deter illegal/unregulated activities in the market. g) Reduce Conflicts of Regulatory Mandates with other Regulators on the investment sphere. h) Assess the utility, impact and saturation of CMA granted licenses -Review issued licenses and market activity resulting from regulated products and determine need or otherwise for moratorium adoption. 	<ul style="list-style-type: none"> a. The annual inspection program with priorities was developed and approved for the financial year 2021/2022. The inspections have been scheduled to take place all year round. 35 firms out of 40 scheduled firms have been inspected as of June 30th, 2022, whereas the remaining 5 firms were postponed due to requests by the intermediaries, while there is a proposed buy-out for one of the stockbrokers. b. SRO Consultancy final report was completed. A committee from CDSC, NSE and CMA has been formed to implement the recommendations of the consultant. c. CMA Board encouraged the use of internal ICT services. d. Work has commenced with respect to preparing an application for Administrative Arrangements for data transfer under International Organization of Securities Commissions (IOSCO) e. The development of a Strategic Framework for Environmental, Social, and Governance (ESG) and integrated reporting by listed companies completed in June 2022. f. Development and enhancement of RBSS to support online submission of applications and reporting is ongoing. g. Action plan was prepared and is under implementation h. A Committee comprising of CMA Staff and ICIFA representatives established in March 2022 with ToRs including to resolve potential conflict of laws with respect to jurisdiction of CMA/ICIFA with respect to professional and regulated activities. i. The department drafted a report on an assessment on the need for or against moratoriums applicable on various license categories within the Kenyan Capital Markets. The report was presented to the Compliance and Facilitation Committee for input. Further, the report was presented to the Technical and Policy Committee of the Board.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
To ensure a robust, facilitative, and responsive policy and regulatory framework for capital market development and efficiency	Significant increase in utilization of capital markets and listings by Micro, Small and Medium Enterprises (MSMEs), existing and potential large cap business and Counties to fund their longer-term expansion and contribution to Kenya's economic development for example one county issuing a debt instrument.	<ul style="list-style-type: none"> i) Draft Public Offers, Listings and Disclosure Regulations submitted to National Treasury & Economic Planning by 30th June 2022. ii) Capital Markets MSME Fund established and supported by legislation by June 2022. iii) Supportive prudential and market conduct requirements for SMEs incorporated in the Draft POLD Regulations Public Offers, Listings and Disclosures (POLD) Regulations by June 2022. iv) Three (3) sets of Regulations developed by June 2022 to replace redundant ones. 	<ul style="list-style-type: none"> a) Overhaul the Public Offers, Listings and Disclosure Regulations for capital raising and listings for all Market Segments at the Nairobi Securities Exchange and submit to the National Treasury and Planning by 30th June 2022. b) Reassess the existing policy, and legal impediments to uptake of market-based financing by Micro Small and Medium Enterprises (MSMEs) and make necessary interventions c) Foster an ecosystem that links incubators/accelerators, technical assistance providers, industry/trade associations, potential issuers and investors. e) Develop at least three new sets of regulations to replace those that will become redundant as guided by the Statutory Instruments Act. 	<ul style="list-style-type: none"> i. Post-public participation on the draft framework undertaken between the Authority and the Consultants to review stakeholder feedback and review the regulation in line with the feedback. Validation workshop on the draft regulation held on 14.06.2022 between the Authority, Consultants and Stakeholders. The Regulations were approved by the Board on June 29, 2022 and submitted to Treasury on June 30, 2022. ii. White Paper on key policy and regulatory gaps with proposed capital markets solutions for county-based financing submitted to NT in 2021-22. iii. To increase uptake of County Bonds and ABS', the Capital Markets Authority undertook one on one engagement meetings with the County Government, potential issuers, investors, and institutions in Kisumu County between 6 to 10 December 2021 with the aim to present avenues and opportunities available in the capital markets to finance their growth and development. Subsequent engagements will be held in Machakos, Laikipia and Mombasa. Two Counties (Laikipia and Kisumu) have noted interest in issuing county bonds in 2022 to finance infrastructural development. iv. To promote the uptake of County bonds, and capital markets products & services, the Authority undertook one on one engagements with the County Government, potential issuers, investors, and institutions in Mombasa County between January 24 & 28, 2022 with the aim of presenting avenues and opportunities available in the capital markets to finance their growth and development. The Authority is currently conducting engagements in Machakos County between 4-8 April 2022. Subsequent engagements have been scheduled for Laikipia County on 25-29 April 2022. v. To promote the uptake of County bonds, and capital markets products & services, the Authority undertook one on one engagements with the County Government, potential issuers, investors, and institutions in Machakos County between April 4 & 8, 2022 and in Laikipia/Nyeri/Muranga & Meru Counties between April 25 & 29, 2022 with the aim of presenting avenues and opportunities available in the capital markets to finance their growth and development. vi. In the month of May 2022, Laikipia's County Shs.1.16B bond was granted approval for issuance by the Cabinet. The issuance of the domestic infrastructure bond would be at a market determined coupon whose objective would be to finance implementation of projects including provision of water for agricultural production and improvement of the business environment. vii. To promote capital markets products as avenues for capital raising by Corporates, on May 18, 2022, the Authority successfully executed the Capital Markets Structured Finance workshop on Green Bonds. The event brought together at least 60 participants drawn from the National Treasury, KRA, issuers (entities with green projects needing funding or refunding; property developers), underwriters (financial institutions arranging the issuance of the green bonds), external reviewers (rating agencies), intermediaries (the Nairobi Securities Exchange, Industry Associations; KASIB, CDSC), pension funds and insurance companies; a green bond issuer (Acorn).The session served as a capacity building and knowledge sharing session on raising awareness on the green bond market and tackling the benefits of investing in green bonds. The workshop intended to resolve the information gap that exists on green bonds and building on the technical expertise given that our green bond market is still in its nascent stages.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
	<p>Policy, Regulatory and operational framework to support the real sectors</p>	<ul style="list-style-type: none"> i) All coffee brokers with provisional licenses fully compliant and granted full licenses by June 2022. ii) Implementation of the Coffee related Regulations 2020 iii) Operationalization of Commodities Exchange and WRS. 	<ul style="list-style-type: none"> a) Support Coffee Brokers issued with conditional licenses to meet all the licensing requirements and issue full licenses. b) Engage and support top management of Kenya National Multi Commodity Exchange (KOMEX) in the development and implementation of a operationalization strategy . c) Engage relevant strategic stakeholders and Warehouse Receipting Systems (WRS) /KOMEX and Coffee Sub sector Reforms Implementation Standing Committee (CSRISC) Taskforces/Committees on harmonization and operationalization of the Commodities Exchange and warehouse receipt system frameworks. 	<ul style="list-style-type: none"> a. The Warehouse Receipt System was launched in January 2022. Phase 1 roll-out of the Warehouse Receipt System in Kenya covers 5 National Cereal and Produce Board (NCPB) Certified Warehouses in Kitale, Eldoret, Nakuru, Nairobi, and Meru. There are also over 300 depositors warehousing 13 different commodities. b. A total of 6 full coffee broker licenses have been issued year-to-date. The review of 3 additional coffee broker applications is also underway. c. KOMEX Rule Book finalized by the consultant. Currently working with NSE for provision of trading system and awaiting capitalization from National Treasury & Planning to commence pilot testing and application for a provisional license. KOMEX is anticipated to launch in 2022-2023.
<p>To facilitate the development, diversification and uptake of capital market products and services</p>	<p>Increased primary and secondary equity, debt, and derivative market liquidity by facilitating roll out of among others, market making, short selling, securities lending & borrowing and Over the Counter (OTC) trading.</p>	<ul style="list-style-type: none"> i) Increase Equity market turnover ratio by 20%. ii) Increase Treasury bond turnover ratio by 10% iii) 10% increase in equities market capitalization iv) Quarterly market performance and stability reports published and disseminated widely to the public 	<ul style="list-style-type: none"> a) Review and finalize policy, regulatory and operational framework for Securities Lending and Borrowing (SLB) and Short Selling (SS). b) Timely review and approval of Nairobi Securities Exchange (NSE) Rules to facilitate intra-day trading, market making, short selling, margin trading, removal of pre-funding and pre-validation. c) Progress any proposed tax and non-fiscal incentive(s) to further support use of liquidity enhancing tools in the capital markets. d) Develop and publish quarterly aggregate market performance and stability reports to track liquidity measures. 	<ul style="list-style-type: none"> a. Policy and legal framework for SLB is in place. SLB rules have been approved by the Board and Published on CDSC Website. b. Policy Framework on Margin Trading to be submitted and considered by TPC on 23.06.2022. c. Proposal on tax deductibility on issuance, listing and credit rating was submitted to National Treasury & Planning for consideration in the 2022 Finance bill. d. Quarterly Soundness Reports developed followed by stakeholder engagements and media briefing for all quarters. e. Increase in Treasury Bonds turnover following approval to list the securities worth Shs.665Billion during the financial year. f. Increase in equities market capitalization following approval of asset acquisition worth approx. Shs 3billion by Nairobi Business Ventures (NBV). g. Increase in equities market capitalization following approval of debt conversion in TPS Serena and the subsequent approval for the additional listing of 100,476,471 ordinary shares of the company. h. Increase in equities market capitalization – approval of a rights issue by TransCentury for issuance and listing of 1,876,013,830 newly issued ordinary shares of TransCentury PLC to raise Shs 2,063,615,213. i. Increase in equities market capitalization – approval of the ninth drawdown of Shs 336,000,000 by ACORN Project II LLP on the Fixed Income Securities Market. j. In previous quarters, approval for the marketing of the MTN Uganda IPO was granted. Kenyan Investors were eligible to participate in the offer for sale of 4.4Billion shares representing 20% stake in the company at a price of approximately Shs 6.25 per share. k. Approval of the Shs 11Billion EABL MTN programme. l. Kenya Mortgage and Refinance Company (KMRC) received approval of unsecured MTN of Shs 10.5 billion and successfully issued the first tranche of Ksh1.4 billion which was oversubscribed by 480% receiving applications worth Ksh8.1 billion. m. Approval for the ACORN REIT issuances for a value of up to Shs 2.76 billion. n. Approval of the Car & General bonus issue at a ratio of 1:1 for a total issuance of 40.1 million shares worth Shs 200.5million.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
	<p>Increased mobilization of savings and investments through transformative access of mobile and other online technology to retail and institutional investors for participation in the primary and secondary capital markets towards achievement of the 'Big 4' Agenda and Vision 2030</p>	<ul style="list-style-type: none"> i) 20% increase in actively trading accounts by end of the financial year (data to be shared by CDSC). ii) Composite unweighted investor education index increased by 10% from the baseline score. iii) Total Assets Under Management by Collective Investment Schemes to increase by 70%. iv) 20% increase in number of domestic retail investors participating in regulated Collective Investment Schemes v) Capital Markets Mobile Application revamped launched by December 2021 vi) Roll out of mass capital markets sensitization messaging to the public through mobile phones. vii) Operational Certification Unit within the Education Awareness and certification Department by March 2022 v) Roll out of continuous professional education (CPE) programs for retail investors by May 2022 	<ul style="list-style-type: none"> a) Finalize the Investor Education Measurement Index (IEMI) Survey by Dec 2021 and develop and implement an action plan based on the recommendations of the survey report. b) Fully implement recommendations of the Pooled Funds on increasing domestic retail investment in Collective Investment Scheme (CIS) leveraging on mobile technology c) Implement a continued and innovative new framework for partnering with industry stakeholders and professionals across the country. d) Develop and implement a sensitization strategy focused on creating interest in Exchange Traded Products (Derivatives, Exchange Traded Funds, Real Estate Investment Trusts, Crypto Assets, Contracts for Difference) with short-term capital gains. e) Enhance professional standards within the capital markets for accelerated product uptake and investor protection by conducting a viability assessment for implementation of a Capital Market Training Function for retail investors and selected market players 	<ul style="list-style-type: none"> a. The Investor Education Measurement Index Survey (IEMI) report was released. The survey is aimed at assessing the impact of all the initiatives undertaken over the last two years by determining the current index against the 41% baseline established in 2018. The report indicates that the unweighted index stands at 49% having increased by 8% from 41%. b. The CMA Mobile App was enhanced. c. Testimonials involving members has begun running on NTV, social media and Nation FM d. Implemented a robust stakeholder engagement strategy targeting media market intermediaries and peer global regulators. e. To increase awareness of ETPs, The Authority Partnered with the key stakeholders during the 2nd Annual Consultative Forum held on February 24, 2022. In addition, the Authority partnered with KNCCI, SASRA, SACCOs for County one on one in Nyeri, Laikipia, Machakos, Kisumu, Kakamega and Mombasa Counties. f. Ongoing review of the CIS regulations g. During the year, Sycamore Capital, a fintech testing digital mobile-based unit trusts investment application joined Sandbox while Fourfront Management Limited exited sandbox and was allowed to roll-out their robo advisory services to the wider market. h. In previous quarter, the Authority granted CDSC a no objection to roll out to the mass market, the Screen Based SLB product for equities listed at the NSE. Further, to operationalize this successfully, the Rules and Operational procedures for screen based SLB were approved by the Authority. i. During the quarter, the Authority engaged with innovators with new ideas - KUZAH product (saving and investment product) and provided comments as well to the KUZAH concept note as guiding on the next steps. The Authority has scheduled engagement with ZAMARA on its new ideas and innovations in quarter 4. <p>During the quarter, the Authority through the Sandbox Review Committee executed a Regulatory Sandbox Networking Cocktail that brought together key capital market stakeholders, all Regulatory sandbox admitted and exited firms, fintech industry stakeholders, financial sector regulators and development partners. The purpose of the engagement was to enhance collaboration and networking within the capital markets industry and the fintech ecosystem.</p>

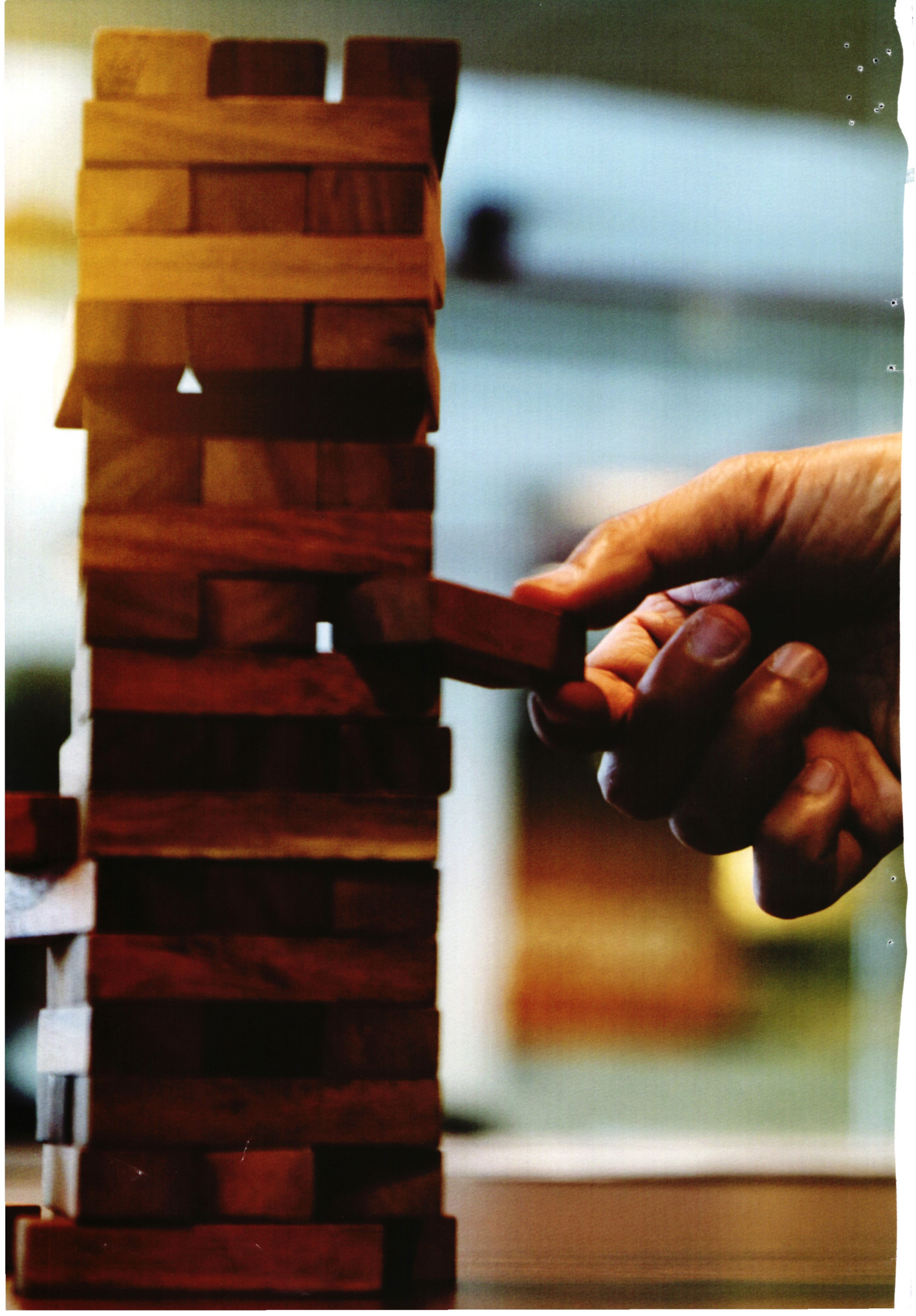
Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
<p>Enhancing Strategic Influence</p>	<p>Improved stakeholder support and coordination</p>	<ul style="list-style-type: none"> i) Stakeholder Engagement and Advocacy Strategy in place by June 2022 ii) Quarterly updates of the consultative forum action plan iii) One (1) MoU executed by June 2022 	<ul style="list-style-type: none"> a) Develop and implement a stakeholder engagement and advocacy strategy on capital market issues b) Execute at least one (1) MoU with strategic industry partners and/or associations to promote strategic partnership/influence and promote Product Development, Uptake and/or innovation in the Capital markets 	<ul style="list-style-type: none"> a. Public stakeholder consultation was undertaken on the draft Public offers regulations from 17th – 27th May 2022, this was followed by the validation workshop undertaken on 14th June 2022. b. During the year, the Capital Markets Authority (CMA) signed a Memorandum of Understanding (MoU) with the Kenya Private Sector Alliance (KEPSA) to support market deepening. c. During the year, the Capital Markets Authority (CMA), Kenya Pension Funds Investment Consortium (KEPFIC) and Nairobi Securities Exchange (NSE) signed a Memorandum of Understanding (MOU) to support infrastructure projects financing and development through the capital markets. This is expected to lead to growth and deepening of the country's capital markets d. The Authority signed an MOU with Kenya Development Corporation. The MOU aims to promote mutual co-operation for the advancement of the financial services sector, Small and Medium sized enterprises access to finance in the capital markets, job creation and stimulation of economic growth.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
Leveraging technology to drive efficiency in the capital markets value chain	Promote digital technology and application of ICT in disclosures, compliance, and stakeholder engagements	<ul style="list-style-type: none"> i) Collaborative approach in embedding investor protection information through various communication mediums as a revamped public education strategy by June 2022 ii) Relationships with other institutions/agencies to assist in the verification of documentation at licensing stage established by June 2022. iii) Digitization framework and strategy in place by June 2022 iv) Increased market activity due to market awareness. 	<ul style="list-style-type: none"> a) Implement awareness and investor protection programs leveraging technology platforms such as Facebook live, mobile applications, e-newsletters among others. b) Develop a Governance Framework for Digitization in the Capital Markets. c) Develop a strategy for digitization of the Capital Markets Industry d) Facilitate Digital capital raising and/or crowdfunding in public offers. e) Facilitate a securities trading competition using digital platforms. f) Develop/ Come up with a USSD code to drive awareness of the Capital Markets products and services g) Work closely with NSE, CDSC and Kenya Association of Stockbrokers and Investment Banks (KASIB) to automate critical functions of market trading. 	<ul style="list-style-type: none"> a. Collaborated with CDSC in disseminating SMS messages to dormant account holders. b. A Spot Commodities Brochure and an abridged simplified Capital Markets Handbook for retail investors was developed. c. Mobile Application developed and launched on October 6, 2021, during the World Investor Week. Mobile app phase two completed. d. County initiatives held in Kisumu and Nakuru. One-on-one county initiatives held in 8 counties year-to-date. e. A brochure on collective investment schemes was translated to braille. f. Capital Markets virtual open day was held on 28 June, 2022. g. Draft Crowdfunding regulations and Regulatory Impact Assessment submitted to National Treasury & Planning for gazettelement. h. Partnered with Kenya Diaspora Association (KDA) in organizing the 8th Diaspora Home Coming hybrid Convention held from December 8-10, 2021. i. E-newsletters produced and shared electronically. j. Testimonials airing on NTV for six weeks and shared on social media.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
<p>Ensure optimal institutional efficiency and effectiveness of CMA</p>	<p>Enhance CMA's financial sustainability and operational efficiency</p>	<ul style="list-style-type: none"> i) Ksh1,100 million in revenue by June 2022. ii) Maintained staff satisfaction. iii) Business Continuity Management (BCM) Framework in place by June 2022. iv) 15 positions filled by June 2022 v) A new ICF management structure in place by June 2022. vi) At least 70% of the staff trained vii) 100% implementation of the Action Plan viii) Reduction in Number of man hours lost/productivity due to hospitalization ix) Safety of personal data, and resolution of old KRA tax issues, 100% timely settlement of statutory obligations. x) A decision on viability of a productivity management system, and if positive a specifications document followed by tendering by 31 March 2022. xi) A new lease agreement by 30 June 2022. xii) New motor vehicles acquired and replaced ones disposed. xiii) All significant service provider contracts renewed ahead of expiry of current ones. 	<ul style="list-style-type: none"> a) Review and ensure budgeting and resource allocation are aligned with revised priorities. b) Unlock previous years' performance-based remuneration for staff. c) Enhance CMA's business continuity by reviewing and consolidating existing Business Continuity Plan initiatives into a comprehensive consolidated corporate Business Continuity Plan d) Implement the new Human Resource (HR) instruments. e) Enhance staff competencies and skills in compliance with the career Guidelines and to help cope with emerging business needs f) Develop and implement an Action Plan to address the key issues raised in the June 2021 Uwezo-Kipeo Impact Survey. g) Continue to implement measures geared towards mitigation of the impact of Covid-19 at the workplace. h) Ensure compliance with statutory obligations governing operations and relationships with staff, stakeholders and other government agencies. i) Review viability and if so, develop specifications for a productivity management system j) Assure availability of business premises by renegotiating the lease that is expiring on 30 June 2023. k) Ensure that all maintenance agreements are kept up to date and planned equipment additions, replacements disposal. 	<ul style="list-style-type: none"> a) The Authority's revenue closed at Ksh1,095 million or 99% of the annual target as at year ended 30 June 2022. b) The Authority onboarded a consultant to assist in the development of a Business Continuity Management (BCM) Framework for all its operations. c) 11 positions approved by Head of Public Service (HOPS) were all filled by June 30, 2022. d) 90% of training plans for 2021/2022 were aligned with identified individual training needs and business needs were implemented e) Corporate Sports Day took place to enhance team building and enhanced internal communications through the monthly HR e-bulletin. f) Management has continued to implement Covid-19 mitigation measures such as provision of hand sanitizers and medical cover g) Statutory obligations have continuously been complied with.
	<p>Institutional Service Delivery, Operational Efficiency and Sustainability</p>	<ul style="list-style-type: none"> i) Approved Procurement Plan in place before the beginning of the financial year. ii) At least 70% absorption of allocated funds in the Procurement Plan by close of the financial year. iii) 90% Responsive tenders from the list of registered suppliers in restricted tenders. iv) Disposal of identified obsolete items within the financial year. v) 90% Delivery of requisitioned goods and services; on time, in full and in the right quality and in line with the Procurement Service Charter. vi) Optimal stock levels with no stock outages for required items at any time. 	<ul style="list-style-type: none"> a) Consolidate and submit the annual Procurement and Disposal Plan for approval before the beginning of the financial year. b) Review and update of the list of registered suppliers every two years. c) Evaluate Supplier performance. d) Dispose of assets identified as obsolete using the most effective method. e) Select and employ the most effective procurement method for the purchase of goods and services requisitioned within the required thresholds. f) Monitor and maintain optimal inventory/stock levels. 	<ul style="list-style-type: none"> a. Over 90% of the restricted tenders issued were responsive during the year under review. b. Disposal of the surplus and obsolete items identified was carried out and concluded in the financial year with the total proceeds from the exercise amounting to Shs.664,200. c. 90% of requisitioned goods and services were delivered on time, in full and in the right quality. d. Optimal stock levels were maintained for the reporting period with no stock outages registered.

Strategic Pillar/ Issues	Objective/ Outcome	Key Performance Indicators	Activities	Achievements
	Full Statutory Compliance with no sanctions or warnings. All procurement expenditure within the Procurement Plan	<ul style="list-style-type: none"> i) 100% compliance on reporting requirements and no warnings from PPRA or TNT for delayed or inaccurate submission of reports. ii) No requisitions outside the approved Procurement Plan. iii) 100% compliance with the legal requirements of the Procurement Act with no reports of malpractice and contravention of the provisions of the Act. i) Successful engagements with the special groups and locally registered firms with no complaints of poor-quality goods and services delivered by the special groups. 	<ul style="list-style-type: none"> a) Quarterly submission of statutory reports to Public Procurement Regulatory Authority (PPRA) and TNT. b) Ensuring compliance with statutory procedures that govern procurement and disposal processes. c) Reserving and spending 30% and 40% of the annual procurement spend on qualified AGPO and BKBK registered firms respectively. 	Full and timely compliance with all statutory obligations.
	<ul style="list-style-type: none"> i) Restoration of the corporate image and reputation of the Authority. ii) Enhanced awareness of CMA mandate, products, and services. Enhanced investor protection and confidence. 	<ul style="list-style-type: none"> i) Corporate Communications Strategy approved and executed within the financial year. ii) Fully funded and implemented Customer Satisfaction Action Plan. 	<ul style="list-style-type: none"> a) Review and implement the Corporate Communications Strategy to enhance awareness and support product uptake. b) Implement the recommendations of the Customer Satisfaction Survey 2021 	<p>Corporate Communications Strategy and the Customer Satisfaction Survey Action Plan were implemented resulting in a strong corporate image and reputation as demonstrated through stakeholder feedback.</p> <p>An marginal increase in awareness of the Authority's role and mandate was recorded in the financial year.</p>
	Continued certification of the Authority and Continuous improvement.	ISO 9001:2015 Recertification achieved by December 2021	Coordinate the implementation, maintenance, and continual improvement of the ISO 9001:2015 Quality Management System of the Authority through complete overhaul and alignment of the procedures to the organization structure and ensuring recertification	The Authority was recertified in November 2021.

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





8. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

Operational and Financial performance

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

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

SECTION B

Compliance with statutory requirements

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

The Authority, being the Capital Markets regulator in Kenya, is subject to legal proceedings in the normal course of business. While it is not possible to forecast or determine the final results of all pending legal proceedings, the Authority assesses the adequacy of its provisions periodically against case developments and related legal costs. A full provision has been made in the books, and CMA has a prequalified list of legal consultants, from which services are sourced competitively from time to time.

SECTION C

Key projects and investment decisions being implemented

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

Table 4: Major projects being implemented at CMA

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

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

SECTION D

Major risks identified in the Enterprise Risk Management (ERM)

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

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

- i. **The promulgation of new legislation proposing to remove CMA from regulating the Coffee and Tea Auctions.** To address this, the Authority is developing proposals for amendments to harmonize Commodities Sector Policy and Regulatory Framework with the Capital Markets Act and Capital Markets (Commodity Markets) Regulations, 2020. Further the Authority is undertaking quarterly stakeholder engagement programs on the Institutional, Policy and Regulatory Framework to increase awareness, build capacity and enhance buy-in. The Authority is also building strategic partnerships with The National Treasury, Ministry of Agriculture and Agriculture and Food Authority (AFA).
- ii. **Litigation against CMA enforcement processes and unfavourable court decisions.** The Authority is addressing this through initiation of enforcement actions within 14 days of applicable approvals and expeditious finalization of enforcement proceedings and taking action in accordance with the Fair Administrative Actions Act.
- iii. **Unfavourable fiscal and macro-economic environment delaying business decisions on uptake of capital markets products and services.** The Authority is addressing this by fostering active advocacy, and innovation efforts to facilitate buy-in of proposals made to improve the operating environment and facilitate higher uptake.
- iv. **Negative impacts on the implementation of the Statutory Instruments Act.** The Authority will strive to review the main statutory instruments as communication is being made to the National treasury to review the deadline.
- v. **Insufficient Human Resources to deliver CMA's mandate.** The Authority is continuing to implement the new Human Resource (HR) instruments and enhancing capacity through filling of key priority vacant positions.
- vi. **Disruption of operations due to Covid-19 crisis.** The Authority is continuing to provide psychological support to staff through the Wellness Program (EWP) and observing Ministry of Health Guidelines.
- vii. **Potential collapse of a Collective Investment Scheme (CIS).** The Authority is addressing this through the development of procedures for handling crisis including establishing crisis resolution tools and communication tools.
- viii. **Financial distress of licensed and listed companies.** The Authority is reviewing compliance of issuers of securities to the public and market intermediaries with continuous reporting obligations.
- ix. **The emergence of unregulated entities, unapproved business lines and unapproved products and regulated entities carrying out.** The Authority is addressing this through the development and execution of annual inspection plan to highlight priorities for the year (this includes NSE, CDSC, and commodity brokers): Risk profiling and development and implementation of an inspection schedule.

SECTION E

Material arrears in statutory/financial obligations

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

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

SECTION F

Financial probity and serious governance issues

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



9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

i. Sustainability strategy and profile

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

ii. Environmental performance

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

The Authority signed a Memorandum of Understanding (MoU) with the Security of Government Buildings (SGB) and VIP Protection Unit under the Administration Police. Through the partnership, CMA donated Sh500,000 towards the construction of a changing room for 400 officers attached to the Unit's Uhuru Camp situated near Madaraka Estate in Nairobi to improve their working environment.

iii. Employee welfare

a) Gender Matters

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

b) Learning Management System

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

c) Leadership and Management Skills Development

During the year, the Authority sponsored a total of sixty-seven (67) staff to undertake supervisory, managerial and leadership courses to develop leadership and managerial capabilities of staff. The courses were offered by Kenya School of Government.

d) Performance appraisal.

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

iv. Market place practices

a. Responsible competition practice

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

b. Responsible supply chain and supplier relations

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

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

A prequalification exercise was also concluded in the financial year where a list of registered suppliers for two years was generated as stipulated in the Public Procurement and Asset Disposal Regulations 2020. The regis-

tered suppliers were also invited for a session with the intention of engaging the suppliers on ways of improving supply chain processes and sensitizing them on the available procurement opportunities including those exclusively restricted for the disadvantaged groups and how to access them.

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

c. Responsible marketing and advertisement

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

d. Product stewardship

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

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

e. Corporate Social Responsibility / Community Engagements

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

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

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

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



10. REPORT OF THE DIRECTORS

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

a) Principal activities

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

b) Results

The results of the Authority FOR THE YEAR ENDED 30 June 2022, are set out on page 38 to 77.

c) Directors

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

d) 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.

e) Auditors

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

By Order of the Board

Hellen Ombati..... *Uluwambaka* Date..... 31 August 2022 Corporation Secretary/Secretary to the Board



11. STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

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

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

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

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

Approval of the Annual Report and Financial Statements

31 August 2022

The Authority's Annual Report and Financial Statements were approved by the Board on

..... Chairman.....

..... Chief Executive Officer

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

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

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

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

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

flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information have been audited on my behalf by Mbaya & Associates, auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Capital Markets Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Capital Markets Act, Cap.485A, Laws of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

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

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

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

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

Other Information

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Lack of Policy on Cloud Governance Framework

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

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

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

Responsibilities of Management and the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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

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

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

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


CPA Nancy Gatungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

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

NOTE:

This is a copy of the Audit Report by the Auditor General on the financial statements for the year ended 30 June 2022. Whereas the financial statements published in this annual report are the same as in the signed accounts, the pagination is slightly different from that referenced in the auditor's report because of the additional business-related material included in the annual report. The financial statements as presented in this report are in pages 38 to 77.

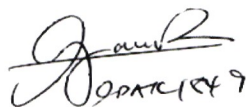
12. Statement of Financial Performance for the year Ended 30 June 2022

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

The Annual Report and Financial Statements set out on pages 38 to 77 were approved for issue by the Board Members of the Authority on31 August 2022..... and were signed on its behalf by:



Chief Executive Officer



Director, Corporate Services



Chairman of the Board

Date...31 August 2022.....

Date...31 August 2022.....

Date...31 August 2022.....

13. Consolidated Statement of Financial Position as at 30 June 2022 (Including Investor Compensation Fund)

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

Chief Executive Officer

Date 31 August 2022

Director, Corporate Services

Date 31 August 2022

Chairman of the Board


Date 31 August 2022

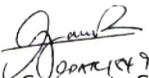
14. Capital Markets Authority Statement of Financial Position as at 30 June 2022

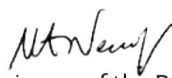
	Note	Jun 2022 Shs'000	Jun 2021 Shs'000
ASSETS			
Current assets			
Cash and Cash equivalents	16	71,792	60,166
Trade and other receivables from exchange transactions	13(b)	14,394	10,306
Trade and other receivables from non-exchange transactions	13(a)	33,047	71,674
Staff loans and advances/guarantee fund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

The Annual Report and Financial Statements set out on pages 38 to 77 were approved for issue by the Board

Members of the Authority on 31 August 2022 and were signed on its behalf by:


Chief Executive Officer
Date 31 August 2022


Director, Corporate Services
Date 31 August 2022


Chairman of the Board
Date 31 August 2022

15. Investor Compensation Fund (ICF) Statement of Financial Position as at 30 June 2022

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

The Authority is required to maintain a fund to be known as the Investors' Compensation Fund for the purpose of granting compensation to investors who may suffer pecuniary loss resulting from the failure of a licensed broker or dealer to meet its contractual obligations. The Fund value was Shs4.59billion (Jun 2021: Sh4.01billion).

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Chief Executive Officer

Date 31 August 2022



Director, Corporate Services

Date 31 August 2022



Chairman of the Board

Date 31 August 2022

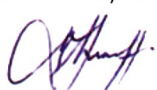
16. Statement of Changes in Net Assets for the year Ended 30 June 2022

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

17. Consolidated Statement of Cash Flows for the Year Ended 30 June 2022

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


The Annual Report and Financial Statements set out on pages 38 to 77 were approved for issue by the Board Members of the Authority on 31 August 2022 and were signed on its behalf by:


Chief Executive Officer

Date 31 August 2022


Director, Corporate Services

Date 31 August 2022



Chairman of the Board

Date 31 August 2022

18. Capital Markets Authority Statement of Cash Flows for the Year Ended 30 June 2022

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

The Annual Report and Financial Statements set out on pages 38 to 77 were approved for issue by the Board Members of the Authority on 31 August 2022 and were signed on its behalf by:


Chief Executive Officer


Director, Corporate Services


Chairman of the Board

Date: 31 August 2022

Date: 31 August 2022

Date: 31 August 2022

19. Investor Compensation Fund Statement of Cash Flows for the Year Ended 30 June 2022

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



Chief Executive Officer

Date..... 31 August 2022



Director, Corporate Services

Date..... 31 August 2022



Chairman of the Board

Date..... 31 August 2022

20. Statement of Comparison of Budget and Actual Amounts

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

21. Statement of Comparison of Budget and Actual Amounts (Continued)

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

Revenue

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

Expenditure

- a. **Personnel Costs:** Closed the year at 87% of budget due to gradual filing of budgeted positions.
- b. **Equipment maintenance & stationery:** Spend was at 11% below budget mainly due to purchase of new laptops which reduced maintenance costs.
- c. **Telephone Courier & Postage:** Utilization was at 15% below budget mainly due to partial working from home during the Covid pandemic period.
- d. **Advertising and Publicity expenses:** 13% below budget largely due to cost savings on airing of testimonials on television, online advertisements, sponsorship, and soundness report media briefing activities undertaken in the year.
- e. **Medical Scheme and Other Insurances:** Below budget by 30%, attributed to anti covid 19 protocols that resulted in reduced medical claims.
- f. **Motor vehicle running expenses:** Were at 23% below budget due replacement of two (2) old vehicles.
- g. **Subscriptions & IOSCO Membership:** Was 24% below the budget due to covid-19 related travel restrictions that led to increased virtual engagements.
- h. **Board Members Expenses:** These were 18% below budget due to covid-19 related restrictions and adoption of online meetings.
- i. **Litigation and Legal Costs:** Were at 51% to budget as indicated by reduced litigations in the year.
- j. **Market Development and Islamic Finance:** These costs were 18% below budget due to constrained activities during covid-19 pandemic.
- k. **Capital Markets Master Plan, (CMMP):** Costs were 43% below budget due to limited meetings as the plan was being reviewed.
- l. **Donor Funded projects:** Costs relate to amounts paid on behalf of CMA for Consultancy to Develop an Oversight Framework and Capacity Building on SROs Supervision
- m. **Depreciation expenses:** Were 37% below budget since a number of Financial Sector Support Programme (FSSP) projects, majorly systems upgrades, are still in progress hence awaiting completion and capitalization, while other assets planned in the year are at different stages of procurement process.
- n. **Tribunal Expenses:** The Capital Markets Appeals Tribunal costs were 53% below the budget in line with the level of activities.

22. Notes to the financial statements

1) General Information

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

2) Statement of Compliance and Basis of Preparation

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

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

3) Adoption of New and Revised Standards

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

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

Standard	Impact
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. No significant impact is anticipated on adoption of the new standard.</p>
Other improvements to IPSAS	<p>Applicable: 1st January 2023:</p> <p>IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). IPSAS 39: Employee Benefits Now deletes the term composite social security benefits as it is no longer defined in IPSAS. IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Fund. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. This will bring the Authority's lease of the premise into the statement of financial position (Balance sheet)</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>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.</p>

ii. Early adoption of standards

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

4) Summary of significant accounting policies

a) Revenue recognition

Revenue from non-exchange transactions Fees and levies

The Authority recognizes revenues from fees and levies when the event occurs, and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

Rendering of services

The Authority recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

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

Interest income

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

b) Budget information

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

c) Taxes

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

d) Property, plant and equipment

includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated using the straight line method to write down the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate
Motor vehicles	25%
Furniture & fittings	12.5%
Office equipment	20%
Computers & copiers	25%

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining surplus for the year.

e) Leases

Operating leases

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

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term. The Authority's lease for premises occupied as an operating lease.

f) Intangible assets

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

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

g) Financial instruments

i. Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or an entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- i. The debtors or a group of debtors are experiencing significant financial difficulty. ii) Default or delinquency in interest or principal payments.
- ii. The probability that debtors will enter bankruptcy or other financial reorganization.
- iii. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Contingent liabilities

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

j) Nature and Purposes of reserves

The Authority creates and maintains the following reserves;

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

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined Contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

m) Gratuity obligations

The Authority pays service gratuity to staff on contract under their terms of employment. Employee entitlements to gratuity are recognized when they accrue to employees. A provision for gratuity payable is made in the statement of financial position. The gratuity is not subject to actuarial valuation.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

The Authority manages the Investor Compensation Fund (ICF) and reports the funds held in the bank, call accounts on behalf of ICF as part of cash and cash equivalents.

p) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

q) Related party

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise of members of the Board, CEO and Directors

r) Comparative figures

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

s) Subsequent events

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

5) Significant judgments and sources of estimation uncertainty

The preparation of the Authority's Annual Report and Financial Statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The judgements made by the board members of the Authority in the process of applying the Authority's accounting policies that have the most significant effect on the amounts recognised in the Annual Report and Financial Statements include:

Whether the Authority has the ability to hold 'held-to maturity' investments until they mature. If the Authority were to sell other than an insignificant amount of such investments before maturity, it would be required to classify the entire class as 'available-for-sale' and measure them at fair value.

a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140. Key assumptions made a within the next financial year include:

- i. **Retirement benefit obligations**
The pensions contributions into the Defined Contribution (DC) Scheme are expensed as incurred in the year .
- ii. **Impairment losses**
Estimates are made in determining the impairment losses on receivables. Such estimates include the determination of the net realisable value or the recoverable amount of the asset.

b) Useful lives and residual value

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

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

c) Provisions

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

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

6) Revenue from non - exchange transactions

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

The Authority charges fees on the following basis :

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

7) Donor fund income

	Jun 2022 Shs'000	Jun 2021 Shs'000
Donor fund income	39,279	41,760

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

8) Revenue from exchange transactions - other income

	Jun 2022 shs'000	Jun 2021 shs'000
Finance income- (Interest)	79,458	79,310
Miscellaneous income	1,271	701
	80,729	80,011

Description

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

9) (Loss)/Gain on sale of assets

Property Plant and Equipment	808	62
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10) Employee benefits expense

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

10) Employee benefits expense (Cont'd)

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

11a) Transfer of Surplus to National Treasury

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

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

11b) Surplus Remission Payable

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

12) Inventories

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

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

13a) Trade and other receivables from non-exchange transactions

	Jun 2022	Jun 2021
	Shs'000	Shs'000
Trade receivables	35,775	40,228
Statutory management expenses receivable	-	-
Less: Provision for impairment losses	(10,546)	(5,346)
Net trade receivables	25,230	34,883
Other receivables	7,817	36,791
Trade and other receivables from non-exchange transactions	33,047	71,673

13b) Trade and other receivables from exchange transactions

	Jun 2022	Jun 2021
	Shs'000	Shs'000
Trade receivables	2,326	2,584
Less: Provision for impairment losses	-	-
Net trade receivables	2,326	2,584
Prepayments	12,068	7,722
Trade and other receivables from exchange transactions	14,394	10,306
Total trade and other receivables from non exchange and exchange transactions	47,440	81,980

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

At 1st July	5,346	4,796
Add: Provision made in the year	5,750	600
Less: Provisions reversed on debt collection	(550)	(50)
At 30th June	10,546	5,346

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

At 1st July	-	-
Add: Additional provision	5,200	550
At 30 th June	5,200	250

14. Staff loans and advances

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

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

Mortgage back up accounts are:	Shs'000
HFC: Mortgage 3000013543 and Mortgage 2000094161	184,836
KCB Mortgage MM1509100194	165,435
Total	350,271

15. Held-to-maturity investments - government securities

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

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

Non-current		
Held-to-maturity investments	<u>109,832</u>	<u>108,301</u>
Current		
Held-to-maturity investments	<u>880,019</u>	<u>857,952</u>

16. Cash and Cash Equivalent

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

17a. Banks

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

17b. Cash in hand

Cash in hand	Shs	140	140
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17c. Short term deposits

	Shs	
Fixed/ Call Deposits	13,147	28,382
Gratuity Fund Fixed Deposit	36,629	1,345
	49,776	29,727
Total cash in hand and bank	71,792	60,166

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

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

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



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

Non-current

	Shs'000	Shs'000
Equity investment in the Central Depository and Settlement	12,250	12,250
Equity investment in the NSE	62,300	73,150
Treasury bonds	74,550	85,400
Maturing after five years	3,201,150	2,153,050
Unamortised discount (premium)	35,907	4,846
	3,237,057	2,157,896
Maturing after one year	612,700	285,750
Unamortised discount	(3,251)	(6,351)
	609,449	279,399
	3,846,506	2,437,295
	3,921,056	2,522,695

Current

Treasury bonds	50,000	140,365
Unamortised discount	107	(111)
	50,107	140,254
Treasury bills	544,900	1,317,900
Unamortised discount	(19,517)	(65,533)
	525,383	1,252,367
Fees receivable	93,512	88,132
Bank balance	2,510	2,485
	96,022	90,617
	671,513	1,483,238
	4,592,569	4,005,932

ICF Investments in Equity (NSE & CDSC)

	June 2022 Shs'000	June 2021 Shs'000
At beginning of the year	85,400	80,500
Increase /(decrease) in value	(10,850)	4,900
At end of the year	74,550	85,400

19. Property and equipment

	Motor vehicles Shs'000	Computers, Computer & Copiers Shs'000	Office equipment Shs'000	Furniture & fittings Shs'000	Capital work-in- progress Shs'000	Total Shs'000
Cost						
At 01 July 2020	37,123	133,077	22,303	93,796	19,992	306,291
Additions	-	42,234	71	1,533	-	43,838
Disposals	-	(3,672)	(922)	(244)	-	(4,838)
Reversal	-	-	0	0	(19,992)	(19,992)
At 30 June 2021	37,123	171,639	21,452	95,084	-	325,298
Additions	25,590	6,092	193	-	7,895	39,770

Disposals	(3,571)	(1,006)	-	-	-	(4,577)
Reversal/ Transfers						
At 30 June 2022	59,141	176,725	21,644	95,084	7,895	360,490
Depreciation						
At 01 July 2020	(32,178)	(130,339)	(20,664)	(86,501)		(269,683)
Depreciation	(4,274)	(19,126)	(1,362)	(2,343)	-	(27,105)
Accumulated depreciation reversed on disposal	4,274	19,126	1,362	2,388		27,150
At 30 June 2021	(32,178)	(130,339)	(20,664)	(86,457)	-	(269,638)
Depreciation	(5,455)	(16,826)	(322)	(2,478)		(25,081)
Accumulated depreciation reversed on disposal	3,571	933	0	-		4,504
At 30 June 2022	(34,062)	(146,232)	(20,986)	(88,935)	-	(290,215)
Net carrying amount						
At 30 June 2022	25,079	30,493	658	6,149	7,895	70,275
At 30 June 2021	4,945	41,300	788	8,627	0	55,660

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

20. Intangible assets

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

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

20a. Donor Funded Capital Work in Progress

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

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

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

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

21a. Trade and other payables

	Shs'000	Shs'000
Trade payables	4,706	1,213
Provisions	106,214	149,284
Gratuity obligations	37,759	9,482
Accruals	64,288	65,772
	212,967	225,750

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

21b. Provisions

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

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

22a. Provision for liabilities and charges

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

The Authority being the Capital Markets regulator in Kenya, is subject to legal proceedings in the normal course of business. While it is not possible to forecast or determine the final results of all pending legal proceedings, the Authority assesses the adequacy of its provisions periodically against case developments and related legal costs.

22 b. Non current Provisions-Work in Progress

Non current provisions relate to provisions made based on percentage level of completion of ongoing projects (assets) that are funded by externally mobilized funds (donor funded). Donor funded assets are capitalized when the Authority obtains control of the assets or starts receiving economic benefits or service potential.

	Jun 2022 Shs'000	Jun 2021 Shs'000
Integration of Surveillance System with NSE/CDSC		7,190
Data Repository & Business Intelligence System	71,252	71,252
Review and Design Securities Market Surveillance System	18,766	18,766
	<u>90,018</u>	<u>97,208</u>

23. Deferred income

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

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

24. General fund

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

General fund represents accumulated surpluses over the years.

25 Capital fund

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

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

26. Building fund

	Jun 2022	Jun 2021
	Shs'000	Shs'000
At 01 July 2021	600,000	600,000
At 30 June 2022	600,000	600,000

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

27. Staff Mortgage and Car loan fund

	Jun 2022	Jun 2021
	Shs'000	Shs'000
At 01 July 2021	-	-
Appropriation from general fund (Note 24)	372,137	-
At 30 June 2022	372,137	-

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

28. Related party transactions

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

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

ii. Key management compensation

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

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

29. Commitments

a) Contracted for but not recognised

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

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

b. Item description

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

Operating lease commitments

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

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

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

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

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

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

30. Contingent liabilities

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

31. Prior years' tax settlement provision

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

	Jun 2022 Shs'000	Jun 2021 Shs'000
Penalties and interest provision B/F	49,994	0
Charge/ (Reversals) for the year	(4,260)	49,994
	45,733	49,994

32. Employee costs

	Jun 2022 Shs'000	Jun 2021 Shs'000
Consolidated pay, leave pay and passages	452,573	451,562
Staff uniform expenses	145	333
Staff welfare and other costs	17,317	10,181
Staff retirement benefits	27,631	34,622
Staff gratuity	29,289	13,537
National Social Security Fund (NSSF)	329	325
	527,283	510,559

33. Depreciation and Amortization Expense

	Jun 2022 Shs'000	Jun 2021 Shs'000
Property, plant and equipment	25,081	27,105
Intangible assets	18,845	14,231
	43,926	41,335

34. Use of Goods and services

	Jun 2022 Shs'000	Jun 2021 Shs'000
Rent and maintenance	41,268	36,750
Telephone, postage and utilities	14,405	17,400
Publicity and Advertising	19,008	9,591
Medical scheme and insurance expenses	32,138	37,011
Training and conferences	44,497	44,067
Motor vehicle running expenses	3,929	4,453
Subscriptions and IOSCO membership	6,294	5,275
Professional and market development services	74,586	53,666
Auditor's remuneration	1,713	1,335
Investors' education and awareness programme	9,439	3,743
Tribunal expenses	713	887
Prior years' tax settlement	(4,160)	50,004
Provision for doubtful debts	5,200	550
	249,030	264,732

35. Repairs and Maintenance

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

36. Cash generated from operations

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

37. Financial risk management

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

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

i. Credit risk

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

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

Credit risk on trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by taking into account the financial position, past experience and other relevant factors. Credit is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management on a monthly basis.

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

As at 30 June 2021

Held-to-maturity investments	966,253	-	-	966,253
Staff loans and advances/ fund	376,035	-	-	376,035
Trade receivables	37,467	-	-	37,467
Other receivables	7,722	-	-	7,722

Cash at bank, in hand and deposits	60,026	-	-	60,026
Maximum exposure to credit risk	1,447,503	-	-	1,447,503

The ageing analysis of past due but not impaired trade receivables

	2022 Shs'000	2021 Shs'000
Over 6 months	0	0

ii. Liquidity risk

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

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

	Less than one month Shs'000	Between 1-3 months Shs'000	Between 3-12 months Shs'000	Over 1 year Shs'000	Total Shs'000
Period ended 30 June 2022					
Trade payables	4,706				4,706
Other payables	53,969	5,804	4,515		64,288
Provision for liabilities and charges	14,182			92,032	106,214
Gratuity obligations	37,759				37,759
	110,616	5,804	4,515	92,032	212,967

	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
Period ended 30 June 2021					
Trade payables	1,213				1,213
Other payables	60,681	2,688	2,403		65,772
Provision for liabilities and charges	56,408			92,876	149,284
Gratuity obligations	9,482				9,482
	127,782	2,688	2,403	92,876	225,750

iii. Market risk

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

Interest rate risk

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

The Authority's investments in fixed rate bonds expose it to fair value interest rate risk. The Authority has no interest-bearing liabilities. The Authority considers that a change in interest rates of 2 percentage points in the year ended 30 June 2022 is reasonably possible. If the interest rates on the Authority's held-to-maturity investments at the year-end were to decrease/increase by this number of percentage points, with all other factors remaining constant, the surplus would be lower/higher by Shs 2.681 million.

Price risk

Marketable instruments held by the Authority include Treasury Bonds and Treasury Bills whose market prices are subject to change. The Authority reviewed the portfolio, set exposure limits and responded to market price changes and conditions to secure both fair values and cash flow from such instruments.

Foreign exchange risk

Foreign exchange risk would arise where transactions or bank balances are denominated in foreign currency.

The Authority's transactions and bank balances are denominated in Kenya Shillings and has very limited exposure on transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

38. Related Party Disclosures**Nature of related party relationships**

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

Government of Kenya

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

Other related parties include:

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

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

39. Events after the reporting period

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

40. Ultimate and Holding Entity

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

41. Currency

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



12. 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 31 August 2022

Chairman of the Board

Date 31 August 2022

APPENDIX II: INTER ENTITY TRANSFERS

Name of the MDA/ Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/De- velopment/ Others	Total Amount - KES	Where Recorded/recognized				Total Transfers during the Year
				Statement of Financial Perfor- mance	Capital Fund	De- ferred In- come	Receivables	
FSSP	See Appendix 3	Recurrent	11,732,695	11,732,695	-	-	-	11,732,695
National Treasury	See Appendix 3	Others/ Reimbursement	5,337,229	5,337,229	-	-	-	5,337,229
Total			17,069,924	17,069,924	-	-	-	17,069,924

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

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

Senior Manager Accounting & Finance

Capital Markets Authority



Sign _____

KEY:

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

APPENDIX III: RECORDING OF TRANSFERS FROM DONORS

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

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





13. REGULATORY FRAMEWORK

Legislative & Regulatory Developments

In accordance with the Capital Markets Act, Cap 485A and the statutory instruments Act, 2013 the Authority developed the following regulatory frameworks to support Kenya's growing capital market during the 2021/2022 Financial Year. These are: -

- i. The Capital Markets (Whistleblowers) Regulations, 2022.
- ii. Guidelines on Share Buybacks for Listed Companies.

Additional regulations under development that will be finalised in the next financial year are: -

- i. Draft Capital Markets (Investment-Based Crowdfunding) Regulations
- ii. Draft Capital Markets (Collective Investment Schemes) Regulations
- iii. Draft Capital Markets (Collective Investment Schemes (Alternative Investment Funds) Regulations
- iv. Draft Capital Markets (Public Offers, Listings and Disclosure) Regulations
- v. Draft Capital Markets (Credit Rating) Regulations
- vi. Draft Capital Markets (Licensing Requirements) Regulations

In this regard, the Authority continued to focus its attention on market dynamics, changing needs and stakeholder proposals by ensuring timely reviews and enactments of regulatory recommendations to support capital market development in line with the spirit of the Strategic Plan and Master Plan objectives. In addition, the unit has been supporting capital markets innovations through regulatory proposals to ensure a robust, facilitative and responsive regulatory environment for different products with the potential to deepen the markets and or improve efficiency.

The section below provides a summary highlight of the regulatory instruments enacted and developed during the 2021/2022 Financial Year.

Gazettement of the Capital Markets (Whistleblowers) Regulations, 2022

The Authority developed Capital Markets (Whistleblower) Regulations, 2022 pursuant to its powers under section 18(2A) and 18(2B) of the Capital Markets Act during 2021/2022 Financial Year, to operationalize the implementation of the incentivized whistleblower rewards as provided in the Capital Markets Act. The regulations were gazetted in Financial Year 2021/2022 on 14 April 2022, vide Legal Notice no. 65 and are now in operation.

Gazettement of the Guidelines on Share Buybacks for Listed Companies

The Authority developed Guidelines on Share Buybacks for listed companies pursuant to its powers under Section 11(3) (d) of the Capital Markets Act, Cap 485A Laws of Kenya during the Financial Year 2020/2021. The Guidelines were gazetted in 2021/2022 Financial Year on 12 November 2021, vide gazette notice no. 12325.

The Guidelines require listed companies to disclose material information, including the risks and pricing for any intended share repurchase. They are facilitative in nature and will serve to create a balance between the Authority's mandate to protect investors *vis-à-vis* the companies' interest, they will also promote liquidity and ensure transparency in share buyback transactions.

Draft Capital Markets (Investment-Based Crowdfunding) Regulations

The Authority conceptualised the draft Capital Markets (Investment-Based Crowdfunding) Regulations in a bid to realise its objective on diversification and uptake of capital market products through leveraging on financial technology related innovations to realise value in the capital markets.

The regulations were made pursuant to Section 12 (1) (d) of the Capital Markets Act to provide a facilitative regulatory environment for investment based crowdfunding activities and enable small businesses in Kenya leverage on crowdfunding as an alternative source of finance. The regulations require all investment based crowdfunding transactions to take place on platforms run by licensed intermediaries, disclosures of material information and permit small businesses to raise funds up to the prescribed maximum.

The draft framework underwent all the stages of public participation as required by the Constitution of Kenya and the Statutory Instruments Act and was amended to incorporate stakeholder feedback. Pursuant thereto, the draft framework was submitted to the National Treasury for facilitation of the gazettement process.

Draft Capital Markets (Collective Investment Schemes) Regulations and the Draft Capital Markets (Collective Investment Schemes (Alternative Investment Funds) Regulations

The Authority overhauled the Capital Markets (Collective Investment Schemes) Regulations, 2001, which process resulted in the conceptualisation of the draft Capital Markets (Collective Investment Schemes) Regulations and the draft Capital Markets (Alternative Investment Funds) Regulations, 2022.

The two draft frameworks were made pursuant to section 12 of the Capital Markets Act and are aimed at addressing market dynamics in the collective investment schemes (CIS) operating environment, to capture key developments in

the collective investment schemes industry since their commencement in 2001 and align with global practise.

At the core, the frameworks address emerging issues such as legal form of CISs, disclosures, innovation and technology, applicability of the International Financial Reporting Standards et.al which have an underpinning on investor protection and market integrity. The regulations aim to regulate public and private pooling of funds respectively and include a licensing regime for the trustee and the intermediary service platform provider.

The regulations underwent all the stages of public participation and were amended to incorporate stakeholder feedback. Further, a Regulatory Impact Assessment Statement on the regulations was published and gazetted in compliance with the Statutory Instruments Act, 2013 given the impact the regulations will have on the regulated businesses. The draft regulations are in the final refinement phase in readiness for their submission to the National Treasury and Planning for facilitation of the gazettment process.

Draft Capital Markets (Public Offers, Listings and Disclosure) Regulations

The Authority overhauled the Capital Markets (Public Offers, Listings and Disclosure) Regulations, 2002, the overarching piece of regulation in the securities industry that determines the market-entry criteria, which process resulted in the conceptualisation of the draft Capital Markets (Public Offers, Listings and Disclosure) Regulations, 2022.

The regulations aimed to address various issues, which are aimed to result in increased listings, enhancing market liquidity, address identified gaps and barriers, address concerns on high listing costs, provide regulatory clarity and flexibility to issuers, give room for innovation by market players, market deepening through support for issuances for SME's and larger entities and ultimately increased growth and competitiveness in the global markets.

The regulation underwent public participation and was amended to incorporate stakeholder feedback. The Authority intends to publish a Regulatory Impact Assessment Statement on the regulations in compliance with the Statutory Instruments Act, 2013 before conclusion of the drafting and thereafter submit the final draft to the National Treasury and Planning for facilitation of the gazettment.

Draft Capital Markets (Credit Rating) Regulations

In line with the vision to improve uptake through increased listings and the importance of ratings in this ecosystem, the Authority is also conceptualised the draft Capital Markets (Credit Rating) Regulations, 2022 a robust framework to govern credit rating agencies seeking to operate in Kenya's capital market space to replace the existing Guidelines on the Approval and Registration of Credit Rating Agencies.

The review aims to address existing regulatory gaps and align with the Internal Organization for Securities Commission's (IOSCO) objectives and principles of securities regulations and the IOSCO's code of conduct for credit rating agencies.

The draft framework has been made under section 12(1) (h) of the Capital Markets Act and it provides a recognition criterion for foreign credit rating agencies seeking to rate instruments in Kenya and a licensing criterion for local players. It also includes obligations for the credit rating agencies approved thereunder, inspection procedures and penalties for breach of the provisions under the regulations.

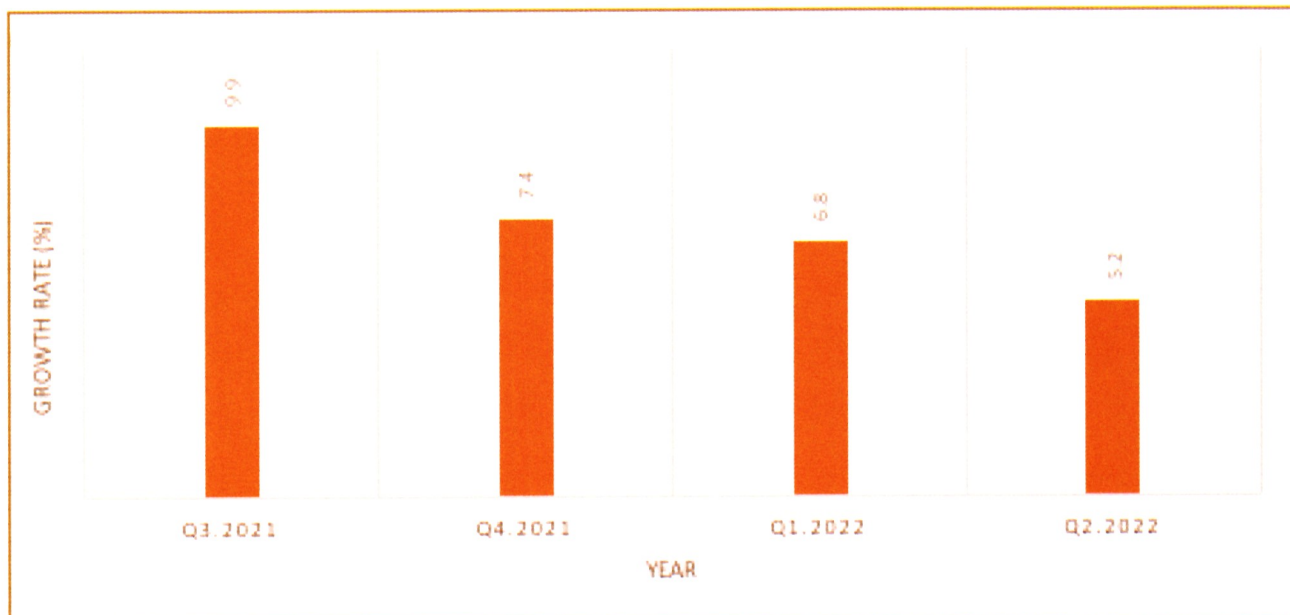
14. RESEARCH & ANALYTICS

Operating Environment

Kenya's GDP Growth Rate

The release of the Gross Domestic Product (GDP) by the Kenya National Bureau of Statistics (KNBS) indicates that the real GDP grew by 9.9 per cent in Q3.2021 attributable to the resumption of economic activities in the country following the easing of Covid-19 containment measures thus resulting in growth in various sectors such as Manufacturing, Education, Transportation and Storage, Accommodation and Food Services and the Financial and Insurance. Subsequently, the real GDP grew by 7.4 per cent in Q4. 2021, a 2.5 per cent slight decline compared to growth reported in the previous quarter. A similar trend was observed in Q1.2022 and Q2.2022 recording a real GDP growth rate of 6.8 per cent and 5.2 per cent, respectively. The Bureau attributes the growth in Q2.2022 to expanded activities in Financial and Insurance; Transportation and Storage; Wholesale and Retail Trade as well as the Real Estate sectors.

Figure 1 : GDP Growth Trend (Q3.2021-Q2.2022)

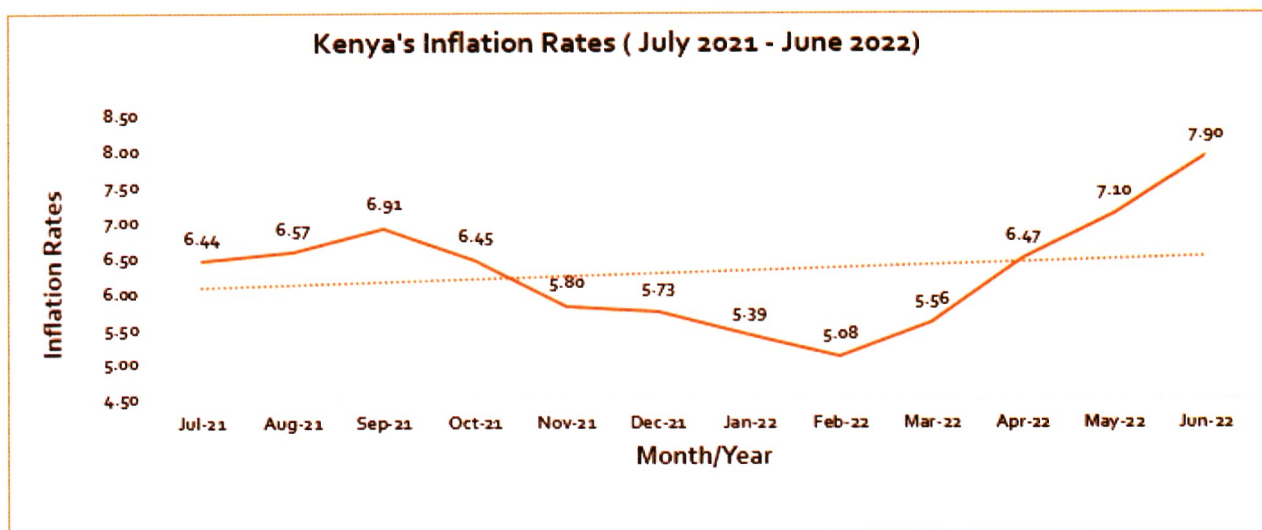


Source: KNBS/CMA

Kenya’s Inflation Rate

According to the Kenya National Bureau of Statistics Consumer Price Indices (CPI) and Inflation Rates report for June 2022, overall year-on-year inflation stood at 7.90% in June 2022 compared to 6.44% recorded in July 2021 and 7.10% in May 2022. The rise in inflation was due to increase in prices of commodities under; food and non-alcoholic beverages (13.8 per cent); furnishings, household equipment and routine household maintenance (9.2 per cent); transport (7.1 per cent) and housing, water, electricity, gas and other fuels (6.8 per cent) between June 2021 and June 2022. The CPI increased by 0.9 per cent from an index of 123.12 in May 2022 to 124.22 in June 2022.

Kenya’s Inflation Rates (July 2021 – June 2022)



Source: KNBS/CMA

Kenya’s Economic Outlook

According to a recent World Bank release , Kenya’s GDP growth is projected at 5.5% in 2022 with the poverty rate expected to decline following the steep trajectory in the past two years as occasioned by the pandemic. Despite the positive outlook for 2022, the current main uncertainty revolves around the Russia-Ukraine conflict and its effect on global supply chain disruptions as well as high inflation rates experienced by nations globally. Kenyan imports affected include fertilizers, fuel, wheat and other food items. Locally, the risk to this outlook is exacerbated by the current drought that threatens food security and increases household spending on this basic commodity. With inflationary pressure facing the economy as a result of the global and local factors noted above, the Central Bank of Kenya, through its Monetary Policy Committee meeting held in May 2022, increased the Central Bank Rate from 7.0 to 7.5 percent to contain the increase in inflation.

1. Primary Markets

Listing By Introduction

There were no listings by introduction during the full year under review.

Listings by Introduction (2006-2022)

Company	Shares on Issue	Year of Issue	Offer Price
Equity Bank	90,500,000	2006	90.00
CFC Insurance Holdings	515,270,364	2011	6.15
Trans century Limited	267,038,090	2011	50.00
Longhorn Publishers	58,500,000	2012	14.00
CIC Insurance	2,179,615,440	2012	3.50
Umeme	1,623,878,005	2012	8.80
Home Afrika Ltd.	405,300,000	2013	12.00
Flame Tree	24,287,500	2014	8.00
Kurwitu Ventures	102,272	2014	1,250.00
Nairobi Business Ventures	23,600,000	2016	5.00
Barclays New Gold ETF	400,000	2017	1,205.16
Bank of Kigali group Plc	896,759,222	2018	30.00
Homeboyz Entertainment Plc	63,200,000	2020	4.66
TOTAL	6,148,450,893		

Source: CBK/CMA

Treasury Bonds

During the 2021/2022 fiscal year, there were 30 Treasury bond issues comprising 16 re-opened issues, 10 new issues of and 4 tap sales. In these issues, the Central Bank of Kenya sought to raise Shs851.50 billion and received bids worth Shs1079.73 billion, indicating a performance rate of 126.80%. The total amount of accepted bids was Shs869.91 billion. The aggregated acceptance rate was therefore 80.57%.

Issued and Reopened Treasury Bonds FY 2021/2022

	BOND	Amt Issued (Shs. Billion)	Amt Received (Shs. Billion)	Amt Accepted (Shs. Billion)	% AA/AI	% AR/AI
July 2021	FXD1/2012/15	60.00	48.81	30.09	50.15	81.35
	FXD1/2018/15		28.21	27.20	45.33	47.02
	FXD1/2021/25		39.91	22.64	37.73	66.52
	Tap Sale	50.00	38.48	37.42	74.84	76.96
Aug 2021	FXD3/2019/10	60.00	38.31	22.97	38.28	63.85
	FXD1/2018/20		22.82	17.78	29.63	38.03
	FXD1/2021/20		43.50	39.54	65.90	72.50
Sep 2021	IFB1/2021/21	75.00	151.26	106.75	142.33	201.68
Oct 2021	FXD1/2013/15	60.00	23.41	22.88	38.13	39.02
	FXD3/2019/15		3.39	3.27	5.45	5.65
	FXD1/2021/25		28.67	25.90	43.17	47.78
	FXD1/2021/5	50	66.60	53.66	107.32	133.20
Nov 2021	FXD1/2019/20		17.57	15.85	31.70	35.14
	FXD4/2019/10	40	20.27	20.26	50.65	50.65
	FXD1/2018/20		20.91	17.56	43.90	52.28

	BOND	Amt Issued (Shs. Billion)	Amt Received (Shs. Billion)	Amt Accepted (Shs. Billion)	% AA/AI	% AR/AI
Jan 2022	FXD1/2020/05	60	28.39	27.43	45.72	47.32
	FXD2/2018/10		10.43	7.30	12.17	17.38
	FXD1/2021/20		27.98	27.60	46.00	46.63
Feb 2022	IFB1/2022/19	75	132.26	98.64	131.52	176.35
	FXD1/2021/05	50	9.21	8.29	16.58	18.42
March 2022	FXD1/2020/15		9.14	6.22	12.44	18.28
	FXD1/2021/25		22.60	3.94	7.88	45.20
	Tap Sale	31.50	24.89	23.86	75.75	79.02
April 2022	FXD1/2022/03	40.00	34.05	33.14	82.85	85.13
	FXD1/2022/15	30.00	32.55	27.64	92.13	108.50
May 2022	FXD1/2022/10	60.00	32.89	28.68	47.80	54.82
	FXD1/2021/25		10.23	3.06	5.10	17.05
	Tap Sale	10.00	17.01	16.97	169.71	170.12
June 2022	IFB1/2022/18	75.00	76.37	73.77	98.36	101.83
	Tap Sale	25.00	19.61	19.60	78.40	78.44

Source: CBK/CMA

a). Corporate Bonds

Issued Corporate Bonds and Commercial Papers in Kenya as at June 2022

Issuer	Arrangers	Approved Amount	Issued Amount	Approval Date	Issue Date	Maturity Date	Outstanding As At March, 2022
Chase bank fixed medium-term note	Genghis Capital & NIC Capital	10,000,000,000	4,822,400,000	19-May-15	10-Jun-15	2-Jun-22	4,822,400,000
Real people medium term note	NCBA Investment Bank	5,000,000,000	1,631,500,000	25-Jun-15	10-Aug-15	28-Feb-25	1,303,100,000
Imperial bank multicurrency medium term note	Dyer & Blair Investment Bank	2,000,000,000	2,000,000,000	6-Oct-14	13-Oct-15	21-Dec-20	2,000,000,000
The acorn project: drawdown 1-8	Stanbic Bank	5,700,000,000	3,744,900,000	31-Jul-19	8-Nov-19	8-Nov-24	2,967,900,000
Centum real estate limited	Private Wealth Capital Limited	4,000,000,000	2,957,900,000	13-Nov-20	31-Dec-20	31-Dec-23	2,018,600,000
Family bank medium term note (tranche 1)	NCBA Investment Bank Limited and Genghis Capital	8,000,000,000	4,000,000,000	28-May-21	30-Jun-21	31-Dec-26	4,000,000,000
Eabl fixed medium term note – first tranche	ABSA Investment Bank	11,000,000,000	11,000,000,000	6-Aug-21	6-Oct-21	29-Oct-26	11,000,000,000
Kenya mortgage refinance company	NCBA Investment Bank	10,500,000,000	1,400,000,000	10-Jan-22	04-Mar-22	04-Mar-29	1,400,000,000
Total outstanding amount							29,512,000,000

Source: CMA

b). Rights Issue

During the year under review there was no rights issue.

Rights Issues 2006-2022

Company	Shares on Issue (Mn)	Date of Issue	Offer Price	Sum Raised Shs. Mn	Subscription level
DTB	15.53	2006	50.00	2,305.81	297%
OLYMPIA	30.00	2007	14.00	428.40	102%
DTB	23.29	2007	70.00	2,902.06	178%
NIC BANK	16.48	2007	70.00	1,719.17	149%
HFCK	115.00	2008	20.00	2,369.00	103%
KCB	221.78	2008	25.00	8,122.02	146%
KCB	887.11	2010	17.00	12,500.00	83%
TPSEA	24.70	2010	48.00	1,185.69	135%
STANCHART	15.11	2010	165.45	2,499.84	161%
KPLC	488.63	2010	19.50	9,830.34	103%
KQ	1,477.17	2012	14.00	14,487.95	70%
DTB	24.46	2012	74.00	3,369.52	186%
NIC	98.72	2012	21.00	7,007.46	338%
CFC STANBIC	121.64	2012	33.00	4,495.72	112%
SCB	22.08	2012	145.00	8,272.93	258%
DTB	22.01	2014	165.00	3,631.65	440%
NIC BANK	42.66	2014	49.25	1,904.03	221%
UCHUMI	99.50	2014	9.00	579.12	184%
HFCK	116.67	2015	30.00	9,011.84	257%
LONGHORN	126.19	2016	4.20	533.00	101%
KENGEN	4,396.72	2016	6.55	28,798.54	92%
CROWN PAINTS	71.18	2021	10.00	809.59	90%
TOTAL	8,456.63			126,763.68	

Source: NSE/CMA

c). Bonus Issue

There was a single bonus issue (Car & General) in the FY 2021/2022.

Bonus Issue (2013-2022)

Company	Date (Month/Year)	Bonus Issue Ratio
Nation Media Group	Mar-13	1:5
Carbacid Investments	Oct-13	1:2
CIC insurance	July-14	1:5
Longhorn Kenya	Sep-2014	3:2
Panafric	Feb -2015	1:2
National Bank	Mar- 2015	1:10
Jubilee	Mar- 2015	1:10
Crown Paints	May -2015	2:1
WTK	Jun-2015	1:1
Kapchorua	Jun -2015	1:1
Diamond Trust Bank	Mar-2016	1:10
NSE	Mar-2016	1:3

Company	Date (Month/Year)	Bonus Issue Ratio
Jubilee Holdings Limited- Uganda Listing	Mar- 2017	1:10
Cooperative Bank (K) Ltd	Mar- 2017	1:5
National Bank of Kenya	Apr- 2017	1:10
Flame Tree Group	Apr- 2017	1:10
NIC Bank	Mar-2018	1:10
HFCK	Mar-2018	1:10
I&M Holdings	Mar- 2019	1:1
Kenya-Re	July -2019	3:1
Car & General (K)	Jan-2022	1:1

Source: NSE/CMA

d). Stock Splits

There was no stock split in the FY 2021/2022.

Stock Splits (2006 – 2022)

Company	Date (Month/Year)	Share Split Ratio
Centum	Oct-06	10:1
Barclays	Nov-06	1:5
Sasini	Dec-06	5:1
CMC Holdings	Jan-07	10:1
KCB	Mar-07	10:1
Nation Media Group	Mar-08	2:1
Equity Bank	Feb-09	1:10
KenolKobil	May-10	10:1
KPLC	Oct-10	1:8
ARM	May-12	5:1
City Trust	Jan-13	5:1
Carbacid Investments	Oct-13	1:5
Limuru Tea	May-15	1:2
Kenya Airways	Nov-17	1:20

Source: NSE/CMA

2. Secondary Markets

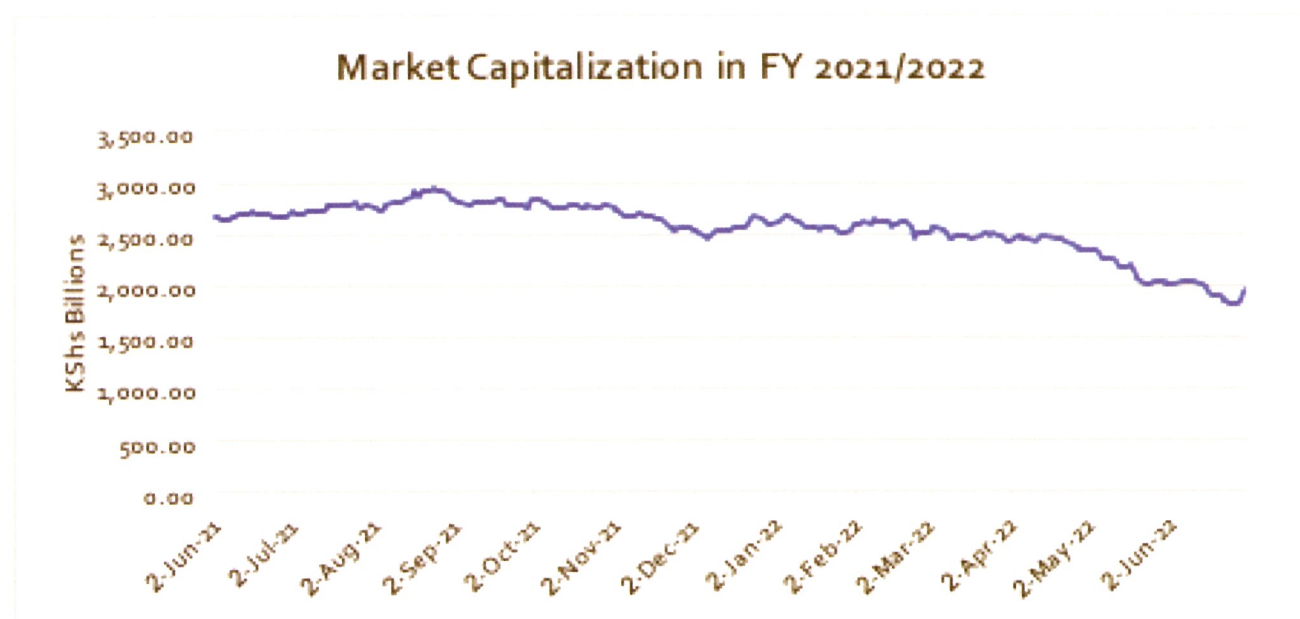
In the 2021-2022 fiscal year, the market experienced a decline in majority of the tracked indicators. Year on year the market capitalization decreased by 28.24% from Shs2,702.22 billion to Shs1,939.21 billion. In the same period the NSE 20 share index and equity turnover declined by 16.32% and 9.91% respectively. A positive change noted was the increase of bond turnover from Shs867.74 billion recorded in the FY ended June 2021 to Shs872.97 billion recorded in the FY ended June 2022.

a). Market Statistics 2021/22

Year	Month	Equity Turnover (Shs Billion)	Share Volume (Mn)	NSE 20 Share Index	Market Capitalization (Shs Billion)	Bond Turn-over (Shs Billion)
2021	July	9.28	284.95	1,974.29	2,766.28	95.77
	August	11.85	344.56	2,020.77	2,841.40	87.14
	September	10.23	316.97	2,031.17	2,778.65	118.19
	October	10.27	264.32	1,961.33	2,777.07	66.24
	November	15.58	457.24	1,871.31	2,552.93	65.79
	December	10.46	285.62	1,902.57	2,592.92	53.22
2022	January	8.25	220.50	1,889.33	2,543.44	48.43
	February	9.97	281.35	1,886.75	2,495.89	54.88
	March	9.64	251.35	1,846.74	2,425.53	87.64
	April	5.85	192.91	1,800.64	2,340.77	71.36
	May	10.78	319.77	1,681.80	2,006.14	58.88
	June	9.61	357.52	1,612.89	1,939.21	65.43
Total	FY	121.78	3,577.06	1,612.89	1,939.21	872.97
Total	FY	135.17	4,579.12	1,927.53	2,702.22	867.74
% Change		-9.91%	-21.88%	-16.32%	-28.24%	0.60%

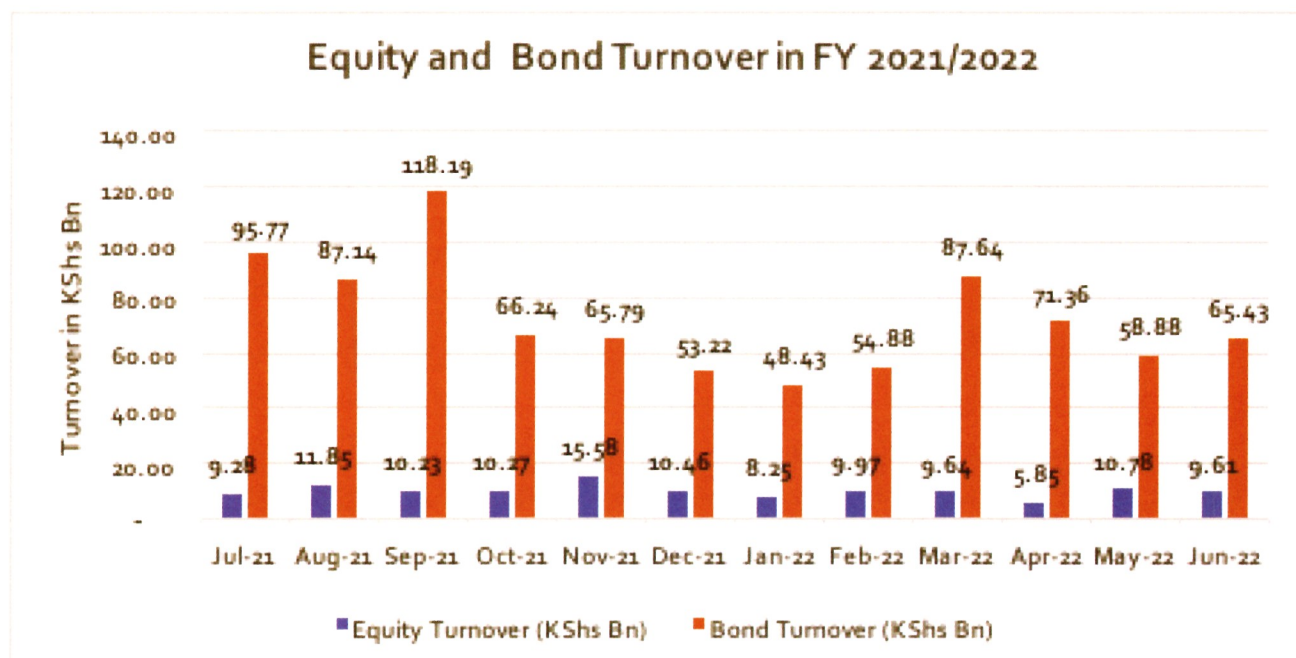
Source: NSE/CMA

b). Market Capitalization in FY 2021/2022



Source: CMA

c). Equity and Bond Turnover in FY 2021/2022



Source: CMA

d). Trends in Foreign Investors Portfolio

The 2021-2022 fiscal year saw a net foreign equity outflow of Shs19,838 million compared to a net foreign equity outflow Shs10,181 million in the previous period. The increase in the net foreign equity outflow is partly attributable to the global inflation necessitating foreigners to divest from their local investments and readjust their portfolios to maximize on capital preservation. This has also led to a decrease in share prices among blue chip firms trading at the bourse, presenting an opportunity for local investors to buy at discounted prices and expect capital gains once the market rebounds.

e). Foreign Investor Net Cash Flow Activity (Shs Millions) 2014-2022

	2014	2015	2016	2017	2018	2019	2020	2021	2022
January	(876)	(273)	(533)	1,608	(1,464)	(1,357)	530	621	(423)
February	(1,505)	201	281	435	(5,137)	216	(2,655)	(621)	187
March	(399)	(3,085)	(1,334)	(55)	(1,483)	1,742	(9,058)	(976)	(1,451)
April	1,409	(67)	80	433	(1,815)	93	(4,098)	(31)	(1,653)
May	(2,578)	(2,030)	196	(1,888)	(4,022)	2,166	(4,462)	(782)	(4,207)
June	2,586	(447)	100	(813)	(2,339)	(900)	(1,690)	(1,196)	(5,036)
July	142	(1,127)	974	(2,054)	(2,111)	(2,073)	(5,339)	155	
August	3253	1,183	3,703	(3,268)	(1,565)	1,509	10	1,721	
September	(850)	6,500	1,343	(5,799)	(3,029)	827	802	(942)	
October	(1,208)	889	(125)	486	(4,287)	(1361)	(1,129)	(1,021)	
November	2,535	(829)	459	(450)	(599)	(730)	(1,186)	(4,294)	
December	1,021	1	615	(218)	(1,785)	1,247	(354)	(2,874)	
Net Portfolio Flows	3,530	916	5,759	(11,583)	(29,636)	1,378	(28,629)	(10,240)	(12,583)

Source: NSE/CMA

f). Corporate Actions (July 2021 - June 2022)

Security	Date	Corporate Action	Amount (Shs)/Ratio
BAT KENYA	22-Jul-2021	Interim Dividend	3.50
CENTUM	27-Jul-2021	Final Dividend	0.33
STANBIC HOLDINGS	13-Aug-2021	Interim Dividend	1.70
B.O.C KENYA	26-Aug-2021	Interim Dividend	1.50
NCBA GROUP PLC	30-Aug-2021	Interim Dividend	0.75
JUBILEE HOLDINGS	30-Aug-2021	Interim Dividend	1.00
NSE	26-Nov-2021	Special Dividend	0.50
KCB GROUP	19-Nov-2021	Interim Dividend	1.00
STANCHART	16-Nov-2021	Interim Dividend	5.00
CARBACID	02-Nov-2021	Special Dividend	0.90
CARBACID	02-Nov-2021	Final Dividend	0.70
KENGEN	01-Nov-2021	First & Final	0.30
CAR & GENERAL	06-Jan-2022	First & Final Dividend	3.20
CAR & GENERAL	06-Jan-2022	Bonus Issue	1:1
SASINI PLC	11-Jan-2022	Final Dividend	0.50
EABL	28-Jan-2022	Interim Dividend	3.75
BAT KENYA	18-Feb-2022	Final Dividend	50.00
SAFARICOM	25-Feb-2022	Interim Dividend	0.64
STANBIC HOLDINGS	03-Mar-2022	Final Dividend	7.30
STANCHART	14-Mar-2022	Final Dividend	14.00
ABSA BANK	15-Mar-2022	Final Dividend	1.10
KCB GROUP	17-Mar-2022	Final Dividend	2.00
CO-OP BANK	17-Mar-2022	First & Final Dividend	1.00
EQUITY GROUP	22-Mar-2022	First & Final Dividend	3.00
KAKUZI PLC	23-Mar-2022	First & Final Dividend	22.00
NCBA GROUP	24-Mar-2022	Final Dividend	2.25
DIAMOND TRUST BANK	28-Mar-2022	First & Final Dividend	3.00
UMEME LTD	28-Mar-2022	Final Dividend	Ushs.54.10
NSE	29-Mar-2022	Special Dividend	0.50
NSE	29-Mar-2022	Final Dividend	0.40
I&M GROUP	30-Mar-2022	First & Final Dividend	1.50
ILAM FAHARI	30-Mar-2022	First & Final Dividend	0.50
KENYA RE INSURANCE	31-Mar-2022	First & Final Dividend	0.10
BK GROUP	31-Mar-2022	Final Dividend	FRw.28.70
TOTAL ENERGIES	01-Apr-2022	First & Final Dividend	1.31
JUBILEE HOLDINGS	01-Apr-2022	Special Dividend	5.00
JUBILEE HOLDINGS	01-Apr-2022	Final Dividend	8.00
NATION MEDIA	20-Apr-2022	Final Dividend	1.50
B.O.C KENYA	26-Apr-2022	Final Dividend	1.50
BAMBURI CEMENT	27-Apr-2022	First & Final Dividend	3.58
CROWN PAINTS	04-May-2022	First & Final Dividend	4.00
SAFARICOM	12-May-2022	Final Dividend	0.75
SASINI PLC	12-May-2022	Interim Dividend	1.00

Source: NSE/CMA

3. Research Papers & Surveys

Every financial year, the Authority prepares and publishes research papers on a wide range of issues, products, services, infrastructure and/or challenges that have an impact on the performance of capital markets in Kenya. In addition, the department publishes quarterly capital market reports such as the capital markets Quarterly Statistical Bulletin.

During the 2021-2022 Financial Year the department prepared the following research papers and survey reports:

a) Cash Market and Exchange Traded Products Uptake Survey

In the 2021-2022 fiscal year, the Authority conducted a joint survey with the Kenya National Bureau of Statistics (KNBS) to establish the factors responsible for the current level of uptake of Cash Market and Exchange Traded Products at the Nairobi Securities Exchange (NSE). The survey study found out that there have been challenges which have contributed to low uptake and awareness levels affecting some of the available capital markets products. In addition, the survey report recommended various measures that the Authority should address to enhance products and services uptake in the Kenyan capital markets space.

b) An Econometric Model for the Prediction of the Authority's Future Income

As a member of the International Organization of Securities Commissions (IOSCO), the Capital Markets Authority (Kenya) is expected to align itself with the principles of securities regulation which include the third principle which requires the regulators to have adequate powers, proper resources, and the capacity to perform its functions and exercise its powers. In the 2021-2022 Financial Year, the Authority therefore embarked on an exercise to develop an econometric model to predict factors that affect the Authority's income. Further, the Authority predicted future income using the econometric model.

c) Assessment of the Viability of Moratoriums on Products and Services within the Kenyan Capital Markets

In the final quarter of 2021-2022, the department conducted a survey to assess viability of moratoriums within the Kenyan Capital Markets. The paper was developed through a detailed jurisdictional review and a survey on the Kenyan capital markets intermediaries.

The research recommended the need to develop a policy framework on when to impose a moratorium and, circumstances under which to impose a moratorium in the Kenyan capital markets space.

15. PEOPLE AND CULTURE

The People and Culture function plays a key role in building the capabilities of staff to deliver CMA's mandate and strategic objectives. The function undertakes this critical role in partnership with other functions to deliver the entire Human Resources Management (HRM) value chain namely Recruitment, Learning and Development (L&D) Performance Management, Employee Wellness as well as Recognition and Reward. The function also plays a critical role in ensuring compliance with applicable Statutes, Policies and Performance Contract (PC) obligations signed between the Government of Kenya (GoK) and the CMA Board.

The Authority acknowledges that employees are the most critical asset and places a premium on hiring, on-boarding, and retaining exceptional talent. During the year under review, the function oversaw the recruitment of critical positions in several directorates to strengthen internal capabilities. The Authority filled the positions of Director of Technology, Research and Knowledge Management and Senior Manager, Research and Analytics. The others positions that were filled during the year were Assistant Officers (6 positions) and three (3) Financial Analysts.

The primary anchor of the Authority's excellence-driven, outcomes-orientated corporate culture is effective employee performance management. The Authority continued to implement its Performance Management System (PMS) – the Annual Capability Review (ACR) – with the aim of aligning employee performance to key organizational strategic outcomes. Beyond supporting performance evaluation, the ACR also provides staff with an important platform for building relevant role-specific capabilities through identifying their L&D gaps and needs. Significantly, the Authority recognizes employee behaviour as critical in embedding a world-class regulatory culture at CMA and the ACR therefore evaluates our employee's behavioural capabilities on top of the technical ones.

Through its L&D programmes, the Authority provides employees with opportunities to develop their business and technical capabilities in order to ensure effective delivery of job-related tasks. During the year under review, the Authority rolled out innovative programs to support staff technical, leadership and management capabilities development. During FY 2021-2022, a key focus of the Authority's L&D programmes was building leadership and management capabilities of our staff particularly at the supervisory level as well as digitizing learning programming using our new Learning Management System (LMS) – dubbed CMA Learning 24/7 – that also provides an integrated e-Learning solution to support the efficient and effective delivery of self-directed learning programs by staff.

The Authority's Wellness Policy is designed to support the enhancement of employee engagement and productivity. In the wake of the Covid-19 pandemic, an effective work-from-home program was facilitated by the function that ensured seamless remote access to office resources through the ICT function. In addition, staff were supported to access speedy medical and psychological support in case of emergencies during and after the lockdown. Once the lockdown ended, additional wellness initiatives were rolled out including a flexi-time program to support work-life balance, staff education forums on mental health as well as a corporate sports day event that provided staff with a much-welcome opportunity to exercise and enhance teamwork and collaboration. The CMA corporate sports day was held in June 2022 and was the first physical social gathering targeting all staff since the last similar event in December 2019.

Rewarding staff is a foundational pillar in enhancing staff performance and engagement. During the year, the Authority deployed recognition and award programs to motivate outstanding performance by staff in the delivery of their job-related tasks. Another outstanding aspect of the year under review was the focus on enhanced employee communications and we were able to provide regular and structured communications to staff on diverse issues affecting staff welfare including staff appointments, staff promotions, bonus payments, holiday messages and Covid-19 updates. The function also continued to publish a monthly e-HR bulletin, *JULISHA*, containing updates on diverse People and Culture-related matters.

The function was also able to oversee the formulation and approval by the Board of a set of new policies namely: Gender Mainstreaming Policy, Gender Based Violence Policy and Alcohol and Drug Abuse (ADA) Prevention and Management Policy. These policies were important targets in the 2021-2022 Financial Year Performance Contract.

The Authority continued to provide employees with a safe, healthy and conducive work environment in line with the provisions of the Occupational Safety and Health Act (OSHA), 2007. Adherence to the OSHA provisions is jointly spearheaded by the Administration Unit and the People and Culture function working closely with an in-house Committee.

Last, but not least, as part of the Authority's commitment to diversity management, we were able to ensure compliance, through our recruitment and promotion programs, with Kenya's the 1/3 gender rule. During the year under review, the female-to-male staff ratio stood at 39: 61 thereby exceeding the minimum threshold of 33 percent.

16. SPOT COMMODITIES

The Authority undertook a comprehensive review of the Senate and Ministry of Agriculture-sponsored Coffee Bills submitting its comments for consideration to the Coffee Sector Reforms Implementation Committee (CSRISC), the National Treasury and Planning and Parliament.

This resulted in the successful harmonization of the Senate Coffee Bill 2021 with the Capital Markets Act. In addition, the draft Crops (Coffee) (General) (Amendments) regulations 2022, sponsored by the Agriculture and Food Authority (AFA) were reviewed and proposals for amendments were submitted to the CSRISC, National Treasury & Planning, Parliament, and the Attorney General's (AG's) Office. However, the amendment regulations, which conflicted with the Capital Markets Act, were gazetted without consideration of the Authority's proposals in June 2022, following which a comprehensive impact assessment was prepared and submitted to the National Treasury & Planning, CSRISC, the AG's Office, and the Head of Public Service.

In its capacity as a member of the CSRISC and Warehouse Receipt System Technical Working Group, the Authority participated in the development of the draft Coffee Sessional Paper 2021 and the official launch of the Warehouse House Receipt System in January 2022. In addition, the Authority continues to support the development of the Kenya Multi-Commodities Exchange Limited (KOMEX), by being a member of the National Taskforce on the establishment of Commodities Exchanges in Kenya.

During the review period, the Authority, in partnership with the National (federation of) Coffee Cooperative Unions (NACCU) participated in a capacity-building program for Coffee growing Counties in Kenya. The program attracted over eight hundred participants in eleven regions namely Machakos, Tharaka Nithi, Embu, Meru, Bungoma, Mt. Elgon, Kisii, Kiambu, Murang'a, Kipkelion, and Baringo. In addition, the Authority undertook various stakeholder engagement initiatives including media interviews, international webinars as well as a 2-day capacity building workshop with NACCU in Nairobi.

Lastly, the Authority, as a member of the CSRISC, participated in the Inter-African Coffee Organisation (IACO) first G25 African Coffee Summit held at Nairobi, Safari Park Hotel on 25 – 27 May 2022. In the G25 summit that brought together delegates from 25 African coffee growing countries, the CSRISC Chair, made a public presentation that sensitised the delegates on coffee subsector reforms in Kenya and achievements so far key among them being: the role of CMA in regulation of Coffee Exchanges in Kenya, the licensing of six coffee brokers by CMA and the Kipkelion success story of the first direct export by a farmer owned entity in Kenya.

17. CAPITAL MARKETS FRAUD INVESTIGATIONS UNIT

Introduction

The Capital Markets Fraud Investigations Unit (CMFIU) is a specialized Unit derived from the Directorate of Criminal Investigations of the National Police Service. The Unit carries out criminal investigations of cases that fall under the Capital Markets Authority. The Unit works closely with the Directorate of Market Operations (DMO) of the Capital Market Authority on matters of investigation, coordination, and information sharing. The Unit has a two-way reporting mechanism, that is to the Chief Executive Officer Capital Market Authority (CEO) and to the Director of Criminal Investigations (DCI).

Crime Trends

During the financial year 2021/2022, there has been an increase in offences relating to: carrying out businesses in Collective Investment schemes and online trading without a license from the Authority as stipulated in the Capital Markets Act. Several companies were reported to be collecting money from the public to invest in varied products and giving returns on such investments. Investigations are ongoing to arrest the situation.

Summary of Current Cases

YEAR	PBC	PUI	PAKA	REFERED TO DMO FOR ENFORCEMENT	TOTAL	DECREASE BY	INCREASE BY	FINALISED	CLOSED NFPA
2014	5	20	3	2	30	-	-	3	
2015	6	22	4	-	30	-	-	4	
2016	6	10	2	1	19	11		5	
2017	4	13	2	2	21		2	0	
2018	7	14	5	1	17	4		14	
2019	3	16	2	1	22		5	11	2
2020	6	18	3	2	29		7	3	1
2021	07	17	06	-	30	-	1	5	1
2022	9	22	1	-	32	-	5	-	3

Glosary

PBC- Pending Before Court

PUI- Pending Under Investigation

PAKA- Pending Arrest of Known Accused

ENFORCEMENT- Referred to **Directorate of Market Operations** for administrative Action

FINALIZED- The files that have been closed after judgement from court

NFPA- Files Closed No Further Police Action

18. CORPORATE AFFAIRS AND INTERNATIONAL RELATIONS

The Authority through the Corporate Affairs and International Relations function develops and implements communication strategies to ensure that the Authority's brand is appropriately positioned among all capital markets industry stakeholders. As such, the department supports units within the organization to achieve intermediate strategic outcomes determined for the second year of the Strategic Plan 2018-2023.

Stakeholder Engagement

Communication strategies were designed to support outcomes related to all strategic objectives. A mix of communication tools were employed to maximize the value and impact of stakeholder engagements in support of the Authority's desired outcomes.

The Authority continues to leverage mutually beneficial media relationships to ensure that the corporate messages from the Authority are well received and shared with the diverse stakeholders. The Authority engaged journalists primarily by responding to their enquiries, disseminating announcements through press releases, organizing press briefings and one-on-one interviews with the Chief Executive and staff.

Social media continues to be useful for communication as well as investor education and protection. The tools include Facebook, Twitter, LinkedIn and YouTube.



Capital Markets Authority CEO, FCPA. Wycliffe Shamiah (centre) hosted a delegation from the International Finance Commission led by Vice President, Economics and Prte Sector Development , Dr. Susan Lund (Third from right) to discuss how the two insititutions can strengthen their alliances and develop the Capital Markets.

Information Sharing

The Authority disseminated information and updates on a wide range of capital markets issues such as license approvals, regulatory guidance, corporate bonds, and other securities issuances as well admissions and exits from the Regulatory Sandbox. Several reports have been published and circulated including the State of Corporate Governance Report, the Capital Markets Statistical Bulletin, and the Capital Markets Soundness Report.

Corporate Social Investment and Sustainability

As a good corporate citizen, the Authority participated in projects to sustain its social and environmental capital. On 27 April 2022, the Authority planted 600 indigenous tree seedlings on a 1.23-acre space allocated by the Kenya Forest Service (KFS) in Ngong Forest. This is based on a long-standing partnership with KFS that began in 2013-2014. This brings



CMA CEO, FCPA. Wycliffe Shamiah (left), with the Senior Manager, Education, Awareness and Certification, Mr. Samuel K. Njoroge during a tree planting drive at Ngong Forest.

the total number of trees planted in Ngong Forest to 3,300. Tree planting is part of a Presidential directive implemented by Ministries, Departments and Agencies which seeks to increase Kenya's forest cover to 10 percent.

In the review period, the Authority handed over completed changing rooms for the Administration Police Service officers Uhuru Camp. The project partly funded by CMA will serve 400 officers at the Unit primarily charged with security of Government buildings, and VIP protection. The Authority had donated Shs500,000 towards the construction in the 2020-2021 financial year.

International Affairs

The Authority engaged its peer regulators around the world through the International Organization of Securities Commissions (IOSCO). The Authority participated in the Annual Africa Middle-East Regional Committee meeting of IOSCO on 10 November 2021 in the review period and shared its experience on challenges and opportunities for building Fintech ecosystem in the region. In addition, the Authority also contributed to the development of three Issue Notes from the region to the IOSCO Committee of Emerging Risks. They were focused on cyber-attacks, cyber risk and crypto assets. In the review period, the Authority hosted its colleagues from the Reserve Bank of Malawi in April 2022 to strengthen the latter's market supervision processes.

19. MARKET DEEPENING

The Market Deepening Department plays the role of actively pursuing activities aimed at facilitating the development, diversification, and uptake of capital market products and services. Some of the key objectives of the department include;

- Advising Management on policies, procedures, methodologies, and quality standards to support introduction of new products, services, and innovations into the capital markets.
- Designing, developing, and implementing policies, procedures, methodologies, and quality standards to support introduction of new products, services, and innovations into the capital markets.
- Driving stakeholders' engagement to increase uptake and design of new products based on established needs.
- Devising strategies for enhancing product uptake.
- Guiding the conduct of feasibility studies for new capital markets products and services and making recommendations regarding their introduction and positioning in the capital markets.
- Undertaking surveys and collating market players' feedback to inform improvements in product update strategies.

During the financial year, activities spanning strategic partnerships, county level market-based financing advocacy engagements, other stakeholder engagements, product uptake and product innovation/development initiatives were executed:

a) Approved Notable Market Transactions

The following are some of the notable market transactions approved during the financial year:

- a. Approval for Acorn Investment Management Limited to issue a Supplementary Offering Memorandum to raise Shs2,762,445,089.58 for purposes of the issue and subscription of Units in the Acorn Income Real Estate Investment for purposes of acquiring two assets in the Real Estate Investment Trust.
- b. Approval for Acorn Investment Management Limited to issue a Supplementary Offering Memorandum to raise up to Shs4,000,000,000 for purposes of the issue and subscription of Units in the Acorn Development Real Estate Investment Trust was approved.
- c. Approval for Car and General Kenya PLC to issue a bonus issue of 40,103,308 Ordinary Shares worth Shs200,516,540 in the proportion of one (1) ordinary share for every-one (1) share fully paid up of par value (Shs5.00) held in the capital of the company.
- d. Approval for Kenya Mortgage Refinance Company PLC to issue an information memorandum for a senior unsecured medium-term programme of up to Shs10.5 billion.
- e. Approval granted to TPS Eastern Africa Plc for conversion of debt owed by TPS Eastern Africa PLC to Aga Khan Fund for Economic Development into new shares of TPS Eastern Africa PLC. Additional Shares listed were 100,476,471 ordinary shares with a nominal value of Shs1.
- f. Approval for TransCentury Plc for issuance and listing of 1,876,013,830 new issued ordinary shares at Shs 1.10 per share (at an entitlement ratio of 5:1) to raise Shs2,063,615,213.
- g. Approval was granted to East African Breweries Plc to issue a Medium-Term Note Programme of up to USD100.18 million and listing of all the issued Notes on the Nairobi Securities Exchange.
- h. Approval for Nairobi Business Ventures Limited for investments in Air Direct Connect Limited, Aviation Management Solutions Limited, Delta Automobile Limited, and Delta Cement Limited. The combined acquisition value of the transactions is approximately USD27.32 million measured at market value.
- i. Grant of approval to Urban Housing Renewal Development LLP to issue Shs3.9 billion zero-coupon Medium Term Note Program.

b) Strategic Partnerships

Through the Department the Authority executed three (3) Memoranda of Understanding (MOUs) and other strategic engagements with the core objective of supporting and enhancing technical and mutual co-operation on product development, innovation and uptake.

They included:

- i. Memorandum of Understanding between Kenya Private Sector Alliance (KEPSA) and the Capital Markets Authority: In July 2021, the Capital Markets Authority (CMA) signed a Memorandum of Understanding (MoU) with the Kenya Private Sector Alliance (KEPSA) to leverage capital markets products to catalyze growth, in line with the "Big 4" Agenda and Sustainable Development Goals. Through the MOU, the two institutions will seek avenues for private and public sector to support Kenya's economic growth and bridge development funding gaps. The two institutions will also seek to collaborate in the development of policy, regulatory and institutional interventions to create a conducive business environment that will support a robust, resilient, and inclusive financial sector through the growth of the capital markets. As part of the strategy to improve awareness on capital market opportunities available for Small and Medium Sized Enterprises therefore, Kenya Private Sector Alliance (KEPSA) participated at the CMA-hosted 2nd National SME forum on 18 November 2021. The webi-

nar which was themed “Enhancing Long-Term Sustainability of SMEs in Kenya through affordable avenues for access to finance in the capital markets” shed light on the possible ways in which capital markets could support Small and Medium Sized Enterprises (MSMEs) for their more rapid growth & Development.

- ii. Memorandum of Understanding between Kenya Pension Funds Investment Consortium (KEPFIC), Nairobi Securities Exchange (NSE) and the Capital Markets Authority: Recognising the value of promoting mutual co-operation for the advancement of pension fund and Capital Market activity on 27 October 2021, CMA, KEPFIC and NSE executed a tripartite Memorandum of Understanding (MoU) to support infrastructure project financing and development through the capital markets. Through the partnership, NSE, CMA and KEPFIC intend to explore avenues to deploy pension funds into infrastructure projects using available capital markets products such as Green bonds, Asset Backed Securities (ABS) and Real Estate Investment Trusts (REITs). Following the signing of the MoU an engagement session between KEPFIC, Nigeria Infrastructure Development Fund (NIDF) and CMA was held on 11 November 2021 to demystify Infrastructure Debt Funds while utilizing the country's capital markets. KEPFIC is pursuing the replication of the NIDF model in East Africa.
- iii. Memorandum of Understanding between Financial Services Commission (FSC) Mauritius and the Capital Markets Authority (CMA) Kenya: On 26 July 2021 FSC and CMA signed an agreement to strengthen technical cooperation between them. The Cooperation Agreement establishes a mechanism for strengthening technical exchange concerning financial regulation between the two regulatory authorities. This is expected to increase knowledge and understanding of the laws and regulations on among others, financial instruments, market intermediaries, asset management, Fintech, and other components of the financial innovation ecosystem. The technical cooperation is expected to build internal capacity for the two regulators through among others, study tours, exchange programmes and secondments.
- iv. County engagements: During the Financial year, the Authority undertook one on one engagements with County Governments, business community, potential issuers, investors and MSMEs in seven (7) counties including Kisumu, Laikipia, Machakos, Mombasa, Meru, Muranga and Nyeri. The main objective of these county engagements was to increase understanding and possible utilization of capital markets by stakeholders. As a result 62 companies from diverse sectors of the economy including manufacturing, food and agro-processing, agricultural, energy, healthcare, financial & housing were engaged.

The engagements aimed to:

- a. Improve the understanding of county governments, companies, and SMEs of the capital market and the services and products it avails;
- b. Improve the understanding of the regulator's role in the issuance, trading, clearing and settlement of capital market products and services;
- c. Demystify capital markets to stakeholders at County level;
- d. Present capital markets as a viable avenue for market-based financing for County Governments;
- e. Present the capital market as an alternative avenue for financing to support operations, enhance growth and development for Micro, Small and Medium Sized Enterprises (MSMEs) and large cap companies;
- f. Understand financing gaps and needs of corporates and Micro, Small and Medium Sized Enterprises (MSMEs) at the county level while helping them appreciate the opportunities in the capital markets; and
- g. Understand the impediments preventing County Governments, corporates & MSMEs from considering the capital market as a viable alternative source of financing their operations.

It is worth noting that during the financial year, Laikipia's Shs1.16 billion County Bond was approved for issuance, by the Cabinet.

c) Stakeholder workshops

During the financial year, the Authority executed several stakeholder sessions, conferences and workshops targeting SMEs, Real estate industry stakeholders, market intermediaries, listed companies, credit rating agencies, Islamic finance institutions, trustees, pension funds, transaction advisers, industry associations, private sector players, government, business community and potential issuers. The main objectives of these engagements were to enhance understanding of the capital markets products and services, promote innovation, improve product uptake as well as enable the Authority to understand the challenges that the market is facing as well as devise strategies to resolve these issues.

These forums included the following:

- i. The Second National Small and Medium Sized Enterprises (SME) Forum: On 18 November 2021, the Authority with the industry's support hosted the Second National SME Forum virtually. The forum brought together industry stakeholders and Micro, Small and Medium Sized Enterprises (MSMEs) drawn from all sectors of the economy in the country. The forum was informed by the need to better understand and characterize the environment in which MSMEs operate to support remedial measures. The forum was themed “Enhancing Long-Term Sustainability of SMEs in Kenya through affordable avenues for access to finance in the capital markets”. The main objective of the forum was to enlighten investors and potential issuers on the alternative avenues and opportunities that the capital market has to offer to finance their sustained growth and development.
- ii. Islamic Finance Virtual Webinar: The Authority in conjunction with Global Credit Rating (GCR), the Authority hosted an Islamic Finance virtual webinar on November 4, 2021. The main objective of the webinar was to highlight innovative initiatives in global Islamic Finance and provide insights on GCR Ratings' approach to rating Islamic Finance products and services. The session also provided an avenue to showcase Islamic Finance opportunities within the capital markets as well as discuss the financial instruments and innovate products in the Islamic capital market that could enhance value and raise the risk-return options for stakeholders within this market.

d) Other Stakeholder engagements

- i. The Second Capital Markets Consultative Forum (CMCF): The Authority hosted the Second Capital Markets Virtual Consultative Forum on 24 February 2022, as a subsequent session to the inaugural Consultative Forum. The key objectives of the forum were to;
 - a. Assess the progress made since the inaugural forum, status of resolution of the issues identified, and action taken hitherto;
 - b. Evaluate approaches, activities and strategies that will be impactful in improving the capital markets industry into the future; and
 - c. Provide direction on the way forward with clear responsibility and action points.

The forum brought together the capital markets industry and provided an avenue to the industry players to appreciate the progress that had been made from the action plan developed during the inaugural forum. The forum also provided a platform for discussing emerging issues and challenges that require the industry's concerted efforts to address them, for a better and more vibrant Kenyan capital market as well as propose solutions to remedy the identified challenges.

The forum was attended by among others, representatives from the Nairobi Securities Exchange (NSE), REITs Association of Kenya (RAK), Capital Markets Authority (CMA), Central Depository and Settlement Corporation (CDSC), National Treasury (NT), Kenya Revenue Authority (KRA), Central Bank of Kenya (CBK), Kenya Association of Stock Brokers and Investments Banks (KASIB), Fund Management Association (FMA), Pooled Funds Committee, Listed Companies, Credit Rating Agencies, Capital markets licensed and approved institutions and market intermediaries.

- ii. The Capital Markets Structured Finance Workshop on Green Bonds: The Authority hosted the Capital Markets Industry Green Bonds Workshop on 18 May 2022, at Radisson Blu Upperhill. The event was themed Green Bonds – A robust Sustainable Future for Africa. The workshop was a capacity building and knowledge sharing session with the core objective to raise awareness on the green bond market and tackle the benefits of investing in green bonds also, the workshop intended to resolve the information gap that exists on green bonds and build on the technical expertise given that the Kenyan green bond market is still in its nascent stage.

The workshop brought together about 60 participants considered as the main actors in the market including: the National Treasury, issuers (entities with green projects needing funding or refunding; property developers), underwriters (financial institutions arranging the issuance of the green bonds), external reviewers (verifying the "greenness" of the underlying projects; rating agencies), intermediaries (the Nairobi Securities Exchange, Industry Associations), pension funds and insurance companies; (given the demand from these institutions to diversify their investment portfolios) and other investors (particularly those with a mandate to invest in green assets).

- i. Real Estate Investment Trusts (REITs): The Authority participated and supported the execution of a number of workshops on REITs. The main objective of these sessions was to enhance the awareness on REITs and how they could be utilized through the capital markets to support real estate development in Kenya. The workshops included Property Investor Conferences with the Kenya Property Developers Association, the REITs Masterclass in partnership with REITs Association of Kenya (RAK) and the joint Media Breakfast meeting with the Nairobi Securities Exchange (NSE) & REITs Association of Kenya (RAK);
- ii. The 8th Annual Human Resource Congress: Between 17 – 20 May 2022, the Authority participated in the HR congress organized by the Institute of Human Resource Management (IHRM). In the event, the Authority participated as a speaker held in Mombasa. The event drew together over 400 delegates from various sectors of the economy. The main objective of the Authority's participation in this forum was to exhibit various opportunities in the capital markets.
- iii. Participation at the Big Baraza SME Conference for MSMEs by SMEs: The Authority took part in the Big Baraza SME conference hosted by SNDBX on 31 May 2022, at Movenpick Hotel, Nairobi. "The Regulator's Panel", also included senior officials from the Kenya Revenue Authority and Kenya Bureau of Standards. The discussions were aimed at demystifying the regulator's role; the initiatives and innovations that are in place to help MSMEs find alternative sources of capital; the role of the Regulatory Sand Box and how Micro and Small and Medium Sized Enterprises (MSMEs) could take advantage of the opportunities it provides; and the challenges the regulators have encountered in dealing with MSMEs.

The Big Baraza was successful, registering an attendance of over 475 participants. The forum highlighted the need for further discussions and explored possible areas of synergy and partnership that could unlock even more value for the SMEs;



Left to Right: Mr. Victor Otieno, CMA Manager Financial Analysis and reporting and Mr. Bernard Nguyo Chief Manager, Quality Assurance, (KEBS) during the Big Baraza forum panel discussion on 31 May 2022 at Movenpick Hotel, Westlands.

- iv. Engagements with pension trustees: During the financial year, the Authority participated in several engagements with pension trustees in a bid to induce the participation of pension funds in the capital markets. The forums provided the Authority with an opportunity to engage with pension schemes on the opportunities availed by the capital markets for given the demand from these institutions for diverse capital market products. The workshops were organized by the following pension administrators including:
 - a. The Zamara Pension Trustees Conference (3-5 November 2021);
 - b. Enwealth Conference – 3rd Global Investment Opportunities conference (24-26 November 2021);
 - c. 9th Zamara Annual Retirement Conference on 11-13 May 2022; and
 - d. Minet Trustee forum between 20-21 January 2022;
- v. CMA and Fund Managers Association (FMA) Meeting: In line with its stakeholder engagement strategy, the Authority has been engaging the FMA secretariat to understanding its perspectives on product uptake and market deepening for an overall improved performance of the country's capital markets. To this end, the Authority hosted key officers of the FMA Secretariat on 25 March 2022 in Nairobi.

The meeting aimed to:

- i. Understand any further facilitation FMA may require to assist in improving uptake of capital market product and services; and
- ii. Explore avenues of collaboration to improve capital market activity.

A roadmap of key issues raised with the initiatives designed to address those challenges and clear responsibilities assigned was developed; and

- vi. The Nairobi Securities Exchange (NSE) inaugural Chief Financial Officers (CFO) Conference: The Authority participated in the (CFOs) Conference organized by the Nairobi Securities Exchange on 21 June 2022. The forum which was themed "a case for public equity and debt finance in funding business growth and expansion", saw the Authority make a presentation highlighting the Authority's role in capital raising and the capital raising opportunities within the capital markets. The conference brought together CFOs from leading companies in Kenya and the region enabling them to deliberate on equity and debt financing opportunities provided by capital markets to fund the growth and expansion of companies within and outside the country. The CFO conference enlightened finance leaders by providing an update and outlook on capital markets as well as delving into the best funding models leveraging on the country's capital markets while growing pension asset.

e) Product development

Mining & Technology Boards

CMA took lead in the development of concept notes on Mining and Technology Boards & their eligibility requirements which was followed by a provision for the exchange to create any market segment as they may deem fit included in the POLD regulations. CMA overhauled the Capital Markets (Securities) (Public Offers, Listings and Disclosures) Regulations, 2001 to incorporate emerging areas and streamline the eligibility and listing requirements. Following the overhaul, the draft Capital Markets (Public Offers, Listing and Disclosure) Regulations, 2022 have since been developed pursuant

to Section 12(1) of the Capital Markets Act, Cap 485A of the Laws of Kenya. Implementation of these regulations is anticipated post gazettelement.

20. APPROVALS, ANALYSIS, AND ISSUER GOVERNANCE

One of the key strategic objectives of the Authority is to ensure sound market infrastructure, institutions, and operations. In its gatekeeping role, the Authority receives applications for approvals and licences for its consideration as required under the capital markets legal and regulatory framework. The review of applications is against compliance with the regulatory requirements and the turnaround timelines committed in the Authority's Service Charter. The Authority is also cognizant of the need to facilitate entities bringing innovations to the market to enhance efficiency and deepen the capital markets.

1) Licensing

The Authority continues to support the ongoing reforms in the coffee sub-sector. In this financial year, the Authority granted coffee broker licences to Mt. Elgon Coffee Marketing Agency Limited, United Eastern Kenya Coffee Marketing Company Limited and Embu Coffee Farmers Marketing Agency Limited. These licences were in addition to licences issued to three other coffee brokers in the previous year.

To continue supporting these reforms, the Authority visited the relevant stakeholders in the coffee value chain to sensitize them on the role and mandate of the Authority under the Capital Markets (Coffee Exchange) Regulations, 2020 as well as communicate the regulatory responsibilities to those who obtain these licences.

In the year, we witnessed the uptake of sixteen (16) new licences. A breakdown on the approved licenses under various license categories is as below;

a) Fund Manager Licence

- i. Globetec Asset Managers Limited
- ii. African Alliance Kenya Asset Management Limited
- iii. CPF Financial Services Limited
- iv. Kuza Asset Management Limited
- v. Investcent Partners Limited
- vi. Star Capital Management Limited
- vii. Waanzilishi Capital Limited
- viii. Etica Capital limited
- ix. Mayfair Asset Managers Kenya Limited

b) Non-Dealing Online Foreign Exchange Broker License

- i. HFM Investments Limited
- ii. Windsor Markets Kenya Limited
- iii. Tadenex Limited

c) Money Manager License- Tradesense Limited

d) Investment Adviser -AKN Investments Limited

e) Authorized Securities Dealer - Private Wealth Capital Limited

f) Investment Bank License- GulfCap Investment Bank Limited.



CMA Staff with staff from Khalaba Farmers' Cooperative Society-Bungoma.

2) Approval of issuances of fixed income and equity securities in the year

a) Approvals of fixed income securities

The fixed income market rebounded in the year. In the corporate debt space, the Capital Markets Authority approved the issuance of an unsecured KES10.5 billion Medium Term Note (MTN) programme for Kenya Mortgage Refinance Company (KMRC). The first tranche of the issue was oversubscribed by 480 percent, receiving bids worth Kes 8.1 billion against the target of Shs1.4 billion.

In December 2021, the Authority approved a Medium Term Note programme by Urban Housing Renewal Development Limited of Shs 3.9 billion. The proceeds of this issue were also intended to support an affordable housing project in Nairobi.

Following the Authority's approval of the application to increase the programme size of the Medium-Term Green Note (MTN) Programme by Acorn Project (Two) Limited Liability Partnership, the issuer raised KES 2.096 billion against the target of KES 1.438 billion representing a subscription rate of 146%. The bond has had nine (9) drawdowns with the latest drawdown amounting to KES 336.9 million approved by the Authority on May 20, 2022. Out of Shs 5.7 billion, the programme has so far drawn down a total of Shs 4.1 billion.

The approval for the issuance and listing of East African Breweries Plc (EABL) five-year fixed rate Medium Term Notes seeking to raise Shs 11 billion, attracted bids nearly KES38 billion. This overall oversubscription rate of 345% signaled an enhanced interest in the corporate bond market.

The Authority approved the listing of all Treasury Bonds issued in the financial year 2021-2022. Shs 590.1 billion was raised and listed at the Nairobi Securities Exchange.

b) Approvals of equities securities

Approval was granted to Car and General Plc on March 18, 2022 for the bonus issue of Shs200,516,540 in the proportion of one (1) ordinary share for every one (1) share fully paid up of par value (KES 5.00) held in the capital of the company.

c) Approvals of Corporate Actions

The Authority approved several corporate actions in the financial year 2021-2022 including the following:

- a. Shareholder's Circular by Nairobi Business Ventures in relation to proposed investments in Air Direct Connect Limited, Aviation Management Solutions Limited, Delta Automobile Limited and Delta Cement Limited;
- b. Shareholders Circular by TPS Eastern Africa PLC in relation to conversion of debt owed to AKFED to equity; and
- c. Shareholder circular and application for private transfer of 253,110,361 ordinary shares held by Britam Holdings and Britam Life Assurance Company (Kenya) Limited in Equity Group Holdings Plc to International Finance Corporation (IFC) (constituting an equity stake of approximately 6.71% of Equity Group Holdings Plc shares as at 22 December 2021.

d) Registration of Collective Investment Schemes

The Authority registered eight (8) collective investment schemes in the year namely;

- a. Registration of the ADAM Unit Trust Fund comprising of the Adam Equities Fund, Adam Money Market Fund, Adam Balanced Fund and Adam Fixed Income Fund;
- b. Registration the Co-op Fixed Income Gratuity Fund;
- c. Registration of the GenAfrica Unit Trust Scheme comprising of GenAfrica Money Market Fund, GenAfrica Equity Fund and GenAfrica Fixed Income Fund;
- d. Registration of the Natbank Unit Trust Scheme comprising of Natbank Money Market Fund (KES), Natbank Equity Bank, Natbank Fixed Income Fund, Natbank Balanced Fund and Natbank Money Market Fund (USD);
- e. Registration of NCBA Fixed Income Basket Note Fund (KES) and NCBA Fixed Income Basket Note Fund (USD);
- f. Registration of GenCap Fixed Income Fund;
- g. Registration of Amaka Unit Trust Scheme comprising of Amaka HOSP Fixed Income Fund and Amaka Qualified Investor Tenant Purchase Scheme; and
- h. Registration of the Madison Wealth Fund.

3) Financial analysis and reporting

In the financial year, the Authority continued to monitor compliance with financial resource requirements for both licensees and issuers of securities to the public. The monitoring included examination of reports in relation to liquid capital adequacy for all licensed entities; Assets Under Management (AUM) by fund managers of Collective Investment Schemes (CIS) and non-CIS funds; valuation, performance measurement, reporting and other related matters for fund managers of CISs; half year unaudited and full year audited financial performance of all licensees and issuers of securities to the public; corporate bond returns by issuers of debt securities; use of proceeds by issuers of securities to the public and other ad hoc reports.

Licensed entities demonstrated resilience as the effects of COVID-19 eased and the economy recovered to report increase in revenues and profits for the FY 2021. The total income reported by all categories of licensed entities was Shs 12 billion which was a 21.15% increase from Shs 10.1 billion reported in FY 2020. Further, the total profits after tax increased to Shs 2.8 billion in FY 2021 which was an 81% increase from Shs 1.5 billion in FY2020.

Fund managers continued to regularise their investments in line with the requirements of the Circular on Valuation, Performance Measurement, Reporting and other related matters. For the quarter ended June 30, 2022, the total CIS AUM stood at Shs 144.94 billion while the non-CIS AUM was Kes 1.93 trillion.

As of June 2022, there were a total of eight issuers of corporate bonds. Seven of these were plain vanilla bonds while one was a green bond. The total outstanding corporate bonds amounted to Shs 21 billion, which excluded Chase Bank MTN valued at Shs 4.8 billion, Imperial Bank MTN amounting to Shs2 billion and Real People Medium Term Loan valued at Shs 1.3 billion, which remain non-performing bonds. The largest proportion of this amount was held by fund managers, representing 70.5% whereas the remaining 29.5% was distributed among the banks, investment companies, insurance companies and retail investors.

In the year under review, thirty-nine (39) issuers of securities reported profits while fifteen (15) reported losses. By the end of the Financial Year, seven (7) issuers whose years end is June 30, 2022 had not released their audited financial statements. In the year 2021, twelve (12) companies issued profit warnings.

The following key events were undertaken during the period:

- Inspection of all fund managers licensed by the Authority managing CISs;
- Inspection of issuers of securities to the public who have raised equity capital in the recent past and those whose debt capital is still outstanding;
- Issued a Circular (No. 2 of 2022) on the Format for Reporting of Comparative Tables in the Annual Reports of CISs;



CMA Staff with staff of Acorn Qwetu (Chiromo)



CMA staff with EABL staff at the Kisumu plant

4) Issuer governance

a) Publication of the Fourth edition of the State of Corporate Governance Report

On 30, December 2021, the Authority issued the Fourth Edition of the Report on the State of Corporate Governance for Issuers of Securities to the Public in Kenya.

The annual publication outlines the Authority's independent assessment of companies listed on the Nairobi Securities Exchange (NSE) and the issuers of corporate bonds on their level of application of the principles and recommendations contained in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (CG Code).

This assessment established that out of the seven governance principles assessed, there was improved performance on rights of shareholders, stakeholder relations and ethics and social responsibility. Further, the overall weighted average score for 2020/2021 FY assessment was 70.2% (good rating) compared to 72% (good rating) for the previous assessment. A sectoral analysis of performance revealed that the banking sector had the best weighted score with a leadership rating across all the principles of the Code while the agricultural sector had the least weighted score with a fair rating.

The Authority held a virtual workshop with the boards and management of issuers to discuss the findings of the Report and highlight the recommendations on 16 March 2022. Issuers commended the progress made in the implementation of the CG Code while committing to focus on the recommendations made.

b) Training and Capacity Building for Boards of Issuers

During the year, the Authority conducted a number of training sessions for issuers upon request by the boards of issuers. The focus of these trainings were the trends in governance, the Authority's expectations, strengths and weaknesses in governance and recommendations. They have been valuable in equipping the boards with the necessary capacity to ensure that the issuers continually improve their governance practices.

c) Progress in the adoption of ESG and Integrated Reporting

The CG Code provides for Environmental, Social and Governance (ESG) as well as integrated reporting. The Authority has continued to engage issuers on the need to develop policies on ESG while encouraging the adoption of integrated reporting. There has been commendable progress in this regard as witnessed by the increase in the number of issuers who are taking up ESG and IR.

In order to enhance the adoption of ESG and integrated reporting, the Authority developed a strategy that will ultimately inform the development of an overarching legal and regulatory framework to facilitate adoption of ESG and integrated reporting in the capital markets sector in Kenya. The strategy has proposed mechanisms of further entrenching ESG in the market including collaboration with other public and private sector actors, review and amendments to relevant laws and capacity building for the entire capital markets sector. The proposed strategy will also seek to establish modalities for the adoption of integrated reporting in the market.

The NSE published an the ESG Manual for Kenya's listed companies on 29 November 2021. The ESG Manual provides detailed guidance on the implementation of ESG metrics in organizational strategy, as well as collection, analysis and reporting of ESG performance. It will enhance consistency, comparability, and credibility of the ESG disclosures by listed companies. The ESG Manual, which was approved by the Authority, is aligned to the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 which requires boards of listed companies to have formal strategies to promote sustainability by addressing ESG issues that are material to the company's business. s

d) Onsite governance inspections for issuers undertaken

As a way of bolstering efforts to ensure that issuers comply with the corporate governance requirements, the Authority undertook onsite governance inspections for selected issuers. These inspection activities enabled the Authority to identify some of the good governance practices being practiced by issuers, while recommending areas of improvement.

e) Progress on the implementation of the Stewardship Code

The Stewardship Code for Institutional Investors calls upon institutional investors (asset owners and asset managers) to serve as responsible stewards for their beneficiaries by promoting good governance for the sustainable success of investee companies. Institutional investors are increasingly becoming more involved and engaged in enhancing good governance and sustainability, particularly for listed companies.

As part of enhancing the adoption of the Stewardship Code, the Authority continued to engage the institutional investors, calling on them to commit to the Code and implement it. The Authority engaged members of the Fund Managers Association on 28th January 2022 during their annual general meeting. In March 2022, the Authority had a virtual workshop with institutional investors to sensitize them on the expectations of the Stewardship Code and the progress made. The workshop was attended by members of the Fund Managers Association, the Association of Retirement Benefits Schemes, the Institute of Certified Secretaries, among others. These workshops were useful in creating awareness on the Stewardship Code and ensuring that institutional investors continue to implement the Code.

In partnership with the Institute of Certified Secretaries, the inaugural Stewardship Award for Institutional Investors will be undertaken as part of the 2023 Champions of Governance Awards. The Stewardship Award will seek to recognize and award institutional investors who have demonstrated commitment in their implementation of the Stewardship Code. This is one of the strategies for promoting the adoption of the Stewardship Code.

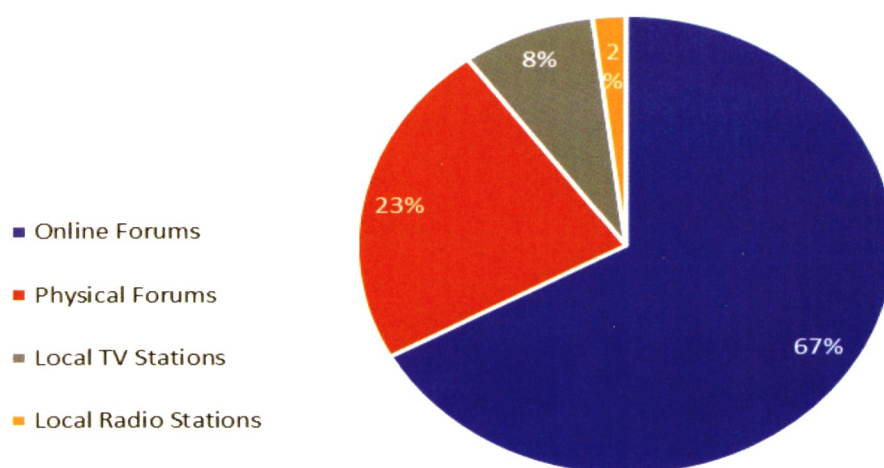
21. EDUCATION, AWARENESS AND CERTIFICATION

Increased financial literacy with respect to the capital markets, and awareness geared at investor protection, continues to be a key element of our strategy with a view to increasing the country's savings rate as well as wealth creation in the short, medium and long term. During the year under review, the Authority continued to implement coordinated initiatives targeting various stakeholder segments such as the public, key institutions in various counties, the youth, women groups, professionals, structured groups, industry associations, Kenyans in the Diaspora, regulators and market intermediaries.

Given the decreasing prevalence of Covid-19 during the period, as manifested in the increase of vaccinated citizens, reduction of infections as well as the opening of the economy by the Government, the Authority accomplished several effective programs by not only leveraging on technology, but also in a few physical programs in controlled one-on-one sessions adhering to the Ministry of Health protocols.

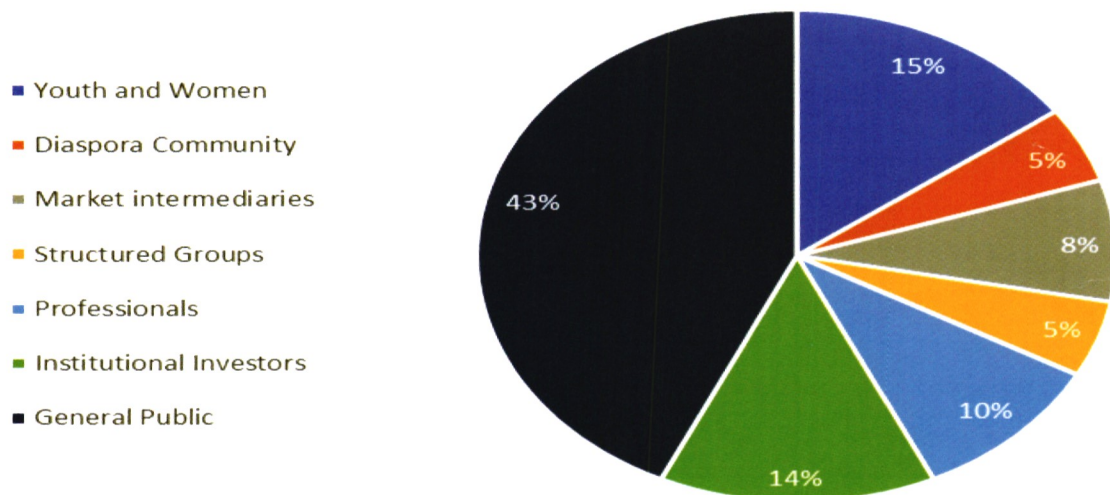
During the 2021/2022 Financial Year, 60 initiatives were held, 67% of which were online forums, 23% physical forums (targeting Nyeri, Laikipia, Machakos, Kakamega, Kisumu, Nakuru and Mombasa Counties), radio campaigns targeting Nyanza and Easter Regions, 2% and local television initiatives targeting all 47 Counties, 8%. This is an improvement compared to 54 initiatives in 2020/2021. The chart below summarizes the delivery channels utilized in the financial year.

Fig. 1: Delivery Channels of Initiatives Undertaken in 2021/2022 FY



In line with the preliminary recommendations following the completion of an Investor Education Measurement Index Survey outlined below, specific groups continued to be targeted. During the 2021/2022 Financial Year, the Authority focused on the key target groups below.

Fig. 2: 2021/22 Sample Awareness Initiatives Target Group Distribution



1. Strategic Partnerships

The Authority continued to partner with the following key strategic partners in jointly holding various programs. The strategic partners include:

- Capital markets intermediaries and approved institutions including:- Stockbrokers, Investment Banks, Fund Managers, and Authorized Depositories among others
- The Capital Markets Commission of Angola
- Nairobi Securities Exchange (NSE)
- Central Depository and Settlement Corporation (CDSC)
- The Institute of Certified Investment and Financial Analysts (ICIFA)
- The Chartered Institute for Securities and Investment (CISI)
- The Kenya Diaspora Alliance (KDA)
- Financial Sector Regulators including: - Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Sacco Societies Regulatory Authority (SASRA) and Retirement Benefits Authority (RBA)
- County Governments
- Kenya National Chamber of Commerce and Industry (KNCCI)
- Kenya Institute of Curriculum Development (KICD)
- Institute of Human Resource Management (IHRM)
- Local radio and TV stations, among other stakeholders
- Industry associations notably: - Kenya Association of Stockbrokers and Investment Banks (KASIB), Reits Association of Kenya (RAK), Fund Managers Association (FMA) and the Council of Legal Education (CLE)

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- Capital markets intermediaries and approved institutions including:- Stockbrokers, Investment Banks, Fund Managers, and Authorized Depositories among others
- The Capital Markets Commission of Angola
- Nairobi Securities Exchange (NSE)
- Central Depository and Settlement Corporation (CDSC)
- The Institute of Certified Investment and Financial Analysts (ICIFA)
- The Chartered Institute for Securities and Investment (CISI)
- The Kenya Diaspora Alliance (KDA)
- Financial Sector Regulators including: - Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Sacco Societies Regulatory Authority (SASRA) and Retirement Benefits Authority (RBA)
- County Governments
- Kenya National Chamber of Commerce and Industry (KNCCI)
- Kenya Institute of Curriculum Development (KICD)
- Institute of Human Resource Management (IHRM)
- Local radio and TV stations, among other stakeholders



CMA Education, Awareness and Certification team with one of the strategic partners, the Kenya National Chambers of Commercial and Industry (KNCCI), Mombasa Chapter. From left: KNCCI CEO, Mr. James Kitavi, CMA Manager, Education and Awareness, Mr. Konrad Afande, KNCCI Chairman, Mr. Mustafa Ramadhan, CMA Senior Manager, Education, Awareness and Certification, Mr. Kamunyu Njoroge and CMA Senior Investor Education Officer, Ms. Lucy Njaramba during a courtesy call at the Mombasa office during Mombasa County one on one engagements with senior leadership of Saccos, Community Based Organizations and Investment Groups in the County.

2. Key initiatives and outreach strategies included:

a. Investor Education Measurement Index Survey (IEMI)

The Authority conducted a survey to gauge the impact of investor education initiatives with respect to Knowledge, Attitude and Practice. The survey was aimed at assessing the impact of all the initiatives undertaken over the last three years by determining the current index against the 41% baseline established in 2018. The survey found out that the unweighted index now stands at 49% having increased by 8%. Further, the weighted IEMI is 47% indicating an improvement of 8% from the baseline index of 39%. The Authority has begun implementing some of the key recommendations and has developed an implementation matrix for the 2022/2023 Financial Year.

b. County Initiatives and Vernacular Radio

The Authority conducted focused physical engagements with leaders of select Savings and Credit Co-operative Societies (Saccos), Community Based Organizations (CBOs), and learning institutions and Investment Groups in select counties. These leaders are envisaged to act as ambassadors in the six counties in furthering the financial literacy among their members. In particular, the Authority held one-on-one meetings with Chief Executives and Board Members of at least 15 top institutions in each of the counties visited which included Nyeri, Laikipia, Machakos, Kisumu, Kakamega and Mombasa Counties. In addition, an Open Day in collaboration with the Retirement Benefits Authority was held in Nakuru County as well as participation at the Africities conference in Kisumu County, whose focus was on available long-term infrastructure funding options. The county engagements also included campaigns delivered through vernacular radio stations targeting Nyanza and Eastern Regions.

c. Diaspora Initiatives

The Authority partnered with its stakeholders to organize two Diaspora events. The events were a combination of a hybrid 8th Diaspora Home Coming Convention in partnership with the Kenya Diaspora Alliance and a webinar on capital markets products in partnership with market intermediaries. The two events sought to sensitize participants on products of interest to Kenyans in the diaspora and tips to on how one can leverage technology to invest while outside the country and ensure their investments were secure. The two events attracted participants from 30 Countries with over 400 views of the videos and 150 participants who attended physically.

d. Youth Forums

The Authority recognizes the fact that the youth form the largest part of Kenya's population hence the need to focus most of its awareness programmes on the youth to inculcate a culture of intensive savings and investments from a young age. In this regard 43% of all education and awareness initiative were geared towards the youth. Several forums and events in collaboration with partners such as CISI, CDSC, intermediaries, and NSE among others, were held mostly online, targeting organized youth groups and universities. The forums focused on demystifying capital markets as well as enhancing investor protection programs.

e. Structured/Professional Forums and Exhibitions

The Authority organized forums targeting intermediaries, structured groups and various professionals aimed at providing investor protection, product awareness and market development information. Some of the key channels included presentations to SACCOs, professional youth and women groups, intermediaries. Others included forums targeting other jurisdictions such as the Malawi National Assembly on a benchmarking visit as well as the Zimbabwe Securities and Exchange Commission. Further, the Authority also participated in the the 4th ICIFA Annual Conference held in Mombasa and an Open Day in collaboration with RBA held in Nakuru County.



Mr. Kamunyu Njoroge, Senior Manager, Education, Awareness and Certification (second right) with Sandra Achieng, Temporary Assistant, Market Deepening, engaging one on one with the management team of Enea Sacco in Nyeri County.



Mr. Kamunyu Njoroge, Senior Manager, Education, Awareness and Certification (second right) with Lucy Njaramba, Senior Investor Education Officer, engaging one on one with the management team of Savannah Traders Sacco in Laikipia County.



Team of Members of the National Assembly of Malawi during a benchmarking tour at the Capital Markets Authority offices.

f. National and Global Campaigns

The Authority as a member of the International Organization of Securities Commissions (IOSCO) participated in the 2021 World Investor Week (WIW) which is an annual week-long global campaign that seeks to enhance investor awareness and protection and to highlight the various initiatives of securities regulators in these two critical areas. As part of this initiative, the Authority held various online forums, launched various technology-based products outlined in the technology section below. The Authority also conducted mass and social media campaigns, with support from market intermediaries, on investor protection and awareness about capital market products and services.

g. Financial Literacy Initiative

The Authority partnered with the Kenya Institute of Curriculum Development (KICD), the Joint Financial Sector Regulators and other key stakeholders in developing financial literacy guidelines for junior and senior secondary school teacher towards infusing financial literacy in the new competency-based school curriculum. It is envisaged that the financial literacy guidelines will go a long way to assist the curriculum developers, curriculum implementers, education field officers, stakeholders, among others, in the conceptualization and contextualization of financial literacy in Kenya.

The objectives of the collaboration include: development of a curriculum that will provide basic financial principles of good money management at the agreed level of education; development of curriculum support materials for agreed levels of education that will promote personal financial management issues and choices among the learners; induction of trainers to enable them train the learners on good money management habits; and monitoring and evaluating the training to ensure the skills have been imparted as expected.

h. Technology and Innovation

As a demonstration of the robust initiatives in the previous financial year, the Authority continued to effectively leverage technology in conducting programs virtually and utilized social media, webinars, digital print, and electronic mediums such as radio and television to disseminate pertinent information. Key to the continued success of the awareness programs was the introduction of more innovative solutions.

The Authority continued to engage key stakeholders including the Nairobi Securities Exchange (NSE), Central Depository and Settlement Corporation (CDSC) and market intermediaries with an aim of enhancing the Capital Markets Mobile App capacity. The App was linked to the various market intermediaries' online platforms which included direct access to intermediaries for product uptake. Further, the Authority used bulk messaging services to send investor protection messages to existing investors through social media and mobile technology in collaboration with CDSC and other vendors. Finally, the Authority held the first ever Capital Markets Virtual Open Day. During the latter exercise market intermediaries were invited to participate by showcasing their products and services through breakout rooms that were allocated to them. The full day event attracted over 2,500 registrants from which over 700 participants were in attendance.



CMA CEO, Mr. Wyckliffe Shamiah (seated middle) with representatives from Education, Awareness and Certification team and ICT team during an internal launch of the Capital Markets Mobile App at the Authority's offices.

i. Success Stories Testimonials

Following the successful production, the Authority aired six (6) industry testimonials on national television and through social media platforms. The testimonials targeted the various constituents such as youth, women, retirees, professional groups, potential issuers, and the public. The campaigns run on national television for over a month during primetime news with a view to targeting over forty million viewers in total, the impact of which was demonstrated by the increase in inquiries and requests for forums.



Mr. Luke Kinoti, a retiree, during the shooting of the capital markets testimonials.

j. Social Media

Cognizance of the impact of social media the Authority continued to be active in social media during the year. The Authority leveraged more on Youtube and TikTok given the impact of information sharing on the platforms. The campaigns included but were not limited to Vlogs, infographics, animations, and short educational messages.

k. Industry Certification and Continuous Professional Development Programs (CPD)

Certification uptake by capital markets has continued to gain momentum since the onset of Covid-19 pandemic. With several innovations such as increased CPD online programs as well as remote invigilation, we have witnessed an increased drive by the industry towards compliance with certification requirements. During the period, 678 market practitioners undertook various levels of the certification program up from 225 the previous year. As at June, 2022, a total of 3,605 individuals had passed the CISI professional exams which is an increase of 4.8% as compared to 3,443 in December 2021. CISI and ICIFA witnessed a total of over 900 practitioners undertake the CPD program compared to 322 in 2019/2020 financial year when the CPD program was introduced. This is a great accomplishment given the prevailing Covid-19 pandemic situation. Leveraging technology and increased use of online platforms by service providers attributed to the continued success of the program. The program is expected to continue growing.

22. INFORMATION AND COMMUNICATION TECHNOLOGY

The Information and Communication Technology (ICT) function hinges on the strategic objectives- to leverage technology to drive efficiency in the capital markets value chain and to ensure optimal institutional efficiency. The outcomes of these two objectives are increased capacity to respond to implementation and impact of new technologies and enhanced operational efficiency. The Authority employed governance, skills and tools to preserve the confidentiality, integrity and availability of the data, systems and applications for the achievement of its objectives. This was also achieved through management and maintenance of the ICT infrastructure and services to support the internal and external operations that rely on technology.

As the Authority relies on information technology for both strategic and operational activities, ICT facilitated access to data, information, systems and applications during the work from home arrangement occasioned by the COVID-19 pandemic through the remote access virtual private network (VPN). To increase the security of data and the infrastructure, multi-factor authentication was implemented on the remote access VPN connectivity.

This ensured that access to ICT resources was secured through the normal Domain Authentication and a One-Time Password (OTP) configured on the respective staff mobile devices. Further, regarding cybersecurity, the Authority through collaboration with a leading cybersecurity consultant developed the Cybersecurity Framework. The purpose and intention of the framework was to better address and provide for a structured approach to manage cybersecurity risks. The cyber-defense measures needed to be augmented in a comprehensive framework that would guide and enable the department and the Authority to identify, protect, detect, respond, and recover in event of a compromise. The framework elaborated on the Authority's cyber risk profile, cyber risk appetite, controls required, visibility of threats and vulnerabilities, exposure levels and tolerance.

To establish the cybersecurity posture and effectiveness of control measures put in place, the Authority conducted a comprehensive Information System Audit. The audit, which was conducted by an external consultant covered all the aspects of ICT from infrastructure, server systems and applications. The audit while revealing areas of improvement, also affirmed the control measures already put in place to preserve the confidentiality, integrity and availability of systems, applications, and data. The department moved to close the gaps identified through tightening of existing controls, improvement of processes and development of administrative policies to address the challenges. Further, the department budgeted for turn-key solutions that were recommended for adoption and deployment in the 2022/2023 Financial Year.

In line with the Business Continuity Management (BCM) framework, the department development the Business Impact Analysis that included refining the recovery point objectives, and recovery time objective of the critical processes. Regarding disaster recovery, the department conducted quarterly failover and failback procedures. This involved transferring the operations of all the critical systems from the primary data centre to the disaster recovery site for a period to test and ascertain the effectiveness of the disaster recovery plan. The Business Continuity Management being a corporate activity, the department aligned itself with the requisite processes and procedures.

23. UPDATE ON SANDBOX ACTIVITIES

The Sandbox Review Committee (SRC) continued to execute its mandate in line with the Authority's objective to leverage technology to enhance the capital market value chain through the sandbox framework. The framework facilitates the admission of firms to test innovative products, solutions and business models, exit firms after successfully achieving their sandbox test objectives, conduct stakeholder engagements to increase knowledge on Fintech and Regulatory sandboxes, and further enhance innovation adoption in the capital markets.

The following activities and initiatives were executed in the financial year:

Admitted Firms

The Authority admitted the following firms to the sandbox test environment during the financial year.

- a. On 9 July 2021, Sycamore was admitted to test a fully digital online investment application aimed at enabling Kenyans invest in multiple unit trusts by aggregating retail investors to collectively invest in approved CISs.
- b. On 20 August 2021, Acorn Limited was admitted to test its 'Vuka' platform which aims to aggregate retail

investors into asset-backed financial products such as real estate through a regulated and transparent structure.

- c. On 29 December 2021, Waanzilishi Capital Limited, a licensed investment advisor was admitted to test its robo-advisory platform Ndovu with an element of discretionary portfolio management. The Robo-advisor provides automated financial planning services by leveraging data from its clientele about their financial situation and future goals through the Ndovu App as a basis to offer investment advice and automatically invest client assets. The system offers easy account setup, robust goal planning, account services, portfolio management, and security features, attentive customer service, comprehensive education, and competitive fees.

Exited Firms

During the financial year, the following three firms were exited from the sandbox test environment to offer their solutions in the mass market:

- a. Innova Limited exited its cloud-based data analytics platform to the mass market following successful testing.
- b. Fourfront Management Limited was exited to roll out a Robo-advisory solution in the mass market following the successful testing of the innovation in the CMA Regulatory Sandbox. The solution provides automated investment advice using advanced data analytics. The 'No-Objection' approval was subject to Fourfront Management Limited's compliance with the Capital Markets Act, relevant regulations, and the Framework to Roll-out a Robo-Advisory Solution. The introduction of a Robo-advisory platform, the first in Kenya's capital markets to be assessed by the Authority, is a significant milestone in the deepening of the capital markets through digitizing the investment advisory process.
- c. The Central Depository and Settlement Corporation (CDSC) also exited its Screen-based Securities Lending and Borrowing (SLB) product to the mass market following successful testing and approval of the CDSC SLB rules and guidelines by the CMA board. CDSC has so far onboarded 10 agents to facilitate the rollout of SLB to investors and is in the process of onboarding all other Central Depository Agents to facilitate accessibility of this new product to investors. CDSC also received approvals from the Retirements Benefits Authority (RBA) in September 2020, allowing pension and retirement benefit schemes to engage in SLB as an additional investment return avenue.

Regulatory Sandbox Portal

The Sandbox portal has been operationalized and is accessible through <https://sandbox.cma.or.ke/>. The portal provides the public with information on; how the Regulatory Sandbox works, application procedures, admission credibility criteria, admitted and exited firms.

Stakeholder Engagements

The following stakeholder engagements and capacity enhancement sessions were conducted during the financial year.

CMA Participation at the digital financial Consumer Protection Webinar - CMA participated as a presenter and a speaker at the Consumer Protection Webinar held on 31 May 2022. Viola Chelang'at Kilel, Senior Product Development Officer, Capital Markets Authority alongside key stakeholders participated in a panel discussion on 'digital financial services and client protection in Kenya-Opportunities, risks and emerging evidence'

Live webinar in partnership with the Chartered Institute for Securities Investment (CISI) - CMA participated as a presenter at the Regulatory Sandbox fostering innovation in a Capital Markets webinar held on 31 May 2022. Ms. Viola Chelang'at Kilel, Senior Product Development Officer, and Dr. Faith Mwendu, Senior Compliance Officer, Capital Markets Authority presented on the Regulatory Sandbox and the role it plays in fostering innovation in the capital markets.

CMA participation at the ICIFA 5th Annual Conference - During the period under review, CMA Kenya participated as a presenter at the ICIFA 5th Annual Conference 2022. FA Peter Onyango made a presentation on the impact of the CMA sandbox on technology advancement in the capital markets.

Capital Markets Regulatory Sandbox Networking Cocktail - To enhance collaboration and networking, CMA Kenya, through the Sandbox Review Committee (SRC), hosted the Regulatory Sandbox Networking Cocktail on 9 June 2022. The event brought together stakeholders within the fintech ecosystem including fintech firms, regulatory authorities, financial institutions, law firms, banks, and innovation hubs. A panel discussion including five of the 12 companies admitted into the regulatory sandbox was held. The discussion focused on sharing their sandbox journey, experiences, lessons learned, challenges and recommendations. The platform provided CMA Kenya's Sandbox Review Committee with an opportunity to receive feedback from the firms participating in the regulatory sandbox, potential applicants, and all other relevant stakeholders.



Left: CMA Director, Mr John Birech and CMA Chairman, Mr. Nicholas Nesbitt (right) engage with market stakeholders during a networking event hosted by CMA for fintech firms. The meeting was held on 9 June 2022, at the Sarova Panafric Hotel.



Right: Representatives from firms admitted to the CMA Regulatory Sandbox share their experience with industry stakeholders.



Left: CMA Regulatory Sandbox Review Committee led by Chair Mr. Nyale Yanga (right) addresses fintech firms during a networking event hosted by CMA for fintech firms on 9 June 2022, at the Sarova Panafric Hotel.

The Africa Public Service Day

During the period under review, CMA Kenya participated as an exhibitor during the two-day Africa Public Service Day National Celebrations from 21 – 23 June 2022 at the Kenyatta International Convention Centre (KICC). CMA Kenya exhibited its innovations that included:

- a. Performance Management: Projects Performance & Risk Management Information System (PPRMIS) and Human Resources Information Management System (HRMIS).
- b. Innovations for inclusive and equitable service delivery & Business Process Re-engineering such as PPRMIS, Regulatory Sandbox Portal and CMA Mobile App.

During the period under review CMA staff facilitated a capacity building session on the regulatory sandbox for the Communications Authority (CA) Senior Management retreat held on 25 and 26 May 2022. Ms. Esther Manthi and Mr. Peter Onyango, the facilitators, provided CA with different aspects of the regulatory sandbox design, implementation, monitoring and evaluation.

Engagements With The Global Financial Innovation Network

In January 2019, the Authority was admitted to the Global Financial Innovation Network (GFIN) which comprises of 38 financial service regulators and organizations committed to nurturing and supporting financial innovation. GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. It also aims to create a new framework for co-operation between financial services regulators on innovation-related topics, gaining insights and sharing different experiences, lessons, and approaches.

During the 2021-2022 Financial Year, the Authority continued to support global fintech and innovation co-operation efforts under the Global Financial Innovation Network (GFIN) through participation in the respective work streams.

One area of focus for the GFIN has been to explore the concept of cross-border testing (CBT), also known as the 'global sandbox'. Launched as a pilot in January 2019, it creates an environment that allows firms to consecutively or concurrently trial and scale new technologies, products, or business models in multiple jurisdictions.

Building upon the experience of the pilot, the GFIN launched its first official CBT Cohort 1.0 in October 2020 with 23 regulators across eight regions participating in the initiative. A total of 38 applications were received from firms interested in testing their products and ideas, with two firms successfully taking forward their propositions to the live testing phase.

Two firms, Bedrock AI and Business Reporting - Advisory Group (BR-AG) were successful in progressing to live testing. Bedrock AI's proposition was focused on developing a tool for the Canadian market that could identify potential signs of corporate crisis. The participating regulators were able to test the tool, gain insight into its functionality, and utilise it to help them successfully identify corporate crisis through various indications of red flags in sample disclosure documents. BR-AG's cross-border test was seeking to develop a sustainability reporting template that could allow regulators to monitor how financial market entities manage sustainability related risks and to perform climate change related data analysis.

In July 2021, live tests began which led to GFIN's first ever cross-border tests that successfully provided firms and regulators with real-time insights into how a product or service can operate in multiple markets. The opening of domestic and international dialogue between innovative firms and regulators across multiple jurisdictions has also further fostered collaboration in this space with these relationships continuing beyond the CBT initiative.

The Global Financial Innovation Network Cross-Border Testing Initiative: Cohort 1.0 report released in May 2022 highlights the key lessons learnt. CBT Cohort 1.0 consisted of four key stages that are covered in this report and the summaries of the key findings for application, assessment, testing plan development and testing phases.

In the 2022-23 Financial Year, GFIN has identified three key areas of focus including Crypto, Artificial Intelligence and Machine Learning; and Environmental, Social and Governance.

Achievements and Challenges

To date the sandbox ecosystem has achieved the following outcomes:

- a. Since its inception in 2019, the Sandbox has admitted 12 companies and exited five companies.
- b. Developed a Peer-to-Peer crowdfunding platform framework for mass-market roll-out.
- c. Developed the Capital Markets (Investment Based Crowdfunding) Regulations (*awaiting gazette*).
- d. Developed a Data Analytics and Regtech Solution framework for mass market roll out.
- e. Approval of the Central Depository and Settlement Corporation (CDSC) Securities Lending and Borrowing Rules.
- f. Developed a framework for online Collective Investment Schemes (CIS) platform operators-aggregators and distributors that informed the review of the current Capital Markets (Collective Investment Schemes) Regulations 2001 by incorporating Intermediary Service Platform providers licence.
- g. CMA Kenya admission to the Global Financial Innovation Network (GFIN); and
- h. Development of CMA Regulatory Sandbox Milestones Report.

Strategy, Risk and Projects

The Strategy, Risk and Projects Department oversees the development and implementation of the Authority's Strategic plans, projects, and monitors the Authority's performance. This ensures it remains sound through proactive risk management and compliance with ISO 9001:2015 standards.

Review of the Authority's Performance

CMA has six strategic objectives in its Strategic Plan for the Financial Years 2018/2019- 2022/2023. The strategic objectives are as follows:

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

From the Strategic Plan, the Authority derived annual commitments to ensure the plan is fully implemented. The Authority develops annual work plans based on the above six objectives and identifies thematic areas to be implemented in a specific financial year.

To effectively enable the capital markets contribute to the country's economic recovery, the Authority focused on key strategic priority areas in 2021/2022 as below:

- i. To sustain market vibrancy by enhancing liquidity through existing capital markets products and services.
- ii. To support market-based long-term funding for all sizes of businesses to jump-start economic recovery and growth.
- iii. To support alternative approaches to increase retail and institutional investor participation in the capital markets.
- iv. To strengthen business continuity by embracing digital technology and application of ICT in the capital markets value chain to enhance operational efficiency and service delivery.
- v. To enable the capital markets stakeholders to weather the Covid-19 impact and build sustainable businesses.

Assessment of the Authority's performance against its annual work plan is done on a quarterly basis. The Authority achieved the performance targets for the FY 2021/2022 period for its six strategic objectives. Further, the Authority continued implementing the Strategic Plan 2018-2023 focused on ensuring a robust, facilitative policy and regulatory framework for capital market development, supervise the maintenance of efficient pre-trading and post trading environment including trade facilitation, access to data, information, and stable technology.

Projects Implemented

The following projects were implemented :

- a. Consultancy to Develop an Oversight Framework and Capacity Building on Supervision of Self-Regulatory Organizations (SROs) in Kenya.
- b. The consultant, International Securities Consultancy (ISC) completed the development of an oversight framework and capacity building on supervision of SROs in December 2021.
- c. The Supply, Delivery, Implementation, Training and Commissioning of a Cloud-Based Learning Management and E-Learning System.
- d. Smart People Africa Limited were contracted to develop a cloud-based Learning Management System (LMS) to provide a single source of coordination and information for its Learning and Development activities, as well as an integrated eLearning platform that will enable the development and delivery of eLearning programs. The system was commissioned in June 2022.
- e. Implementation of the Capital Market Master Plan
During the year under review, the Authority with the support of Financial Sector Deepening Africa (FSDA), concluded the mid-term review of the Master Plan and successfully launched the same within the year. Key to note on the launched Plan is the change in the implementation model to ensure delivery of key anticipated outcomes before its expiry. The new structure is anchored on an overarching impact, namely "supporting Kenya's economic transformation through capital markets development underpinned by strong legal and regulatory market oversight" This is focused on impact and outcomes, rather than outputs, working towards fast-tracking of deliverables of the Master Plan.
- f. Major Risks Identified in the ERM
The Authority has implemented an Enterprise Risk Management (ERM) Framework to facilitate structured risk assessments on a continuous basis. The Board is responsible for the Authority's risk management and receives reports at least once every quarter for review, monitoring, and evaluation. The Authority has identified key corporate risks, associated risk levels, and mitigation strategies. These include promulgation of new legislation, unfavorable fiscal and macro-economic environment, negative impacts on the implementation of the Statutory Instruments Act, insufficient human resources, disruption of operations due to Covid-19 crisis, and emergence of unregulated entities and unapproved business lines. The Authority has developed proposals, conducted stakeholder engagement programs, fostered active advocacy and innovation efforts, and implemented new HR instruments to address these risks. The Authority also offers psychological support to staff.

24. SUMMARY OF THE CASES WHERE ENFORCEMENT ACTION WAS TAKEN BY THE AUTHORITY IN 2021/2022 FINANCIAL YEAR.

BREACH	Number of Entities	ENFORCEMENT ACTION TAKEN	
LICENSEES			
1.	Non-compliance with Regulatory framework as a licensed stockbroker	3	Directive was issued to the companies to comply, and financial penalties levied.
LISTED COMPANIES			
2.	Failure to pay the Annual Market Development fees	2	Directive issued to the companies to comply, and the companies complied.
3.	Failure to publish full/half year interim financial statements and failure to maintain adequate working capital.	2	An Infringement Notice was issued against the companies. The Companies took necessary measures to comply.
4.	Failure to publish profit warning in the year 2021	2	Regulatory warning was issued to the companies.
5.	Failure to submit to the Authority and publication of the companies audited financial statements	2	Companies directed to fully comply with the regulatory requirements.
OTHERS			
6.	Majority shareholders acquired shares beyond allowed ceiling of takeover without approval from the Authority.	1	Regulatory caution issued and a financial penalty levied.

