

COFFEE EXCHANGE CHECKLIST



Compliance with Licensing Requirements

Section 29 of the Capital Markets Act, Part II of the Capital Markets (Coffee Exchange) Regulations, 2020 and the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011

	Requirement	Met Y/N	Comment
1.	Duly completed and executed Form A set out in the First Schedule of the Capital Markets (Coffee Exchange) Regulations, 2020		
2.	Certified Copy of Certificate of Incorporation		
3.	Certified copies of memorandum and articles of association (with objects that allow the company to carry out the business for which the license is sought).		
4.	Rules of the applicant (in accordance with Regulation 5 of the Capital Markets (Coffee Exchange) Regulations, 2020).		
5.	Measures to actively enforce compliance by its members with its rules and for the prevention of manipulation and excessive speculation		
6.	Details of efficient and transparent trading, clearing and settlement systems proposed to be adopted by the applicant		
7.	A business feasibility plan (<i>as per the Business Model Analysis Guideline issued by the Authority</i>) evaluated by an entity with a proven track record and expertise in coffee exchanges or coffee exchange development, establishment or management;		
8.	The business plan to include the following:		
	(a) Full explanation of the Capital Markets related business.		
	(b) Target market and clientele.		

	(c) Business model to be adopted.		
	(d) Company's objectives both short and long term.		
	(e) Details of outsourcing plans and other key operational matters.		
	(f) Analysis of key conduct risks.		
	(g) Management structure		
	(h) Board of Directors (in accordance with Section 29(1) of the Capital Markets Act, Regulation 10 of the Capital Markets (Commodity Markets) Regulations, 2020 and Regulation 3 and 4 of the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011 and other relevant provisions thereunder).		
	(i) Company Secretary (Disclose the name of an individual and ICPSK Number)		
	(j) Shareholding Structure, detailing the number of shares and the percentage holding (Please note the shareholding structure requirements as stipulated under section 29(5) of the Capital Markets Act)		
	(k) The beneficial owners of the legal person or arrangement including beneficial owners of corporate shareholders		
	(l) External Auditor		
	(m) Details of Premises		
	(n) Details of staff (please note the requirement for the chief financial officer, risk management officer, compliance officer and internal audit functions as per the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011).		
9.	Satisfactory bank references		
10.	Evidence of minimum authorized, issued and paid up equity share capital to support initial infrastructural investments and three years' operating capital		
11.	Evidence of Exchange's financial capacity, functional expertise and infrastructure		

12.	Evidence of minimum liquid net-worth requirements that are adequate in relation to the nature, size and complexity of the business such as: a) An amount equal to one half of the estimated gross operating costs of the commodity exchange for the next twelve-month period; b) Such other liquid net worth amount as may be prescribed by the Authority.		
13.	Evidence of established systems and controls that will enable the commodity exchange to determine and monitor the sufficiency of its liquid net worth.		
14.	Minimum amount of money, as determined by the Authority, for deposit in the settlement guarantee fund before the commencement of trading		
15.	Rules, procedures, terms and conditions governing the settlement guarantee fund,		
	(a) amount of deposit or contribution to be made by each member of the commodity exchange to the settlement guarantee fund		
	(b) terms, manner and mode of deposit or contribution		
	(c) conditions of repayment of deposit or withdrawal of contributions from the settlement guarantee fund		
	(d) charges for drawing from the settlement guarantee fund		
	(e) penalties applicable		
	(f) disciplinary actions		
16.	Evidence that it has in place proper and adequate infrastructure in terms of office space, equipment and software to enable it to undertake its activities;		
17.	Evidence of a system/ infrastructure to accord reasonable access to the auction of all persons licensed under the Crops (Coffee) (General) Regulations, 2019 to trade;		
18.	Evidence of a system/ infrastructure to ensure maintenance of a data base for records of coffee sales at the auction floor and other related trade activities		

19.	Provision to establish a linkage between the Direct Settlement System provider and licensed coffee warehouses to facilitate release of coffee to coffee buyers or roasters upon payment;		
20.	Provision to ensure dissemination of market information for every coffee auction and an analysis of performance on a daily, weekly and monthly basis.		
21.	Evidence of infrastructure to establish a direct link between its systems and software of the Authority		
22.	Duly filled Fit & Proper forms of all the directors and key personnel (please note to attach certified copies of their certificates of good conduct, comprehensive CV's, passport photos and all the required documents).		
23.	Certificate of Good conduct for Directors, persons holding majority shareholding and Key personnel		
24.	Application Fees (Ksh. 10,000)		