



CREDIT RATING AGENCIES CHECKLISTⁱ

Compliance with Licensing requirements
Section 29 of the Capital Markets Act, The Capital Markets (Credit Rating Agencies) Regulations, 2023 and the Capital Markets (Corporate Governance) (Market Intermediaries) Regulations, 2011.

	Requirement	Met (Y/N/NA)	Comment
1.	Duly completed and executed Application Form in duplicate (appears on the first schedule of The Capital Markets (Credit Rating Agencies) Regulations, 2023.		
2.	A certified copy of the Certificate of Incorporation		
3.	Certified copy of the Memorandum and Articles of Association (must specify that rating of securities and issuers of securities is one of the applicant's main objectives).		
4.	A business plan shall include the following-		
	A full explanation of the capital markets-related business, its background (including its legal structure and creation) and what it is intending to do.		
	The company's target market and clientele i.e., whether a firm has identified a specific business opportunity or customer base. Further the firm should identify and acknowledge the existing competition		
	The business model to be adopted by the company. Disclosure on how it will earn revenue whether by charging agency		

	commission, management fee, profit sharing etc. and disclosure of how revenue is earned whether per transaction, per annum, percentage of transaction etc.		
	The company's short- and long-term objectives Any long-term strategy and expansion plans.		
	A clear view of the company's target market, key customers, distribution, products and pricing.		
	The expected customer experience of the business from day one.		
	Details of the company's intended investment strategies, fee and remuneration policies, governance framework (including the organizational structure) and key personnel		
	The experience of the company's principals to undertake the proposed regulated activities it plans to conduct		
	The employment background, experience and relevant qualifications of all staff who will be performing significant influence-controlled functions and how this will help them with their role		
	Financial projections (income statement and statement of financial position) for three years, (these can be sent separately with the financial statements) including working capital requirements which should include the supporting rationale behind the key line items projected and a demonstration of when the business is expected to break even.		
	Any other activity that the company may engage in that reasonably could have a material impact on net capital within the first twelve months of business operations. N/B (This can however be sent separately with the financial statements).		
	An analysis of any key third party relationships		

	Exit arrangements in case the company wishes to discontinue business. Disclosure of how clients will be refunded and transfer of assets etc.		
	The company's marketing strategy		
	Details of any outsourcing plans or other key operational matters.		
	An analysis of key risks and mitigation strategies. Corporate governance structure with disclosures on shareholding and details of ultimate beneficial shareholders.		
5.	Management Structure		
6.	<p>Board of Directors which should comprise of:</p> <ul style="list-style-type: none"> a) A minimum of 3 directors a third of whom must be natural persons b) At least one third should be independent and non-executive directors c) Not more than one third of the directors who are close relations of any director <p>A director should not hold more than 2 directorships in market intermediaries unless they are subsidiaries or holding companies</p> <p>The Chairman of the Board must be a non-executive Director</p>		
7.	<p>Submission of a board charter that:</p> <ul style="list-style-type: none"> i) confirms the Board's responsibility for adoption of strategic plans, monitoring operational performance, the determination of policies and processes that ensure the intermediary's risk management and internal controls. 		

	<ul style="list-style-type: none"> ii) reserves specific powers to itself and iii) delegates other matters to the management of a market intermediary provides a code of conduct that addresses. iv) conflict of interest relating to directors and management which shall be regularly reviewed and updated as necessary; and v) identifies the key risk areas that require regular monitoring. 		
8.	Accounts (6 months unaudited +2 years where relevant) Paid up share capital (>= Kshs. 12 million)		
9.	Financial projections for 3 years		
10.	Company Secretary (Disclose the name of the individual and ICSK Number)		
11.	Clear separation of roles and responsibilities of the Chairman and Chief Executive.		
12.	Name and competencies of Chief Executive		
13.	Have a policy for appointment of employees		
14.	External Auditor		
15.	Details of premises		
16.	<p>Details of staff (Please note the requirement for the chief financial officer, risk management officer, compliance officer and internal audit functions as per the Corporate Governance Regulations)</p> <p>The internal auditor and chief financial officer must be members of ICPAK, and the internal auditor must not be the compliance officer)</p>		

	Please also note the requirement to have analysts who are qualified to carry out ratings pursuant to Regulation 13 (f) of the Capital Markets (Credit Rating Agencies) Regulations, 2023		
17.	Operating and IT system (describe the system in place or the system to be put in place once licensed)		
18.	Adequate infrastructure to enable the applicant provide rating services		
19.	<p>Shareholding Structure, detailing the number of shares, the percentage holding and including the ultimate beneficial shareholding of all corporate shareholders and any existing Trusts if applicable.</p> <p>Provided that:</p> <p>i) No single shareholder shall hold more than thirty three and a third percent of the issued share capital of the company</p> <p>ii) No member of senior management or Executive Director shall hold more than Twenty five percent of the issued share capital.</p>		
20.	Sample standard agreement between the entity and its clients that complies with Regulation 12 of the Capital Markets (Credit Rating Agencies) Regulations, 2023.		
21.	Sample letter of request for rating		
22.	Draft of the information requirements for rating a security and an issuer		
23.	<p>Where the applicant engages in any other form of business other than credit rating, the applicant shall:</p> <p>i) Demonstrate that it has operationally, legally and, where practicable, physically separated its credit rating business from any other business of the entity that</p>		

	<p>may present a conflict of interest;</p> <p>ii) Demonstrate establishment, maintenance, documentation and enforcement of policies, procedures and controls for the minimisation of conflicts of interest that may arise between that other business and the credit rating business where the other business of the entity does not present a conflict of interest with the applicant's credit rating business; and</p> <p>iii) Disclose to the Authority in writing the justification as to why any other business of the entity does not present a conflict of interest with the credit rating business of the entity.</p>		
24.	A copy of the rating process		
25.	Applicant should have professional rating committees comprising members who are adequately qualified and knowledgeable to assign ratings		
26.	Appropriate procedures and systems to detect and prevent the trading by employees in the securities of the credit rating agency's clients in order to prevent insider trading and market abuse by employees		
27.	Detailed rules of operation of the credit rating business		
28.	Risk Management Plan		
29.	A brief on the rating methodology, rating grades and fee structure		
30.	A copy of the platform's terms and conditions		
31.	Data Protection Policy in line with the provisions of the Data Protection Act		
32.	Policy on Prevention of Anti-Money Laundering and Terrorism Finance		

33.	Accounts (6 months unaudited +2 years where relevant) Paid up share capital (>= Kshs. 12 million)		
34.	Kindly note that an application for a license should be accompanied by a statutory declaration by the directors as to whether after due enquiry by them in relation to the interval between the date to which the last accounts have been made and a date not earlier than fourteen days before the date of the application – <ul style="list-style-type: none"> (i) the business of the company has, in their opinion, been satisfactorily maintained. (ii) there have, in their opinion, arisen any circumstances adversely affecting the company's trading or value of its assets. (iii) there are any contingent liabilities by reason of any guarantees given by the company or any of its subsidiaries; and (iv) there are, since the last annual accounts, any changes in published reserves or any unusual factors affecting the profit of the company or any of its subsidiaries. Kindly furnish us with this declaration.		
35.	Proof of payment of Application Fee of Kes. 10,000.00		
36.	Comprehensive Curriculum Vitae for directors and key personnel		
37.	Duly filled and executed Fit & Proper Forms for directors and key personnel		
38.	Valid certified copies of Police Clearance Certificates and identification cards together with passport photos for directors and key personnel		
<i>Requirements for Foreign Applicants that seek to conduct credit rating business in Kenya</i>			
39.	Authorisation by the relevant regulator in the foreign applicant's jurisdiction that		

	the foreign applicant is a credit rating agency in the form of a certified copy of a valid licence or approval to carry on the business of a credit rating agency		
40.	A letter of No Objection from the foreign applicant's primary regulator		
41.	Proof that the relevant regulator is a member of the International Organisation of Securities Commission for the purposes of information sharing and supervision		
42.	Proof that the foreign applicant has the technical capacity and experience to carry on the business of a credit rating agency		
43.	A code of conduct where the foreign applicant has adopted and implemented in full the International Organisation of Securities Commission Code on Credit Rating Agencies. Where there is a deviation from the Code, the applicant is to indicate the reason for the deviation.		
44.	A business plan that includes resumés of the foreign applicant's top management staff and management structure		
45.	A brief on the rating methodology, rating grades and fee structure		
46.	A sample of a standard agreement between the foreign applicant and its clients		
47.	A draft sample letter of request for rating		
48.	A draft of the information requirements for rating a security and an issuer		
49.	Recognition Fee of Kes. 200,000.00		

**Compliance with the IOSCO Code of Conduct Fundamentals for Credit Rating Agencies
(revised March 2015)**

No.	Relevant Provision	Y/N	Comment
1.	Quality and integrity of the Rating Process (Clause 1) <ul style="list-style-type: none"> <li data-bbox="379 389 796 501">i) Quality of the Credit Rating Process (Clause 1.1 to 1.17) <li data-bbox="379 546 796 658">ii) Integrity of the Credit Rating Process (Clause 1.18 to 1.24) 		
2.	Credit Rating Agency independence and avoidance of conflicts of interest: <ul style="list-style-type: none"> <li data-bbox="379 775 796 1043">i) General Provisions (Clause 2.1 to 2.5) CRA (Credit Rating Agency) IOSCO Code of Conduct Fundamentals for Credit Rating Agencies <li data-bbox="379 1055 796 1167">ii) Policies, procedures, controls and disclosures (Clause 2.6 to 2.11) <li data-bbox="379 1178 796 1323">iii) Credit Rating Agency Employee Identification (2.12 to 2.18) 		
3.	CRA Responsibilities to the Investing Public, Rated Entities, Obligers, Originators, Underwriters and Arrangers. <ul style="list-style-type: none"> <li data-bbox="427 1503 796 1659">i) Transparency and Timelines of Credit Rating Disclosures (Clause 3.1 to 3.18) <li data-bbox="427 1671 796 1816">ii) Treatment of Confidential Information (Clause 3.19 to 3.21) 		

4.	Governance, Risk Management & Employee training (Clause 4.1 to 4.3)		
5.	Disclosure and Communication with Market Participants (Clause 5.1 to 5.4)		

ⁱ The checklists issued by the Capital Markets Authority Kenya(CMA) are intended to provide clarity and assistance in navigating regulatory requirements. However, it is important to note that these checklists are not intended to serve as a substitute for reading and comprehending the regulations themselves. Individuals and entities subject to regulatory oversight should familiarize themselves with the applicable laws, rules, and regulations, and seek appropriate legal or professional advice as needed. The checklists provided by the Capital Markets Authority are meant to supplement, not replace, a thorough understanding of regulatory obligations.