

PUBLIC NOTICE

DEVELOPMENTS IN THE CAPITAL MARKETS FOLLOWING THE PRESENTATION OF THE BUDGET STATEMENT FOR THE YEAR 2013/14

The Capital Markets Authority is established under the Capital Markets Act to develop and regulate an orderly, fair and efficient capital markets in Kenya. In line with its mandate to deepen the capital markets, the Authority welcomes the policy proposals communicated by the Cabinet Secretary for Finance, Hon. Henry Rotich, through the Budget Statement made on June, 13 2013, the Capital Markets (Amendment) Bill, 2013 and the subsequent gazettelement of several capital markets regulatory instruments. The Authority and its stakeholders are confident that the gazetted Regulations and the Amendment Bill will positively impact on the growth of Kenya's capital markets.

CHANGE	REFERENCE	EXPECTED IMPACT
<p>1. Proposed amendments to the Capital Markets Act, Cap 485A Laws of Kenya, to introduce reforms with the twin objectives of market development and better regulation. These reforms include:</p> <ul style="list-style-type: none"> (i) Empowerment of the Authority to introduce a principles based approach to the introduction of new products and services; (ii) Introduction of clarity in the methods of public offers of securities; (iii) The introduction of alternative structures for capital raising including securitization; (iv) Allowing for the design and targeting of capital markets products and services to different categories of investors; (v) Introduction of clearer regulatory provisions to tackle market manipulation and insider trading; (vi) Introduction of key provisions to provide the necessary regulatory environment for derivatives markets in Kenya; (vii) Facilitating simultaneous raising of capital across the EAC region; (viii) Providing a regulatory framework for regulation of cross border service providers; (ix) Clarifying and strengthening the Authority's powers to supervise and intervene in market intermediaries as well as to implement enforcement actions; and (x) Broadening the rights of investors and the powers of the Authority in the event of publication of misleading information 	<p>Capital Markets (Amendment) Bill, 2013</p>	<ul style="list-style-type: none"> 1. Ensure accelerated development of the capital markets in Kenya through provision of a clear guidance on the introduction of new capital markets products and services. 2. Create a suitable environment for mobilization of long-term resources to finance capital intensive projects necessary for the achievement of Vision 2030. 3. Promote the international attractiveness of Kenya as an investment destination of choice
<p>2. Introduction of a regulatory framework to promote pooling of investments in income producing real estate assets through Real Estate Investment Trusts (REITs)</p>	<p>Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 Legal Notice No. 116 of 2013</p>	<p>Benefits expected to accrue from investment through REITs include -</p> <ul style="list-style-type: none"> 1. encourage mobilization of savings to the real estate sector of the economy to increase availability of housing which is a priority area championed under Vision 2030; and 2. introducing additional capital markets instruments to both retail and institutional investors for investment and diversification of risk.
<p>3. Introduction of a regulatory framework to provide for licensing of futures exchanges to provide the trading facilities for futures and other derivatives.</p>	<p>Capital Markets (Futures Exchanges) (Licensing Requirements) Regulations, 2013 Legal Notice No. 108 of 2013.</p>	<p>Regulated futures markets to provide, amongst others, the necessary financial instruments for hedging of currency and interest rate fluctuations as well as providing stability in the prices of commodities.</p>
<p>4. An amendment to the regulatory framework for issuance of securities to the public to provide for harmonized requirements for issuance of bonds and other fixed income securities in the East African Community as well as provide for book building process in public offers of securities.</p>	<p>Capital Markets (Securities)(Public Offers, Listing and Disclosure) (Amendment) Regulations, 2013 Legal Notice No. 113 of 2013.</p>	<ul style="list-style-type: none"> 1. These Regulations will enable institutions to access a larger pool of investors and increase their capital raising opportunities. 2. Issuers will be able to access a more effective price discovery mechanism that will better align investor and issuer interests during the public offers of securities.
<p>5. An amendment to the regulatory framework that provide for licensing of market players to-</p> <ul style="list-style-type: none"> (i) introduce risk based supervision model for capital market intermediaries; (ii) reform the license category of specialist fixed income securities dealers, known as Authorized Securities Dealers (ASDs); and (iii) streamline the process of private transfer of listed securities outside a securities exchange in specific circumstances. 	<p>Capital Markets (Licensing Requirements)(General) (Amendment) Regulations, 2013 Legal Notice No. 112 of 2013.</p>	<ul style="list-style-type: none"> 1. The risk based supervision model will - <ul style="list-style-type: none"> (i) introduce an enhanced ability to identify, prioritize and proactively intervene where risks exist through the assessment of capital adequacy standards; (ii) ensure targeted examination and surveillance efforts; and (iii) ensure a more optimal utilization of supervisory resources available to the Authority. 2. Licensing of ASDs will lead to deepening of the fixed income securities market segment as a result of enhanced liquidity and reduced costs with the introduction of additional players as well as supporting the emergence of a market maker program for government securities. 3. Increased efficiency in the processing of necessary approvals for transfer of securities outside securities exchanges particularly in respect of the settlement of the estates of deceased persons.
<p>6. An amendment to the regulatory framework for the authorization of central depository agents to provide for objective criteria for authorization of additional corporate bodies desirous of offering central depository services.</p>	<p>Central Depositories (Regulation of Central Depositories) (Amendment) Rules, 2013 Legal Notice No. 107 of 2013.</p>	<p>Ensure increased accessibility and competitiveness in capital markets services as well as facilitating the provision of CDS accounts to diaspora investors.</p>
<p>7. An amendment to the Regulations that govern corporate governance standards applicable to entities licensed by the Authority to ensure greater clarity and enhance compliance levels.</p>	<p>Capital Markets (Corporate Governance) (Market Intermediaries) (Amendment) Regulations, 2013 Legal Notice No. 115 of 2013.</p>	<p>Greater clarity in respect of the specific and limited provisions under the Regulations which a market intermediary may apply for exemption or variation of application.</p>
<p>8. An amendment to the Regulations that govern conduct of business by entities licensed by the Authority to ensure clarity in interpretation.</p>	<p>Capital Markets (Conduct of Business) (Market Intermediaries) (Amendment) Regulations, 2013 Legal Notice No. 105 of 2013.</p>	<p>Ease in interpretation of the Regulations to facilitate operational compliance.</p>