

- The introduction of **Listing Platform for SME and Venture Companies through the Growth and Enterprise Market Segment (GEMS)**.
- Targeting to become the **continent's hub for Islamic Capital Markets Products**.
- Targeted **investor education frameworks targeting the Diaspora**.
- Establishing a **Capital Markets Master Plan committee** involving local and international stakeholders chart strategic mechanisms for the capital markets to attainment of the Vision 2030.

The Authority operates an **Investor Compensation Fund** to grant compensation to investors who suffer pecuniary loss resulting from failure of a licensed stockbroker or dealer to meet his contractual obligations.

The Authority has established a **Capital Markets Fraud Investigation Unit (CMFIU)** staffed by police officers with expertise in financial crime and forensic investigation in order to proactively manage the risk of fraud through prevention, detection and response.

Opportunities for Investment in Kenya

- Foreign investors entitled to own up to **75% of a listed company**
- Kenya, through the Vision 2030, is **geared to become an international financial center**
- Kenya's deepening of the bond market provides opportunities for:
 - **Structured of debt** (ABS, Covered Bonds, Convertible Bonds),
 - **Arrangers and Placing Agents** (including securitization agents),
 - **Credit Rating**,
 - **Credit Enhancement Services**
- Opportunities to introduce new **Trading Platforms**
- Strong opportunities for **Private Equity and Venture Capital** in thriving ICT and Energy Sectors with **exits provided through listing on the Growth and Enterprise Market Segment**,
- The **establishment of Futures Exchange, commodities markets and metal and minerals exchange** in Kenya will provide opportunities for:
 - **Commodity Pool Operators**
 - **Futures trading advisors**
 - **Intermediaries** (Trading Members, Trading cum Clearing

- Members; Integrated Clearing members, Institutional Clearing members)
- **Warehouses and warehouse receipting systems**
- Latent potential for **Islamic Financing offering products** such as Sukuks and Sharia compliant Mutual Funds
- **Establishment of Carbon Credit Market** to further deepen our markets

Selected Investors Tax Incentives

- **Reduction of withholding tax applicable to dividend income** arising from investment on listed securities for both local and foreign investors. Foreign 15% to 10%; local 5%.
- **Reduction of withholding tax rate on interest income arising out of fixed income securities** such as bonds reduced to 15% and made a final tax.
- **Tax exemption for investment income of a pooled funds** registered by the Commissioner.

For further information, please contact:



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Disclaimer

This brochure is by no means a conclusive document. The Capital Markets Authority takes no responsibility for any consequences arising from decisions taken on the basis of the contents of this brochure. For more information or clarification on Collective Investment Schemes, please refer to our regulations on the same which are available at our website: www.cma.or.ke



AN OUTLOOK OF CAPITAL MARKETS IN KENYA: 2012/2013

Capital Markets Authority

Capital Markets Authority is an independent public agency established in 1989 and is responsible for regulating and promoting development of orderly, fair and efficient capital markets in Kenya.

The **Vision** of the Authority is to be a world-class regulator of a vibrant capital market.

The **Mission** of the Authority is to promote market confidence, investor protection and access to financial services within capital markets in Kenya and the region through effective regulation and innovation.

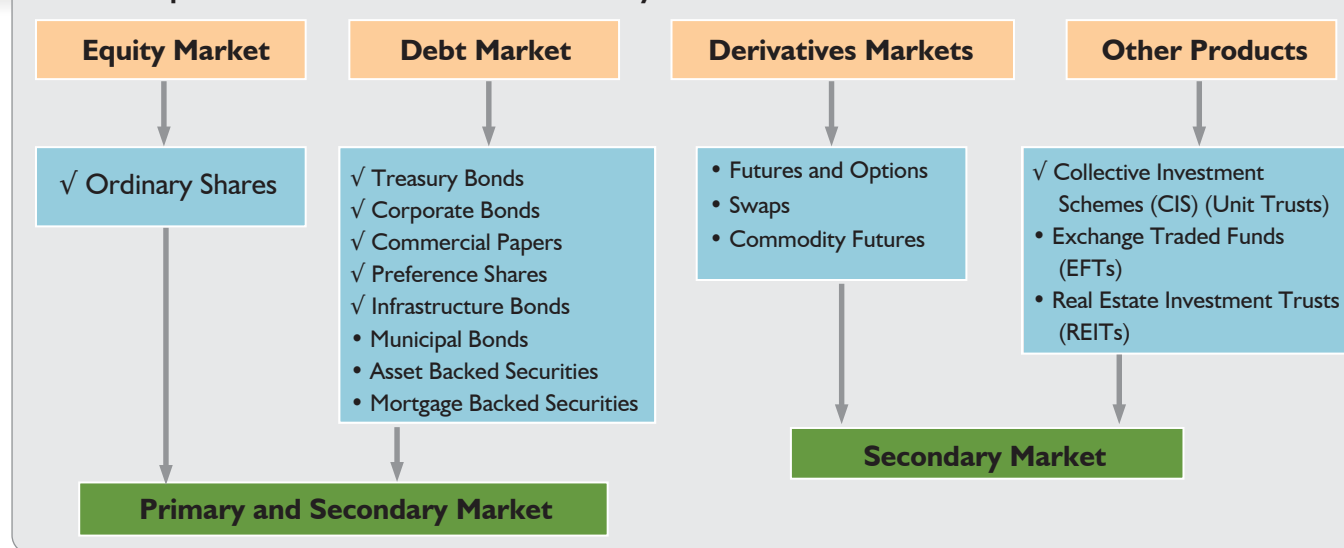
Authority derives its powers to regulate and supervise the capital markets industry from the **Capital Markets Act** and the **Regulations** issued there under. The functions include the following;

- **Licensing** of all the capital market institutions and firms;
- **Supervision of conduct** of all licensed persons and firms;
- **Regulating the issuance of the capital market products;**
- **Promoting market development** through research on new products and institutions;
- **Championing investor education and public awareness;**
- **Surveillance** of the trading of publicly issued securities and the Nairobi Securities Exchange;
- **Protecting investors' interest.**

The Authority licenses or approves the following category of market intermediaries

- Securities Exchange (Nairobi Securities Exchange);
- Central Depository (The Central Depository and Settlement Corporation Ltd);
- Investment Banks;
- Stockbrokers;
- Fund Managers
- Dealers;
- Investment Advisers;
- Authorized Securities Dealers;
- Authorized Depositories (Custodians);
- Credit Rating Agencies;
- Venture Capital Companies;

Current Capital Markets Product Structure in Kenya



Key Market Statistics

- Kenya has the **largest Securities Exchange** in East and Central Africa;
- Nairobi Securities Exchange has **59 out of the 93 listed companies** in the East African region;
- Nairobi Securities Exchange is **the fourth largest market** on the continent (after South Africa, Egypt and Nigeria) in terms of market capitalization at **BP 8.3 billion**;
- The **Settlement Cycle** is at **T + 3**;
- With **Annualized returns at 36%**, the Nairobi Securities Exchange is the second best performing market on the continent.

Fund Raising Capacity of the Kenyan Market

- Over the last 15 years, the capital market has raised over **Kshs 1.3 trillion (BP 8.6 billion)** through bonds and equities issuances;
- **Kshs 500 billion (BP 3.3 billion)** has been raised in the last 3 years notwithstanding the effects of global financial crisis in 2008/09;
- The value of listed securities (debt and equity) currently at **Kshs 1.7 trillion (BP 11 billion)**, **nearly 50% of Kenya's GDP**
- In the course of 2010 – 2012 **Kshs. 32 Billion (BP 240 million)** raised in the capital markets from IPOs, Rights Issues & Public Offers

Ongoing Capital Markets Reforms in Kenya

- The implementation of **bond market reforms** to introduce **Hybrid OTC trading of Bonds**
- The implementation of the **demutualization of the Nairobi Securities Exchange**
- The modernization of market infrastructure with an **Automated Trading System (Equities since 2006 and Debt since 2009)** and a robust Central Securities Depository (CDSC) since 2004
- The introduction of **legal and regulatory framework** in line with **IOSCO Principles** and international best practices
- Ongoing implementation of **Risk Based Supervision** by the Capital Markets Authority
- CMA is a **full signatory of the IOSCO Multilateral MoU on Enforcement Cooperation** to effectively combat cross border market misconduct.
- Ongoing roll out of **Derivatives/Commodities Futures Exchange** expected within 2012 in line with the Authority's goal of providing more financial products to facilitate growth in our economy
- **Nairobi Securities Exchange top Counters** now included in **FTSE Country index** improving international visibility and liquidity.
- The introduction of **Real Estate Investment Trust** vehicles including a **country specific framework for collective investment** for development of real estate.