# The Capital Markets Soundness Report (CMSR)

## Volume XXI


*"Securitization: An Alternative Financing Model for Governments, Government Entities and Corporates in the face of fiscal pressure limitations "*

## Quarterly Publication of the Capital Markets Authority (K)

## Quarter IV (Oct – Dec) 2021

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**SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER**

**Mr. Wycliffe Shamiah, FCPA**
**Chief Executive Officer**
**Capital Markets Authority, Kenya**

Dear Valued Reader, Happy New Year 2022!

Welcome to the 21st edition of the Capital Markets Soundness Report covering events in the fourth quarter of the year 2021. As in subsequent editions, the report provides an assessment of positive and adverse economic and financial developments cross cutting global, regional and domestic markets with a focus on the risks and opportunities presented for capital markets practitioners both in the domestic and foreign markets.

We publish the 21st edition of the report in a relatively optimistic environment given the whirlwind of health and economic challenges that the world has witnessed in the last two years. Economic recovery has been the key focus area in 2021 with the International Monetary Fund estimating global growth in 2021 at 5.9% with a downward estimate of 4.4% in 2022 with the slowdown mainly attributable to expected mutation of the covid virus, rising energy prices and persistent supply chain disruptions that continue to pose inflation risks across the globe.

The projected growth in 2021 is mainly driven by Asia through an estimated 2021 growth rate of 7.2%, an impressive rebound from the -0.8% GDP contraction recorded in the region in 2020.Compared to other regions, Sub Saharan Africa's (SSA) growth in 2021 is projected to be relatively lower, at 4.0% following a -1.7% contraction in 2020.

However, concerns remain on the speed of recovery for middle income and developing countries, particularly African nations primarily fueled by vaccination inefficiencies observed within the continent. Compared to the rest of the world, vaccination levels in Africa remain low with the dose administration in the continent.

Official statistics by the World Health Organization indicate that at least 218 countries and territories have administered more than 9 billion doses of a Covid-19 vaccine, since the first Covid-19 case was reported in China in late 2019.

Covid vaccination data by our world data s of 25th January 2022 show that 60.7% of the world population has received at least one dose of a COVID-19 vaccine.9.95 billion doses have been administered globally, and 27.6 million are now administered each day. However, only 9.8% of people in low-income countries have received at least one dose.

Additionally, only 4.4% of people in low-income countries have been fully vaccinated. Lower middle-income countries have fully vaccinated 35.2% of their people. That's a huge difference compared with 70.1% in high income countries, and 70.5% in upper middle-income countries. African countries have administered 310.6 million doses, meaning a mere 9.3% of the population of the continent is fully vaccinated.

The Kenyan market has weathered the storms through the pandemic with corporate bond issuances witnessed in the quarter showing positive signs on the increasing trust in the ability of the domestic capital markets to meet long term corporate financing needs.

During the quarter, the Authority approved the issuance of a secured Ksh3.9 billion Medium Term Note program for Urban Housing Renewal Development Limited; approval of the issue of a senior unsecured medium-term program of up to Kshs. 10,500,000,000 by the Kenya Mortgage Refinance Company to support Kenya's affordable housing agenda; approval of issuance of a five-year, fixed rate medium term note by East African Breweries Plc seeking to raise Kshs 11 billion with the latter attracting applications for nearly Kshs 38 billion, reflecting an oversubscription of 245 percent.

This has created the much-needed momentum in the domestic market as businesses seek sustainable ways of anchoring their businesses following the effects of the pandemic. The Authority is dedicated to continue working with industry players, policy makers and relevant stakeholders to facilitate access to capital markets financing. I applaud the capital markets industry participants for their resilience and innovation in re-structuring their businesses to ensure that the market continues to grow.

Lastly, the pandemic has forced jurisdictions to greatly invest in and support investments by domestic players – institutional and retail alike. This plays a significant role in ensuring that capital flight by foreign investors does not expose markets to unnecessary runs. I therefore encourage domestic institutional and retail investors to increase their participation in the domestic capital markets and increase their stake in capital markets instruments trading in Kenya.

I extend my gratitude to you, our reader for your patronage in supporting the Capital Markets Authority, year on year towards the attainment of its mandate through your continued readership of this publication.

Enjoy your read and have a prosperous year – 2022.

**FCPA Wickliffe Shamiah**
**CHIEF EXCECUTIVE OFFICER**

## EDITORIAL

**Mr. Luke Ombara**

**Director, Policy and Market Development**

**Capital Markets Authority**

Greetings for the New Year 2022.

It is my pleasure to present to you the capital market analysis for the period October – December 2021 through the 21st edition of the soundness report. I am pleased that despite the covid 19 pandemic, we continue to witness relatively encouraging trading activity at the Nairobi Securities Exchange as investors continue to implement hedging strategies to reduce risk exposure.

In this edition's special feature, we focus on asset backed securities as an alternative market-based financing model culminating in the theme:" **Securitization: An Alternative Financing Model for Governments, Government Entities and Corporates in the face of fiscal pressure limitations**". We focus on a successful securitization program undertaken in Ghana through the Daakye Program aimed at meeting the infrastructural needs in the education sector following the Government's efforts in implementing its free education policy, from kindergarten to senior high school.

I wish to extend my sincere gratitude to Dr Jacob Aidoo, Director and Head of Issuers Department at the Securities and Exchange Commission (SEC), Ghana and Mr Armah Akotey, the Head of Brokerage at Databank Brokerage Limited (DBL) – a licensed Broker-Dealer and Issuing House in Ghana for sharing their insights on the Daakye program through an e-stakeholder engagement on this report's content held on Monday, 24th January 2022.

I hope through this case study, both Government entities and Corporates will see the benefits of undertaking a securitization both to the issuer and investors underpinned on the objective of ensuring bankruptcy remoteness, increasing confidence amongst investors. I am pleased to state that the Authority already has an existing securitization framework to encourage use of such a model to mobilize funding from the capital markets.

Other key developments in the quarter under review include a review of crypto assets and Central Bank Digital Currencies (CBDCs) both as an innovation and a financial risk factor that requires a careful and coordinated approach towards adoption and regulation. We also share global developments on the regulatory scene, covering IOSCO's published report on margin requirements, Singapore's enhanced fintech regulatory sandbox, proposed changes in regulatory fees by the Financial Conduct Authority.

Regionally, we highlight Egypt's new rules on Special Purpose Acquisition Company (SPACs) [1], Ghana's issuance of credit rating guidelines amongst others. Domestically, we highlight the Authority's key milestones in the quarter under review including the launch of day trading by the Nairobi Securities Exchange, publication of share buyback guidelines and a special note on Kisumu County Government's interest in issuing a corporate bond in the domestic market.

On domestic market performance, a year on year assessment of trading statistics at the Nairobi bourse indicate positive gain across all metrices (Table 1 below ) both in the equities and bonds markets except for equity turnover and corporate bond turnover that fell by 7.58% and 26.69% respectively in 2021.

**Table 1: Summary of Year-on-Year Capital Markets Annual Performance Statistics (2021 Vs 2020)**

| Market Statistic | 2021 | 2020 | % Change |
|---|---|---|---|
| Market Capitalization ( Kshs Mns ) | 2,592.92 | 2,336.70 | 10.97% |
| Equity Turnover ( Kshs Mns ) | 137,410 | 148,680 | 7.58% |
| Net Foreign Equity Flows (Kshs Bns ) | (28,629) | (10,239) | 179.61% |
| NSE 20 share index | 1,902.57 | 1,868.39 | 1.83% |
| NSE 25 Share Index | 3,743.90 | 3,415.24 | 9.62% |
| NASI | 166.46 | 152.11 | 9.43% |
| No of equity deals | 277,611 | 263,907 | 5.19% |
| Treasury Bond Turnover (Kshs Mns) | 956,109 | 690,578 | 38.45% |
| Corporate Bond Turnover ( Kshs Mns ) | 865 | 1,180 | 26.69% |

Source: CMA/NSE Database

[1] In its simplest form, a SPAC is defined as a company that has no commercial operations and is formed strictly to raise capital through an initial public offering for the purpose of acquiring or merging with an existing company.

However, the momentum in 2021 was slightly interrupted in November upon announcement of the new omicron virus resulting in a reduction in a 13.66% reduction in foreign investor participation in the equities market from October's 64.83% to November's 51.16%. In the same vein, net foreign outflows were highest in November, at Kshs 4.3 Bn, accounting for 42.16% of net foreign outflows in 2021. Favorably, the month of December 2021 recorded improvements in trading for both metrices with foreign investor participation increasing to 57.20% and net foreign outflows reducing to Kshs 2.9 billion.

Quarter on quarter, investor net worth at the NSE shed by Kshs 186 billion as reflected by the market capitalization levels of Kshs 2.59 trillion as at end December 2021 compared to Kshs 2.78 trillion in the previous quarter end. Additionally, the concentration of the top 5 companies by market capitalization dropped to 80.16% compared to 80.85% in the previous quarter

Turnover ratio averaged at 0.46% in the period under review, up from 0.37% recorded in the previous quarter signaling improved market liquidity. Treasury bond turnover in the period under review amounted to Kshs 179 billion, down from Kshs 288 billion in the previous quarter.

Volatility of the NASI, NSE 20 and NSE 25 share indices as at end of December 2021 remained low at 0.04%, 0.06% and 0.01% respectively.

With increased determination to restore economic growth and stability both on a global and jurisdictional level, I remain optimistic that despite the supply chain risks posed by emergence of new mutations of the covid 19 virus, full recovery is in the horizon.

As we look forward to a better economic environment in the new year, I, like many other African policy makers re-iterate the need to accelerate availability, access to and administration of covid vaccines across the African continent to reduce the incidence of the disease in the continent.

On a personal level, I encourage you and your families as well as work colleagues to support the Government of Kenya's efforts in achieving the highest levels of vaccination across the country.

Remember, safety is up to you and me. Take responsibility.

Enjoy your read.

**Mr. Luke E. Ombara**

**DIRECTOR, POLICY AND MARKET DEVELOPMENT**

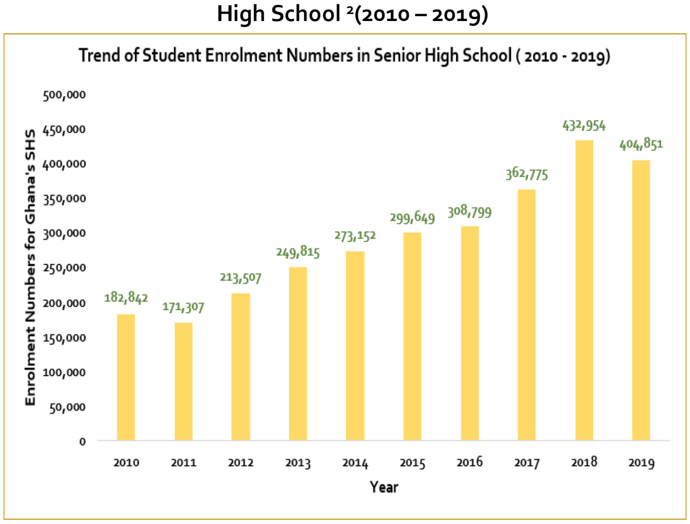
## 1.0 Lessons from Daakye Program – Ghana's Securitization of Tax Flows to fund education spending

### a. Background on Ghana's Free Education Policy

Ghana has been on a trajectory of implementing a free education system from the kindergarten level to senior high school over the years. In September 2017, through the administration of President Nana Akufo-Addo introduced the Free Senior High School (SHS) education policy, which has become an essential part of Ghana's educational system.

This was highly attributable to high costs related to joining High School education system. Statistics by the Ministry of Finance of Ghana shows that between 2013 and 2016, 35% of Junior High School graduates failed to continue to the secondary level and 25% of those who enrolled dropped out at some stage due to cost barriers.

**Figure 1: Trend of Student Enrolment Numbers in Ghana's Senior High School [2](2010 – 2019)**




Source: Ministry of Finance Statistics, Ghana

With the introduction of the policy, student enrolment levels went up as indicated in figure 1 herein, necessitating an investment in education infrastructure to support Ghana's free and quality education agenda.

The main features of the free senior high school policy included; i. Eligible to all Ghanaian youth and young adults who are placed into public second cycle institutions by the Computerized School Selection and Placement System (CSSPS) starting from the 2017/18 academic year, ii. The duration provided for by the FSHS scholarship is for three (3) years, iii. The government absorbs all tuition fees of students in senior high schools, iv. The government absorbs feeding costs for all those admitted as boarding students but lunch for those who are not in boarding house v. To ensure equity, 30% of places in elite schools are reserved for applicants from public Junior High Schools (JHSs) vi. The government provides infrastructure; buildings, furniture, teaching and learning materials[3].

It is upon the sixth feature above on education infrastructure needs that the Government of Ghana, limited by fiscal pressures, opted to work with the domestic capital markets players to find a market-based solution to provide the much-needed funding.

Statistics indicate that the government's new free high school policy required an additional GHS[4] 7.6 billion (about US$1.2 billion) in government spending from 2017 to 2021.

Beyond these expenditures, new investments in STEM[5] education, a push to hire more qualified teachers, and the need to address a massive "classroom backlog" and other pressing challenges left the government with a funding gap

[2] Under Ghana's Senior High School policy, ever Ghanaian child who attains the pass mark, as agreed for the year by Ghana Education Service Council, will enjoy a three-year scholarship for secondary education.

[3] Tamanja, Emmanuel & Pajibo, Edison. (2019). GHANA'S FREE SENIOR HIGH SCHOOL POLICY: EVIDENCE AND INSIGHT FROM DATA. 7837-7846. 10.21125/edulearn.2019.1906.

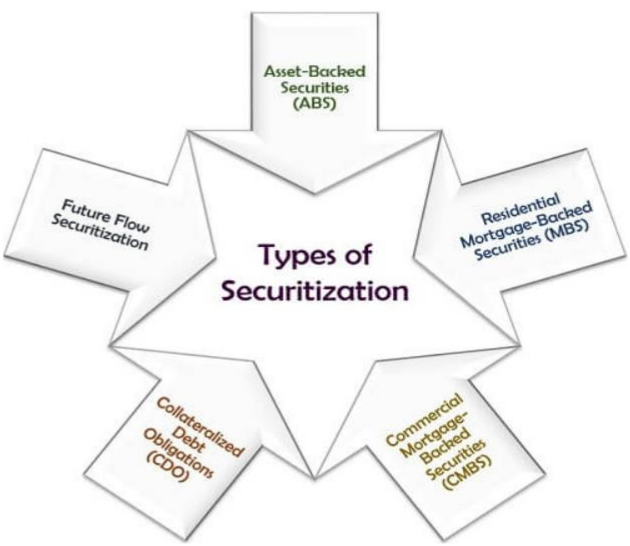
[4] GHS – Ghanaian Cedes

[5] STEM refers to Science, Technology, Engineering and Mathematics

of approximately GHS 10 billion for its education-sector ambitions.

The strategy adopted therefore was to securitize the flow of consumer taxes into the Ghana Education Trust Fund (GETFund), [6]a government fund established to provide additional funding in support of educational initiatives. Ghana's innovative financing approach allowed the government to refinance existing debts and meet its educational investment targets without increasing fiscal pressures, birthing the Daakye program. The Daakye program was based on a prior successful government securitization in the energy sector dubbed ESLA bond program[7].

**Figure 2: Types of Securitizations**




**b. Ghana's Daakye Securitization Structure and Credit Enhancement Model Adopted**

At the center of a securitization[8] transaction are secure, guaranteed cashflows that form the basis upon which the bond repayment obligations will be structured as a safety measure for bond investors.

Noting the importance of getting this right, Ghana's parliament, through legislation passed on Section 3 of the GETFund Amendment Act, resulting in the decoupling of the GET Fund levy from the Value Added Tax (VAT) in 2018 as a straight levy charged at 2.5% on all VAT applicable goods and services.

Further, the Ministry of Finance (MoF) granted a No Objection approval to GETFund to establish a GHS 5.5 billion (US$ 1 billion) Bond Programme. Subsequently, the GETFund Board of Trustees approved the establishment of the Special Purpose Vehicle (SPV), Daakye Trust PLC to spearhead its borrowing activities towards infrastructure development in Ghana. GETFund in consultation with MoF, then assigned a portion of the GETFund receivables to the SPV, Daakye Trust PLC to service the obligations under the bond programme.

To ensure that bondholders receive coupon payments on time, the GETFund tax levies paid by consumers were transferred directly by the Bank of Ghana into a collection

[6] From its inception in 2000, GETFund was designed to provide additional funding support for the Ministry of Education's policy goals, including by providing scholarships for needy students, establishing student loan programs, and supporting training initiatives for educators.2 Starting in 2017, policymakers began to ask whether GETFund could play a broader role in meeting the long-term investment needs of the education system, including a massive build-out of new classrooms and the training and hiring of more qualified teachers.

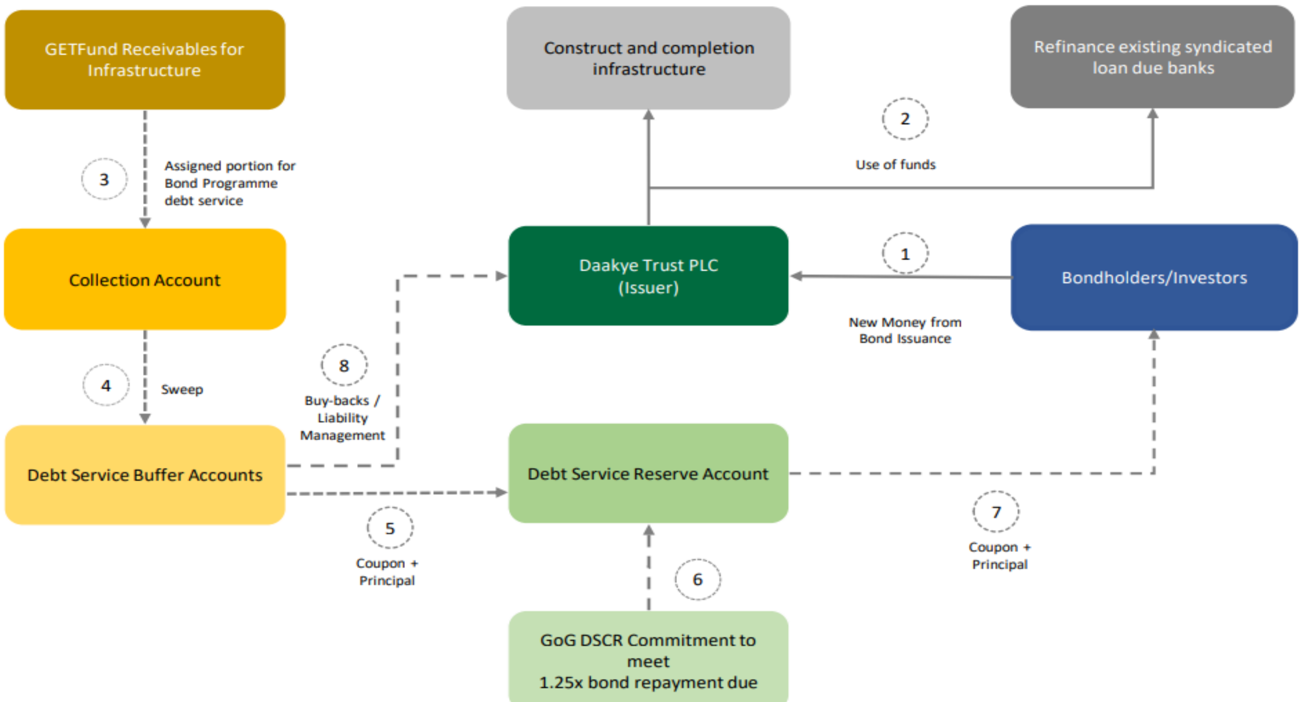
[7] ESLA bond program was a securitization issuance aimed at refinancing legacy debts owed to commercial banks by state-owned enterprises in the energy sector. Parliament passed the ESLA legislation, first, to establish a consumer tax on petroleum products that would be paid at the pump and, second, to securitize those anticipated cash flows to pay down and refinance obligations to the banking sector—while avoiding taking on additional government debt or creating fiscal stress.

[8] Securitizations have a standard structure in which a special purpose vehicle (SPV) is established as an independent legal entity. The originator—that is, the institution raising capital—then sells the rights to its cash flows, be they loan repayments or other kinds of future receivables, to the SPV, and the SPV issues a bond that is bought by investors. The capital raised by the bond is then put to use by the originator, whereas the underlying cash flows to the SPV are used to ensure that investors are repaid the principal and interest on the bond.

account for the purpose of debt servicing for the Daakye issuances. From the collection account, designated amounts were channeled into the debt service reserve accounts.

These accounts were over-collateralized at a Debt Service Coverage Ratio (DSCR) of 1.25x of the upcoming bond payments. Forty-five days before all bond-repayment dates, the funds required to meet the bond repayment at the DSCR are transferred to the Debt Service Reserve Account (DSRA) held by the bond trustee.

**Figure 3: Simplified Transaction Structure of the Daakye Program**




Source: Daakye Bond Programme Roadshow Presentation 14th October 2020 by Daakye Trust Plc

Additionally, the Daakye structure benefited from an important external credit enhancement[9]. If GETFund levy payments are ever insufficient to achieve the 1.25x DSCR, the MOF has committed to make available sufficient government funding to maintain the DSRA at 1.25x of the next bond repayment due for the first year of issuance and an amount equal to the next repayment for subsequent years. However, there is an arrangement for assessments of the cash flows prior to any subsequent issuance to determine the health of the fund and resulting cashflows.

### c. The Governments' Role and the Ecosystem of Key Players

Before the creation of the Daakye Trust PLC and the issuance of the first bond, policymakers had to set the stage for the new securitization program. This developmental process required legislation, ministerial action, and

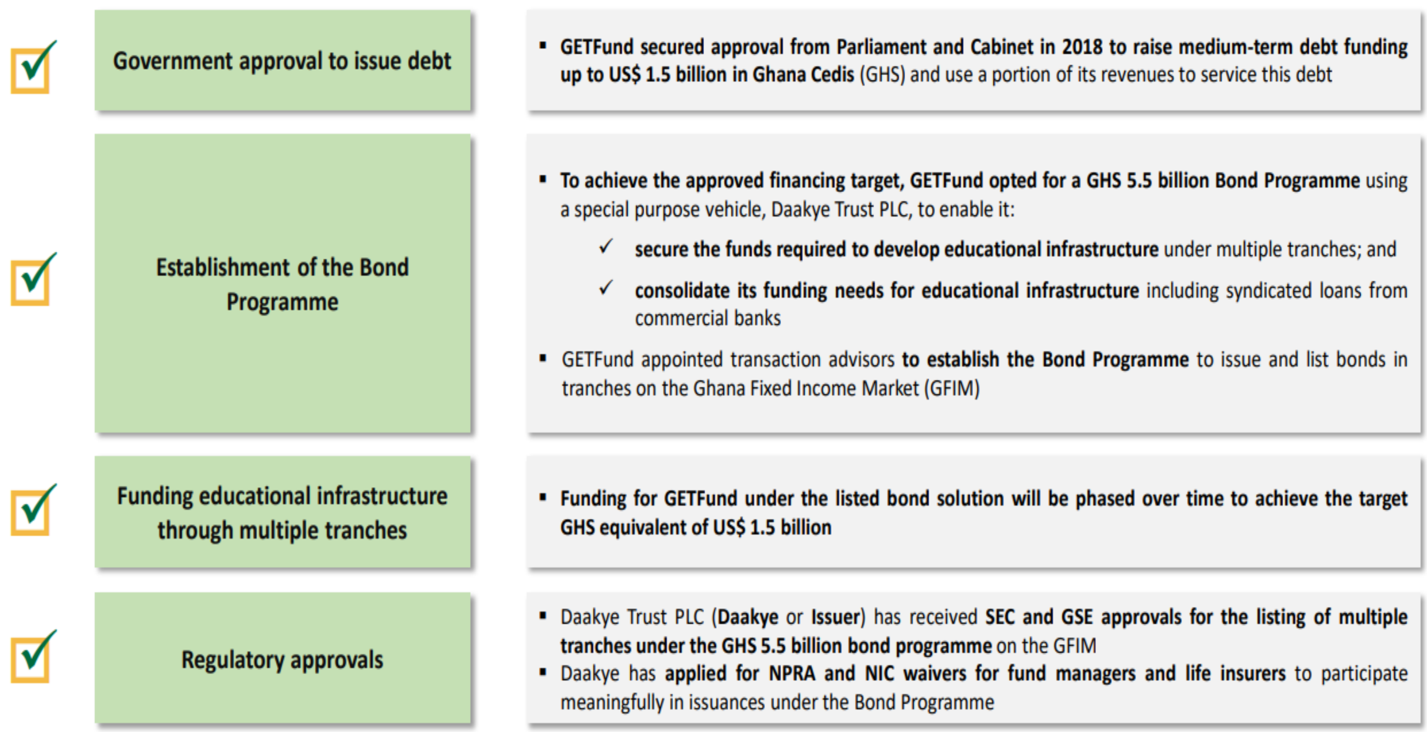
[9] The securitization structure had a built-in assessment point at which the MOF must assess the performance of the underlying cash flows and then approve additional debt issuances. By ensuring that bondholders can be repaid without resorting to the use of an MOF guarantee, these assessments help limit the government's potential debt exposure

regulatory engagement. Additionally, the success of the securitization program required the arrangers to recruit a range of respected private-sector institutions to fulfill key roles.

First and fundamentally, the government had to establish, in law, the GETFund levy as a distinct cash flow, so that it could be securitized. This step was essential to ensure confidence that subsequent changes in elected governments would not result in a change of policy for how the underlying cash flows were used, which would put the repayment of the bonds in jeopardy.

Before 2018, the value-added tax (VAT) was legally one tax applied at a point of sale at the rate of 17.5 percent, with 2.5 percent budgeted for GETFund and 2.5 percent budgeted for the National Health Insurance Scheme (NHIS). Through an Act of Parliament, this single tax was divided into three separate taxes—the GETFund levy (2.5 percent), the NHIS levy (2.5 percent), and the VAT (12.5 percent)—which maintained a total 17.5 percent consumption tax composed of those three streams.

**Figure 4: Key Government and Regulatory Approvals Resulting in the Success of the Daakye Program**




Source: Daakye Bond Programme Roadshow Presentation 14th October 2020 by Daakye Trust Plc

This legal change established the levy that the Daakye program securitized. Second, at the ministerial level, the Ministry of Finance granted a "no objection" approval to GETFund to establish a multibillion-cedi bond program.

The Ministry also identified a staging process whereby the SPV could first issue GHS 3.3 billion, then would require approval to issue up to GHS 5.5 billion in bonds, based on the performance of the underlying cash flows, and a final approval to issue up to GHS 9 billion in Daakye bonds.

In addition, the Ministry established a guarantee mechanism that ensured bondholders would receive payments due, even in the case of a severe underperformance of the GETFund levy.

On the market side, Ghana's Securities and Exchange Commission (SEC), in line with its market development mandate, played a pivotal role in laying the groundwork for the Daakye securitization program. Prior to its first issuance, the securitization's arrangers received SEC and Ghana Stock Exchange (GSE) approvals for the listing of multiple issuances of the Daakye bonds on the Ghana Fixed Income Market.

Ghana SEC also endorsed partial fee waivers for the SPV, for both regulatory and GSE issuance fees. Next, again with support from the SEC, the National Pensions Regulatory Authority and National Insurance Commission relaxed investment caps for corporate bonds so that fund managers and life insurers could invest meaningfully in issuances under the Daakye bond program.

**Figure 5: Key Participants Involved in the Daakye Issuance**[10]

| Role | Institution | Description |
|---|---|---|
| Sponsor/Originator | GETFund | Originates the cash flows and sells them to the SPV; then receives the capital raised through the bond issuance |
| Issuer/SPV | Daakye Trust PLC | Set up as a third-party securitization vehicle to purchase receivables from the originator, to hold and protect the pooled assets from the originator, and to issue securities backed by those assets |
| Joint Lead Managers/ Arrangers | Databank and Temple Investments | Act as arrangers to structure the securitization and ensure participation of other institutions |
| Corporate Manager | KPMG Ghana | Ensures the effective day-to-day operations of the SPV and manages investor relations |
| Bond Trustee | Fidelity Bank | Acts as a representative of investors to ensure the SPV fulfills its fiduciary duty to bondholders |
| Joint Debt-Service Buffer Account Banks | ABSA Bank Ghana/ CalBank | Provide banking services to the SPV for the collection and proper distribution of the cash flows generated by the GETFund levy |

Source: Prospectus, Daakye Trust PLC (August 28, 2020)

### d. Issuances to Date by Daakye Plc Trust

To date, the SPV has issued two bonds, as summarized in Table 1, raising GHS 2.4 billion (about US$390 million). Proceeds from these issuances have flowed back to GETFund, where they are being used to refinance previous debts and to contribute to the completion and construction of educational infrastructure across the country.

The first issuance, a seven-year bond, was executed in October 2020, with a coupon rate of 20.9 percent. The

second Daakye issuance, this time a 10-year bond, was issued in April 2021, with a coupon rate of 20.5 percent.

[10] Additional actors include the Central Securities Depository, which acts as the calculation agent and registrar; PwC, which acts as the reporting accountant; and the Bentsi-Enchill Letsa & Ankomah law firm, which serves as the Daakye legal advisor.

Daakye bonds are listed on the Ghana Fixed Income Market of the Ghana Stock Exchange (GSE).

**Table 2: Daakye's 7 – Year and 10 Year Bond Issuance**

| Issuance | Amount Issued | USD Equivalent | Maturity Date | Tenor | Coupon Rate |
|---|---|---|---|---|---|
| Daakye-1 | GHS 1.73B | US$289M | Oct. 18, 2027 | 7-year | 20.90 |
| Daakye-2 | GHS 0.63B | US$103M | Apr. 16, 2031 | 10-year | 20.50 |

Source: Databank presentation; Daakye Public Trust PLC press releases. Approximate USD conversions in current dollars (2021)

In the first two issuances, commercial banks represented about 58 percent of bondholders, with pensions funds holding about 33 percent of bonds.15 Other institutional investors, including insurance companies and mutual funds, and individual investors comprised the remainder. Virtually all investments have come from the domestic investor base.

### e. Conclusion

Through the Daakye bond program, the government of Ghana has advanced one of its most important long-term economic-development priorities: improving educational opportunity and outcomes for Ghanaian students. And it has done so in a way that minimizes government debt exposure and attracts large amounts of private capital.

Finally, it is worth noting that the groundwork and the final execution of the Daakye bond program were completed entirely by Ghanaian institutions and the private sector, without donor funding or credit enhancements from development partners.

***Capital Markets Stability Implication:***

*Ghana's successful securitization issuance is a great lesson for the Government of Kenya, Capital Market industry players and other key policy holders on the role of policy co-ordination in ensuring successful introduction of and uptake of new capital markets products.*

*In the Kenyan market, the CMA published its Asset Backed Security Policy Guidance Note in 2016 and is yet to witness a successful securitization issuance – corporate or government sponsored. This has largely been attributed to market reluctance in facilitating an issuance.*

*Ghana's case study profiles the role of domestic institutional investors and the private sector in general as a key success factor as local Ghanian banks, pension funds and insurance firms fully subscribed to the bond.*

*This is a challenge for the Kenyan institutional and retail investors alike to purpose to contribute towards the growth and development of real sectors of the economy by subscribing to both corporate and government issuances as we build strong and resilient capital markets able to withstand shocks.*

*With evidence from Ghana's Daakye program, the Authority continues to accelerate its policy advocacy role in ensuring that its key policy stakeholders who remain essential in facilitating a successful securitization issuance understand the benefits that accrue from utilizing such a structure. This will further profile the capital markets as a solution in meeting funding needs of real sectors of Kenya's economy.*

## 2.0 Global Economic Outlook and Capital Growth

Two years on since the proclamation of the covid virus as a global pandemic by the World Health Organization, global economies are still caught up in finding an optimal policy balance focused on a two-prong objective: minimizing the health costs of the pandemic and fostering economic growth.

The global economic recovery is continuing, even as the pandemic resurges, with the omicron strain observed to cause some panic in the period under review, with several

African countries suffering economic consequences as a series of travel bans from the developed world emerge.

Globally 2020 was a devastating year for all economies with negative growth figures recorded across many jurisdictions save for outliers like China. While the pandemic persisted in 2021, aggressive vaccination campaigns, though skewed to advanced economies, have played a significant role in the improved performance.

The IMF's growth projections as forwarded by its World Economic Outlook publication; January 2022 issue estimates global growth in 2021 at 5.9%, consistent with the projection in its October 2021 issue.

The global growth seem to be largely driven by the emerging and developing Asia through an estimated 2021 growth rate of 7.2%, an impressive rebound from -0.8% GDP contraction recorded in 2020.

Compared to other regions, Sub Saharan Africa's (SSA) growth in 2021 is projected to be relatively lower, at 4.0% following a -1.7% contraction in 2020.

Looking forward,the IMF expects global growth to slow down to 4.4% in 2022 with the World Bank's Global Economic Prospectus projecting4.1% growth in 2022. The slowdown is primarily driven by the dimmer economic prospects in the United States and China, the world's largest economies. Rising energy prices and supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The fate of President Biden's Build Back Better Fiscal Package[11] Bill also remains in the balance as the fiscal costs of the same is questioned by American legislators.

In China, the ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects.

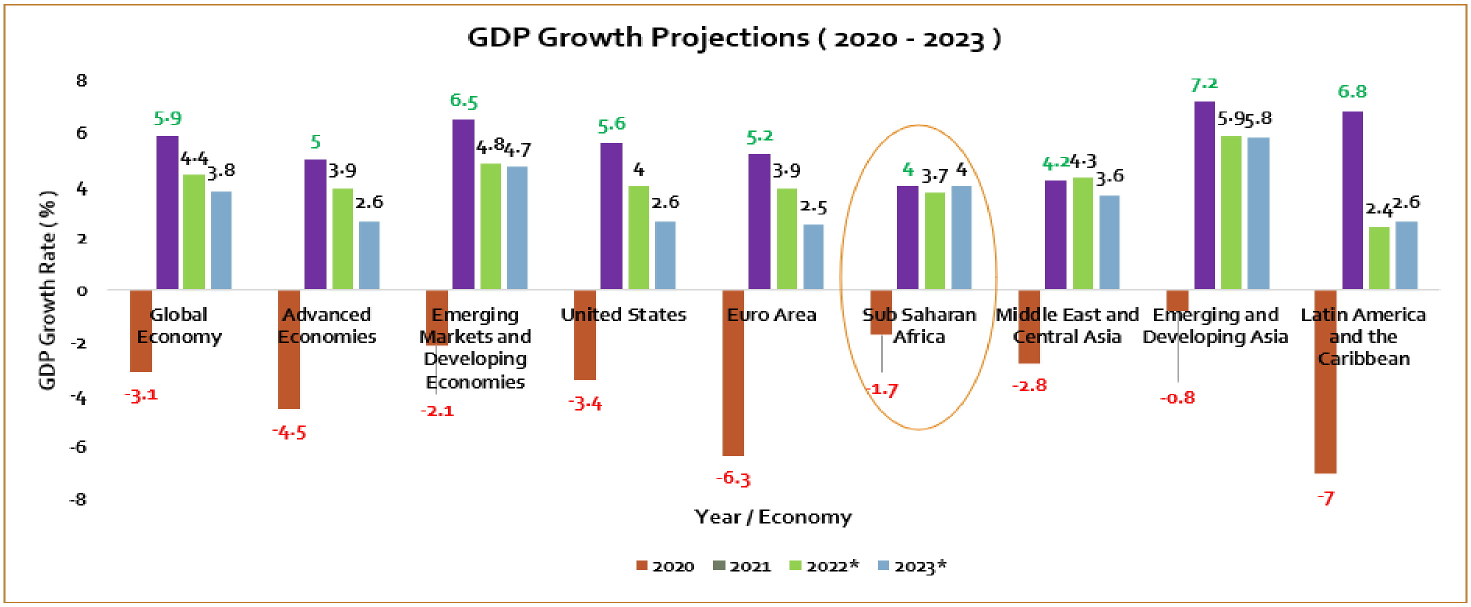
The IMF also downgraded Germany's 2022 growth outlook by 0.8 percentage points to 3.8 per cent as supply-chain bottlenecks continue to disrupt post-pandemic economic recovery in the export-reliant economy with German carmakers, struggling to source components and raw materials.

Additionally, rising energy prices continue to increase costs of running economies. In its December 2021 issue, the World Bank through its Global Economic Prospectus publication reported that oil prices rose to an average of $69/bbl in 2021— an increase of 67 percent over 2020 and $7/bbl higher than previously expected as oil demand recovered, boosted by higher natural gas prices which encouraged the use of oil as a substitute. Despite a planned increase in production by the member countries of OPEC+, global oil output rebounded more slowly than expected owing to supply outages and production constraints, in addition to a muted response to higher prices by U.S. shale oil production. Oil prices are expected to average $74/bbl in 2022 before declining to $65/bbl in 2023 as global production recovers.

[11] The Build Back Better legislation is a $1.75 trillion investment in social and climate programs that makes a series of investments to improve the lives of families across the country by reducing poverty, expanding health coverage, and addressing climate change.

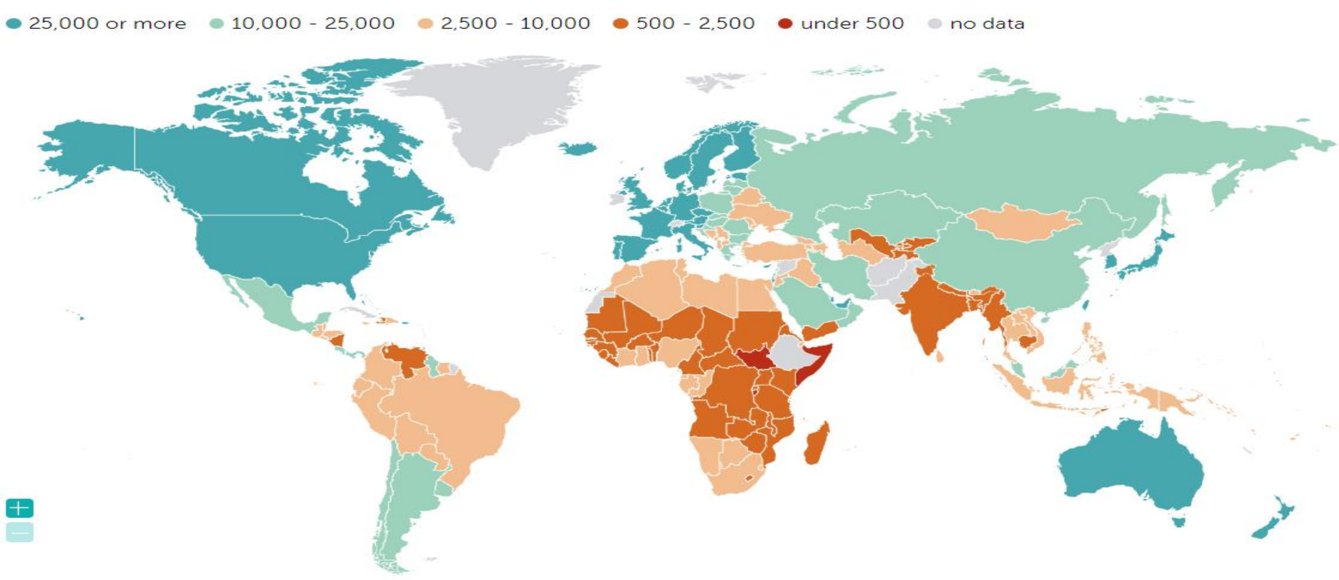
Additionally, significant challenges related to the covid pandemic continue to affect the continent, particularly for micro, small and medium enterprises, making the economic take off in the face of the pandemic slower than expected. This continues to negatively affect the GDP per capita levels in SSA (figure 6 below), further exasperated by a continuously growing, youthful population[12].

**Figure 6: GDP Growth Projections (2020 – 2022)**




Source: IMF, World Economic Outlook, January 2022; * means projections

**Figure 7: GDP Growth in Per Capita Terms**




Source: IMF 2021 data

[12] The World Economic Forum estimates that by 2050, two in every five children will be born in Africa. The average age in Africa is 19 with 77 percent of Africa's population being below the age of 35.

In the quarter under review and in the new year, the central discussion that the continent continues to engage in is access to and sufficiency of covid 19 vaccination for its entire population.

**Figure 8: Number of people fully vaccinated against Covid-19 as of 25th January 2022**

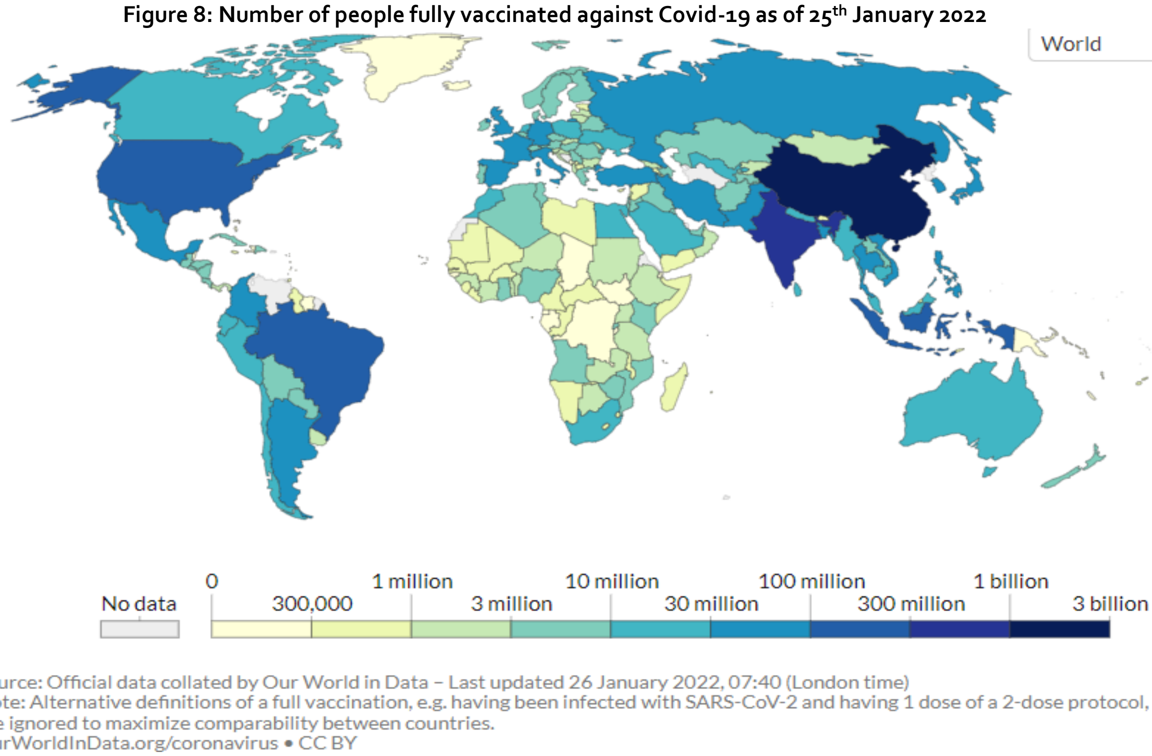



**Figure 9: Number of People Vaccinated Against Covid-19 as of 25th January 2022**

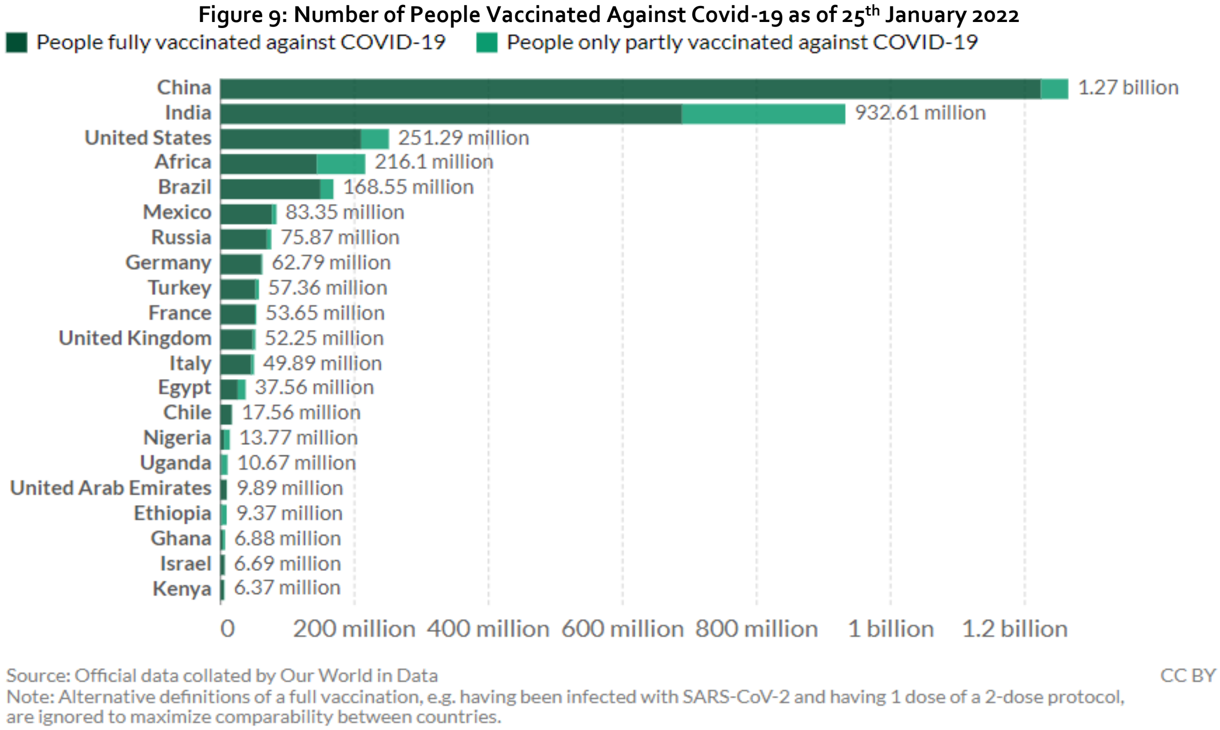
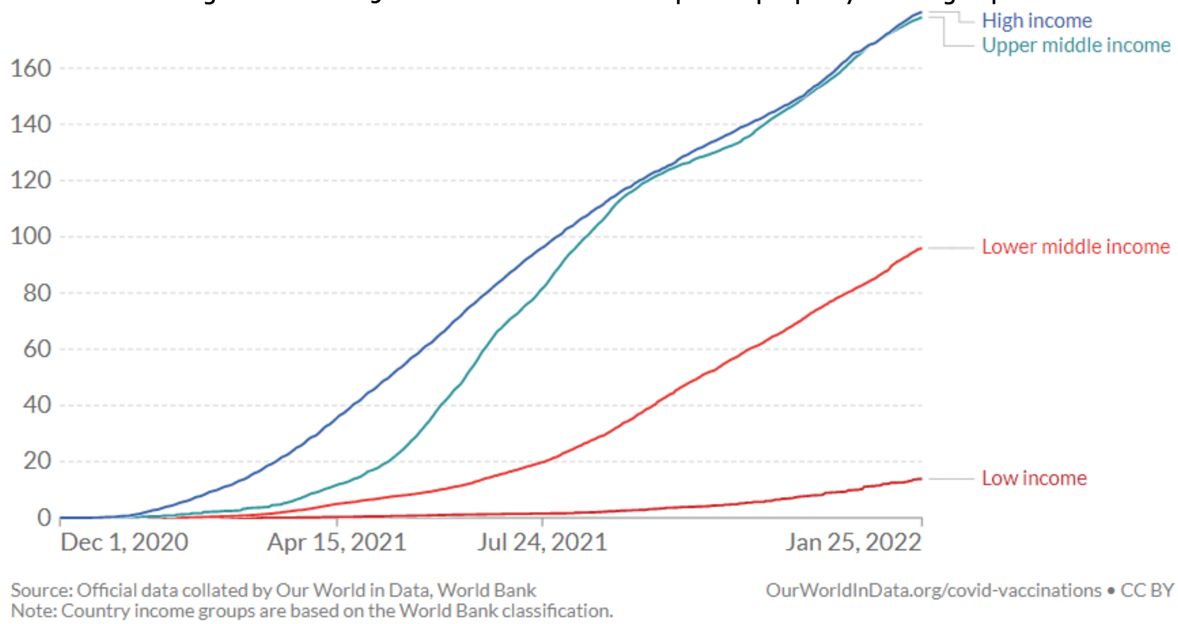


**Figure 10: Covid-19 vaccine doses administered per 100 people by income group**




However, only 4.4% of people in low-income countries have been fully vaccinated. Lower middle-income countries have fully vaccinated 35.2% of their people. That's a huge difference compared with 70.1% in high income countries, and 70.5% in upper middle-income countries. African countries have administered 310.6 million doses, meaning a mere 9.3% of the population of the continent is fully vaccinated.

## 3.0 Capital Markets Outlook

On the global capital markets front, equities fell in November, with fears over the new "Omicron" variant of Covid-19 weighing on investor sentiments, coupled with lower commodities and oil prices lower amid worries that the new variant could result in reduced demand.

**Table 3: MSCI World, Emerging and Frontier Markets Index as of December 2021**

| Equities | Market Returns (%) | | | | | |
|---|---|---|---|---|---|---|
| | 1 Month | 3 Months | 1 Year | YTD (Dec) | YTD (Nov) | % Change |
| MSCI All-Country World | 4.00 | 6.68 | 18.54 | 18.54 | 17.30 | 1.24% |
| MSCI UK | 7.30 | 5.63 | 18.53 | 18.53 | 10.47 | 8.06% |
| MSCI Europe | 6.61 | 5.72 | 16.97 | 16.97 | 9.72 | 7.25% |
| MSCI USA | 3.95 | 10.08 | 26.97 | 26.97 | 22.14 | 4.83% |
| MSCI China | -3.15 | -6.06 | -21.64 | -21.64 | -19.09 | -2.55% |
| MSCI Japan | 1.91 | -3.94 | 2.04 | 2.04 | 0.12 | 1.92% |
| MSCI South Africa | 4,29 | -0.52 | 3.58 | 3.58 | -0.68 | 4.26% |
| MSCI Nigeria | 0.93 | 0.08 | 3.55 | 3.55 | 2.60 | 0.95% |
| MSCI Egypt | 2.27 | 18.43 | 7.62 | 7.62 | 5.23 | 2.39% |
| MSCI Emerging Markets | 1.88 | -1.31 | -2.54 | -2.54 | 4.28 | -6.82 % |
| MSCI Frontier Markets | 1.50 | 0.74 | 20.09 | 20.09 | 18.31 | 1.78% |
| MSCI Frontier Markets Africa | 2.21 | -2.97 | 12.27 | 12.27 | - | - |
| MSCI Kenya | 1.80 | -8.67 | 13.84 | 13.84 | 11.82 | 2.02% |
| | Fixed Income | | | | | |
| US Treasuries | 0.06 | 0.06 | 0.39 | | | |

Source: MSCI Index Reports for respective countries and CMA Computations

The Global, Emerging, and Frontier Morgan Stanley Capital International registered mixed returns of 6.68%, -1.31% and 0.74% respectively in US Dollar terms during the quarter under review. However overall returns on equity were positive year-to-date for Global and Frontier markets and remained negative for Emerging Markets.

In the bond markets, weaker risk appetite further led to lower Government bond yields as the expansionary fiscal policy by many jurisdictions aimed at stimulating economic growth led to persistently higher inflation. Globally, inflation is projected to remain the biggest source of macro uncertainty in 2022, having increased sharply in the latter months of 2021 mainly due to supply-demand imbalances, higher energy prices and re-opening effects.

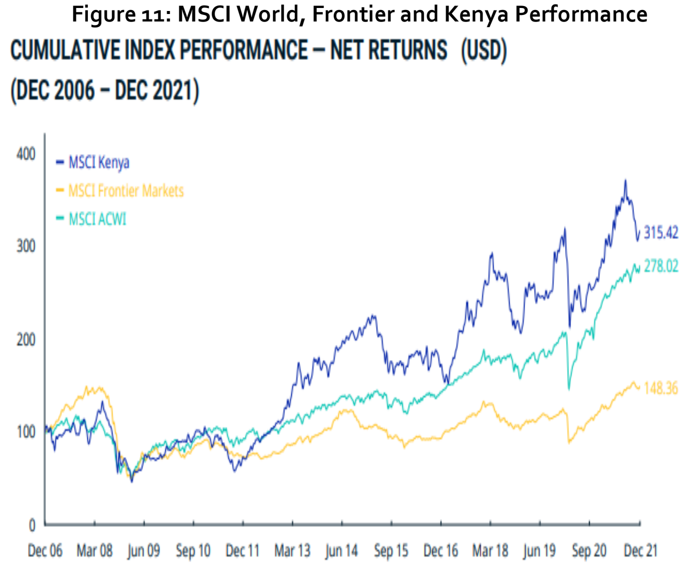
Domestically, inflation during the quarter averaged at 5.99%, down from an average of 6.68% recorded in the previous quarter with food inflation bearing the highest proportion as opposed to fuel and core inflation.

***Capital Markets Stability Implication:***

*The Authority notes the persistent negative impact of new strains of Covid-19 on the global, regional and domestic financial markets amidst economic recovery. While the Frontier Markets remain attractive to investors with a 20% return on equity in dollar terms, the relatively lower vaccination coverage could in future undermine this solid performance. This calls for enhanced policy advocacy towards enhanced vaccinations in Africa which makes up a sizeable share of frontier markets to mitigate against the risk of full or partial closure of economies.*

*The Authority will further continue to advocate for review of tax, licensing and capital raising environment in Kenya to enhance ease of doing business especially for Small and Medium Enterprises. Additionally, we shall continue to support ongoing measures to promote market liquidity such as day trading, launched during the period under review and securities lending and borrowing to sustain market vibrancy amidst Covid -19 challenges.*

**Figure 11: MSCI World, Frontier and Kenya Performance**




Source: MSCI

In the domestic capital markets, the Nairobi Securities Exchange Indices (NASI, NSE 20 and NSE 25 share) recorded better performance than in the former year. The graphs below summarize the trend in the indices for 2020 and 2021.

## 4.0 Global Financial Stability and Risk Factors to Watch out For

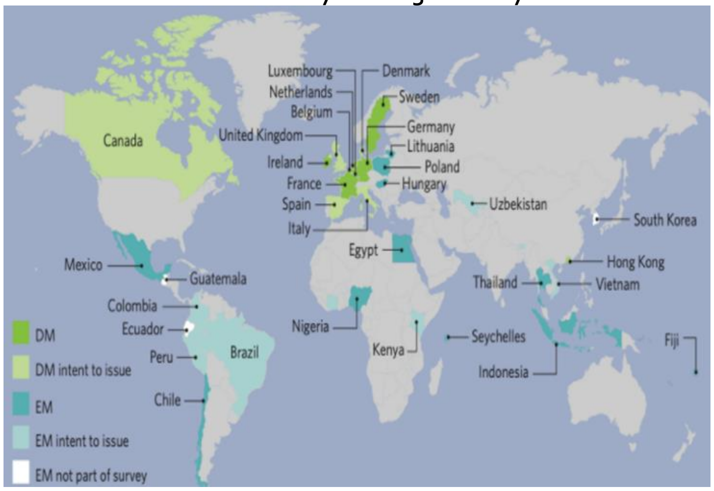
### a. Mutation of the Covid 19 Virus

According to the IMF's Global Financial Stability Report for October 2021, financial vulnerabilities continue to be elevated in a number of sectors, masked in part by massive policy stimulus. Policymakers are confronted with a challenging trade-off: maintaining near-term support for the global economy while preventing unintended consequences and medium-term financial stability risks. A prolonged period of extremely easy financial conditions, while needed to sustain the economic recovery, may result in overly stretched asset valuations and could fuel financial vulnerabilities. Additionally, increased risk taking and rising fragilities in the nonbank financial institutions sector such as digital lending platforms point to a deterioration in the underlying financial stability foundations. If left unchecked, these vulnerabilities may evolve into structural legacy problems, putting medium-term growth at risk and testing the resilience of the global financial system.

### b. The Continued Rise of Sustainable Finance

With investor awareness of catastrophic events rising in the wake of the pandemic, flows into sustainable funds, and into climate funds in particular, have surged since early 2020 (Figure 5). Inflows support climate stewardship and issuance of securities by "green" firms. Sustainable investors may also offer financial stability benefits as they tend to be less sensitive to short-term returns.

**Figure 12: Profile of Global Sovereign Green, Social and Sustainability Offerings Globally**



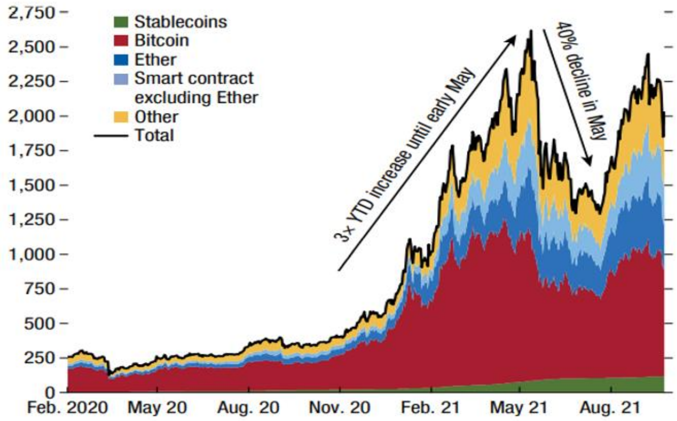

Source, Climate Bond Initiative 2021

### c. Increasing Digitalization, the risk of Crypto Assets and the rise of Central Bank Digital Currencies (CBDCs)

In the recent years, regulators continue to recognize that digitalization represent an enormous opportunity for financial services and, in turn, for the consumers of those financial services, and the digital revolution has been said to represent the fourth wave of globalization. For regulators, investor safety is essential, balanced by the need to promote, or at least not stifle, the growth enabled by digital innovation. There is variation in regulatory priorities around the world. New digital services are the product of technology and commercial incentive, so regulators are having to prioritize safety of the consumers' preferred digital services in each particular market.

IMF's Global financial stability report, October 2021 issue highlights the rapid growth of the crypto ecosystem as a key financial risk facing financial systems globally, thus presenting new opportunities and challenges. Crypto asset exchanges pose several operational and financial integrity risks through their cross-border operations. Investor protection risks loom large for crypto assets and decentralized finance. For example, stablecoins have generally poor disclosures and can be subject to runs if their reserves come into question.

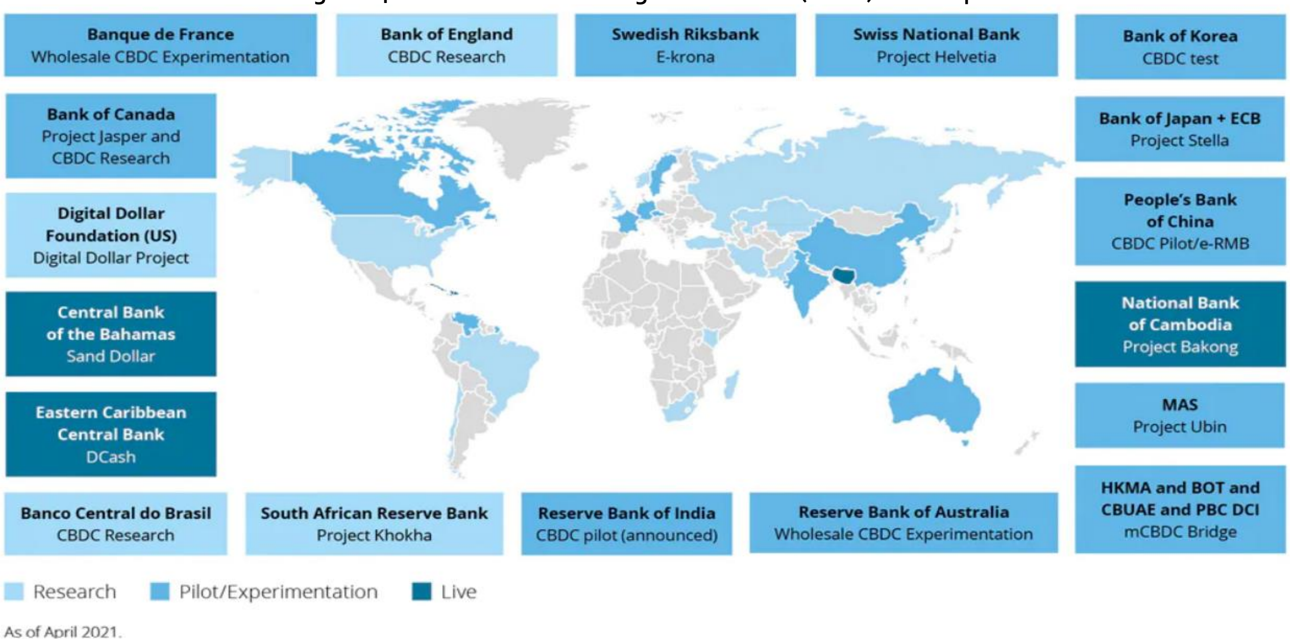
**Figure 13: Market Capitalization of Crypto Assets (In Billions of US Dollars)**




Sources: CoinGecko; and IMF staff calculations.
Note: YTD = year-to-date.

In emerging markets, the advent of crypto assets may be accelerating dollarization[13] and eroding the effectiveness of existing exchange restrictions and capital control management measures. Increased trading of crypto assets by emerging market users can potentially lead to destabilizing capital flows. Emerging market and developing economies faced with these risks are encouraged to prioritize strengthening macro policies and consider the benefits of issuing central bank digital currencies[14]. And globally, policymakers should work together through the G20 Cross Border Payments Roadmap to make cross-border payments faster, cheaper, more transparent, and inclusive.

**Figure 14: Global Central Bank Digital Currencies (CBDC) Landscape**




[13] Dollarization here refers to the de facto adoption of a foreign currency (not necessarily the dollar) or asset that displaces the domestic currency, driven by the preferences of the economy's residents. The primary driver of the adoption can be a new means of payment and unit of account (currency substitution) or a safer store of value (asset substitution).

[14] A central bank digital currency is the virtual form of a country's fiat currency. A CBDC is issued and regulated by a nation's monetary authority or central bank, making it more secure than other digital currencies. CBDCs promote financial inclusion and simplify the implementation of monetary and fiscal policy. Overall, CBDCs would offer both a new form of central bank money and a paradigm change in payments infrastructure.

Source: Deloitte

Due to this, the financial industry in general should anticipate the impact of CBDC's as they continue to evolve on the following key aspects of their operations;

- Maintenance and compliance with AML, KYC and custodian related regulation.
- Existing legal frameworks depending on the CBDC design [15]adopted.
- Infrastructure changes to enable the processing of CBDC transactions.
- Emergence of innovative business solutions such as digital applications that introduce CBDC functionality.
- Changes on regulatory framework on cross border FX transactions
- Customer privacy, data security and cyberthreats
- Different accounting rules and audit and financial reporting requirements are expected for CBDC transactions [16]

Closer home, the evolution of CBDCs has been witnessed in Africa during the quarter under review. On 25th October 2021, Nigeria became one of the first countries in the world and the first in Africa to launch its own Central Bank Digital Currency (CBDC) dubbed the eNaira with reports indicating that the eNaira saw over 400,000 new wallets registered with 12,500 transactions worth $113,000 in less than two weeks of launch17. Further, in November 2021, the Tanzanian Central Bank announced plans to introduce its own Centra Central Bank Digital Currency (CBDC) amid Plans to issue Crypto Regulations.

***Capital Markets Stability Implications:***

*Technological revolution, better known as the fourth revolution, continues to introduce significant changes in how business is run both at a household and institutional level. With increased adoption of digital currencies as an alternative payment mechanism, regulatory aptness in anticipation of adoption of such solutions by businesses is required.*

*While CBDC models and transactions are largely organized around banks and the Central Bank, the effects and adoption will spill over to other financial sectors due to the interconnected nature of financial services.*

*As a result, the Authority is considering addressing the effect that digital currencies will have in its regulatory business given that most of its licensees are either commercial or investment banks who are fast expanding the scope of their payment infrastructure*

## 5.0 Key International Developments to Note

### 5.1 UK's Financial Conduct Authority's Regulatory Developments

#### a. Proposed Changes in Regulatory Fees[18]

The Financial Conduct Authority (FCA) which has the mandate of authorisation and supervision of 51,000 firms throughout the UK solely depends on the regulatory fee

[15] There are two common design formats for CBDCs: token-based and account-based. Each approach has a different technical infrastructure, as well as varying levels of access and privacy. Token-based CBDCs use a digital token, and access and claims require users to have knowledge of the token (public-private key pair) and commercial banks would need to be the first line of defense for compliance with know your customer (KYC) and anti-money laundering/combating the financing of terrorism (AML/CFT) regulations. On the other hand, account-based CBDCs access and claims are linked to a bank account tied to the identity of the account holder and compliance with KYC and AML/CFT regulation is the responsibility of the central bank.

[16] [What are Central Bank Digital Currencies? | Deloitte Global]

[17] [eNaira completed N46.3 million worth of transactions in less than 2 weeks - CBN - Nairametrics]

[18] https://www.fca.org.uk/publications/consultation-papers/cp21-33-fees-levies-proposals-2022-23

paid by firms to fund its activities. The policy proposal was more skewed towards adopting a more suitable approach in the setting of the regulatory fees. The Authority wishes to transform to become a more assertive and innovative regulator, a process that will require an investment of £120 million in the next three years and therefore a need to revisit the approach used to set the regulatory fees.

The fee changes will apply to all firms and institutions that pay fees to FCA and those that would wish to be registered with the Authority. The current fees have not been altered in over a decade and it is expected to rise from £1,151 to £2,200 over the next three years. In addition, the Financial Conduct Authority (FCA) proposed to change the methodology used to calculate consumer credit firm fees to bring them more in line with other form fees.

**Table 4: Reviews Expected on the Regulatory Fees**

| | Type of fee | Proposal |
|---|---|---|
| **1.** | Minimum Fees | Rebase the minimum regulatory cost. |
| | | Integrate fully authorised consumer credit (CC) minimum fees into fee-block A.0. |
| | | Rebase consumer credit limited permission minimum fees. |
| | | Integrate fully authorised consumer credit firms into the prudential fee-bloc |
| **2.** | Investment firm's prudential regime | Review the application fees. |
| | | Review the Periodic fees. |
| **3.** | Other fees policy proposals | Pre-paid funeral plan (FP)firms.<br>**a)** Data reporting<br>**b)** Charge for appointed representatives (ARs) |
| | | Recognised overseas investment exchanges (ROIEs) fees. |

| | | |
|---|---|---|
| | | Rule clarifications. |

Source: FCA Website[19]

**b. FCA Listing Rules Reforms[20]**

In the quarter under review, the FCA confirmed a series of rule changes to its listing rules with the new rules coming into effect on 3rd December 2021. Post Brexit, the United Kingdom has initiated reforms in its regulatory regime as a way of ensuring that the UK's public markets [21]remain a trusted and attractive place to list successful companies while providing opportunities for companies to grow. FCA's decision to review the listing rules is said to be primarily inspired by the changing nature of companies that wish to be listed.

**Table 5: List of Effected Changes to the UK's Listing Rules**

| | Rule | Objective |
|---|---|---|
| 1 | Introduction of a Dual Class Share Structure (DCSS) [22]in the premium listing segment | Aim to reduce barriers to companies listing in the UK and encourage private companies to consider listing at an earlier stage, while still retaining high standards for investors. |
| 2 | Reduction of free float [23]from 25% to 10% | Reducing possible barriers for issuers that are created by current requirements. |
| 3 | Increase of Minimum Market Capitalization from 700,000 pounds to 30 million pounds for the premium and standard listing segments for shares in ordinary commercial companies | Expected to increase investors' trust and clarity concerning types of companies with shares admitted to different markets. |

[19] https://www.fca.org.uk/publication/consultation/cp21-33.pdf

[20] https://www.fca.org.uk/news/press-releases/fca-confirms-new-listing-rules-boost-growth-and-innovation

[21] According to the UK Listing Review, the number of listed companies in the UK has fallen by about 40% from a recent peak in 2008. Between 2015 and 2020, the UK accounted for only 5% of IPOs globally.

[22] The revival of IPOs with dual class share structures in the US and the increasing popularity of such share structures in Asia has put pressure on the policymakers in the UK. Many stock exchanges now see permitting dual class companies to list as a necessary step to 'stay relevant in a time of relentless competition in the cross-border IPO business

[23] Free float refers to the amount of shares an issuer is required to have in public hands

Source: FCA

***Capital Markets Stability Implication:***

*As global economies change, the structure and operations of businesses within the capital markets and investment industry equally evolve. In the same way regulatory changes are inevitable in the face of a continuously evolving world. Cognizant of this and in line with its strength as a responsive regulator, the Authority, just like the FCA is currently undertaking a rigorous review of its regulations. Key regulations under review in this financial year include the Public Offers, Listing and Disclosure (POLD), Credit Rating and Collective Investment Schemes.*

*The objective for the expansive review is to ensure the regulations encourage competition and allow companies to easily use the capital markets as a solution to their growing business needs – financial or otherwise.*

*In line with constitutional requirements on public participation, the Authority will be publicizing the drafts to the new regulations for public comments within the first quarter of 2022.*

### 5.2 Regulatory Amendments by the Securities Exchange Commission, United States

#### a. Enhancement of Filing Fee Disclosures and Payment Methods

At the US Securities and Exchange Commission (SEC), the filing fee data confirmation process has been manual for a long time. As a result of the observed burden on SEC staff in reconciling inconsistencies and rectifying errors that occur during manual fee calculation, SEC adopted a filing fee disclosure and payment method that is more aligned to the current technologies. The new system would allow commissions staff to identify and correct errors easily, as the Commission's electronic filing system (EDGAR) has the capability of automatically checking structured filing fee-related information, therefore, providing internal consistency and the possibility of having inconsistent data.

The first amendment requires the filer to present their filing fee disclosure in a table format using the Inline eXtensive Business Reporting Language (Inline XBRL) and including the appropriate table as an exhibit to the filing. The second amendment involved inputting additional features to the new system including the Automated Clearing House (ACH) and the debit and credit card payment of filing fee and eliminating options that were not frequently used such as payment through checks and money orders. Filers will therefore have four options to choose from which include wire transfer, debit cards, ACH, and credit cards.

Operating companies who pay filing fees when registering securities offerings, tender offers, and mergers and acquisitions will greatly benefit from the initiative. In addition, adopting the new technology will favour the Commission, market participants, and filers through increasing efficiency and reducing the cost of processing certain forms. The amendments are generally expected to take effect from Jan 31, 2022, with amendments requiring the addition or elimination of payment options taking effect from 31 May 2022.[24]

#### b. Proposal to Amend the Electronic Filing Requirements[25]

The Securities and Exchange Commission proposed an amendment to modernize how data is submitted and

[24] https://www.sec.gov/rules/proposed/2021/34-93518-fact-sheet.pdf

[25] https://www.sec.gov/news/press-release/2021-223

disclosed within the Commission. This is through allowing certain forms which were previously filed and submitted in paper format to be filled and submitted electronically. In addition, the amendments require that changes be imposed on certain files to ease the readability and access of information. Affected by this rule are parties that file or submit their report to SEC on EDGAR Investment Adviser Registration Depository (IARD) and the national securities exchanges. The following are the filing and submissions required by the Commission[26]

**Table 6: List of Effected Changes to the UK's Listing Rules**

| | |
|---|---|
| 1. | Most of the documents that are currently allowed to be electronically submitted include the form 6-k and multilateral development bank filing. |
| 2. | Glossy annual reports and certain foreign language documents, to be submitted to Security holders.<br>if submitted, in PDF format. |
| 3. | Certification showing approval of a security by an exchange for listing and registration. |
| 4. | Applications for orders under the Advisers Act. |
| 5. | Confidential treatment requests for Form 13F filings. (Form 13F is a quarterly report that is required to be filed by all institutional investments).[27] |
| 6. | Form ADV-NR (through the IARD system). |

***Capital Markets Stability Implication:***

*The Authority can learn from such developments that are geared towards leveraging technology, modernizing, and increasing efficiency in various regulatory processes. The Authority recognizes that modernization is key towards achieving efficient capital markets. In addition, there is an urgent need for the Authority to borrow a leaf from SEC and start working on reviewing its fees to align them to current market realities and economical context.*

**5.3 Monetary Authority of Singapore (MAS) Enhances FinTech Regulatory Sandbox with Sandbox Plus**

In the period under review, the Monetary Authority of Singapore launched three enhancements to its FinTech Regulatory Sandbox framework, dubbed "Sandbox Plus" to further catalyze financial innovation and FinTech adoption. The Sandbox Plus is expected to take effect on 1 January 2022.The enhancements include:

a. **Expansion of eligibility criteria to include early adopters of technology innovation:** In Singapore's current sandbox structure, a company is eligible for the sandbox only if no similar implementations were observed in Singapore. By expanding support beyond first movers to early adopters, Sandbox Plus aims to provide a more conducive environment for new technology innovations to gain broader traction in Singapore and provide more options to consumers and businesses.

b. **Streamlined application with financial grant:** With the new provision, first movers of technology innovation can concurrently apply to enter the Regulatory Sandbox and receive a financial grant under the Financial Sector Technology and Innovation – Financial Institution (FSTI-FI) Projects track[28]., in a single application. Eligible applicants can obtain funding of up to S$500,000 at a 50% funding level. The grant will be disbursed over three payments upon

[26] https://www.sec.gov/rules/proposed/2021/34-93518-fact-sheet.pdf

[27] https://www.sec.gov/pdf/form13f.pdf

[28] The Financial Sector Technology and Innovation scheme provides support for the creation of a vibrant ecosystem for innovation. The FSTI scheme is valid until March 2023. The Innovation Centre track seeks to attract financial institutions to set up innovation centres of excellence or labs in Singapore to test-bed innovative ideas and roll out market solutions.

meeting certain conditions, during and after the sandbox period. The financial grant will help meet the cash flow needs of Sandbox Plus applicants and allow them to focus resources on technology innovation and market development even while they are still in the Regulatory Sandbox.

c. **Participation in Deal Fridays.** Eligible applicants will be enrolled in the Deal Fridays programme: – a platform for deal-making opportunities. The programme will help sandbox companies access the external investor community, to benefit from the network, mentorship, and funding[29].

***Capital Markets Stability Implication:***

*The Authority continues to update and align its Regulatory Sandbox programme to current innovation realities. The Authority has been keen to enhance strategic partnerships between admitted firms with key stakeholders both locally and internationally. Management notes there is need to scale up and continuously support the programme for Kenya's capital markets to be an innovation hub in Africa by learning from other regulators. The Authority plans to conduct innovation sprints and events within the financial year to scale up awareness and interest among target stakeholders to test within the sandbox.*

### 5.4 International Standard Setting Bodies Publish a Joint Consultative Report on Margin Requirements[30]

In October 2021, the Basel Committee on Banking Supervision (BCBS), the Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) (the standard setters) invited comments on their joint consultative report Review of margining practices.

Through an ad hoc committee, the three institutions came up with a consultative report that sought to look into the increased number of margin calls between March and April 2020, the transparency of margin practice, predictability and volatility in different markets and jurisdictions as well as market participants' liquidity management preparedness to meet margin calls and the availability of each jurisdiction's regulatory data[31]

The increase in margin calls in March 2020 was attributed to a significant shift in market volatility which was experienced across the financial system. Survey results indicate a huge difference in the margin calls between January and February 2020, as they increased from $25 billion to $140 billion. An increase of over $300 billion was realized in March 2020.

In regard to transparency of margin practices, data collected indicated that most central counterparties clearing houses (CCPs) had different transparency models. A notable similarity across all CCPS was that they have tools that provide information which helps in predicting stressed margin calls and they are able to calculate margin requirements for existing portfolios and changes to portfolios that participants expect to make. There was a suggestion for improvements on transparency, disclosure, and functionality of these tools that would help participants deal with challenges that come with margin changes.

[29] MAS Enhances FinTech Regulatory Sandbox with Sandbox Plus
[30] Source: BCPS-CPMI-IOSCO-Review of Margin Practices- Consultative Report
[31] https://www.bis.org/bcbs/publ/d526.htm

Most market intermediaries were not affected by changes in margin and therefore they did not see the need of making changes in their policies and procedures on margin calls. A good number of intermediaries reported that they did not experience any hindrances when converting high liquid assets into cash during the Covid 19 period, but they changed their investment strategies as regards liquidity resources and/or cash management.

Based on the findings on the report, IOSCO, BCPS and CPMI came up with six areas which would be crucial when coming up with policies on margin practices:

- **I.** Increasing transparency in centrally cleared markets
- **II.** Enhancing liquidity preparedness of market participants as well as liquidity disclosures
- **III.** Identifying data gaps in regulatory reporting
- **IV.** Streamlining Variation Margin (VM) processes in centrally and non- centrally cleared markets
- **V.** Evaluating the responsiveness of centrally cleared IM Models to market stresses with a focus on impacts and implications for CCP resources and the wider financial system
- **VI.** Evaluating the responsiveness of non-centrally cleared IM models to market stresses

***Capital Markets Stability Implications:***

*The consultative report has come at an opportune time when the Authority is in the process of coming up with regulations on Margin trading. The six crucial areas will serve as a good guide into the policy considerations which would eventually impact the regulations. The deadline for submission of comments to IOSCO has been extended to 26th January 2022 and it will be interesting to look at the different perspectives of key market players on the same.*

## 6.0 Regional Developments

### 6.1 Egypt's Financial Regulatory Authority's issues rules governing SPACs in Egypt

The Financial Regulatory Authority issued rules that would regulate the establishment and licensing of Special Purpose Acquisition Companies (SPACs)[32] in Egypt, a move that seeks to provide investor access to emerging companies, especially those in the technology, innovation and digital technologies sector. This would ensure the expansion of the private sector in Egypt. The Companies would take the form of venture capital firms and therefore the procedures of incorporation and licensing would be those required for venture capital firms.[33]

The key features of these regulations include:

- **I.** The issue and paid-up capital of the company should not be less than ten million Egyptian pounds (*equivalent to US$ 630,000 based on an exchange rate of 0.063 as of 10th January 2022*) which should be paid by the founders or sponsors
- **II.** The company has to commit to increasing its capital within a month from the date of its registration with the Authority through public subscription and/or private offers based on the investment plan to acquire the targeted companies

[32] A Special Purpose Acquisition Company (SPAC) is a corporation formed for the sole purpose of raising capital through an initial public offer (IPO) with the intention of acquiring or merging with another company.

[33] https://fra.gov.eg/fra_news/

III. A requirement that there should be a restructure of the Board of Directors in accordance with the decision of the General Assembly after completing the procedures for increasing

IV. The Managing director has to be one of the sponsors/founders of the Company

The SPACS would operate by having institutional investors buying in before listing on the Egypt Stock Exchange (EGX). The funds raised by the SPACS would then be put in an interest-bearing trust account for a period of two years while the SPAC looks for a company to acquire or merge with.[34] If a SPAC does not get a company to acquire or merge with within the two years, then the SPAC is liquidated, and the proceeds are given back to investors.

***Capital Markets Stability Implications:***

*Kenya will benefit from these regulations as it overhauls its Capital Markets (Securities) Public Offers, Listing and Disclosure Regulations and some key elements from the regulations could be included in the draft regulations to ensure access to investors by small and medium sized enterprises while focusing on the expansion of the private sector while taking consideration of investor protection.*

### 6.2 Key Developments from Ghana

#### a. Ghana Launches Regional Based Investor Education Program

During the quarter, exchanges and regulators around the world celebrated World Investor Week (WIW) in different styles with the main theme being investor education and protection. Investor-related programs have been found to not only increase public trust and confidence but also create a better understanding of the capital markets.

To enhance investor education the Securities and Exchange Commission (SEC) Ghana rolled out a regional-based investor education program dubbed "Time With the SEC".[35] The program which started in Takoradi, in the Western Part of Ghana, tackled different educational topics such as i) the mandate of SEC ii) SEC's regulatory framework iii) capital raising and investment, and iv) understanding how the capital market works. The program also allowed investors and members of the public to ask questions and present their issues directly to the Commission. In addition to the program, SEC has ensured that they continue protecting investors by issuing guidelines for Market Operators, enforcing strict licensing rules, and developing a 10-year Mater Plan which will act as a guiding outline for the growth and the development of the Ghanian Capital Markets.

To increase the effectiveness of the program SEC collaborated with Criminal Investigations Department (CID) and the Economic and Organized Crime Office (EOCO) with whom they already have an existing partnership.[36] To deepen the already existing partnership, SEC presented different topics to the law enforcement authority such as why there is need for partnership between the two, the role of SEC's regulatory framework, capital market overview, regulatory framework tools, and enforcement powers of the SEC and Ponzi Schemes activities.

[34] https://enterprise.press/stories/2021/11/02/the-spacs-cometh-57040/

[35] https://sec.gov.gh/sec-rolls-out-regional-education-campaign-dubbed-time-with-the-sec/

[36] https://sec.gov.gh/sec-engages-eoco-and-cid-as-time-with-the-sec-expands-to-include-law-enforcement-agencies/

***Capital Market Stability Implications:***

*The Authority has previously partnered with law enforcement agencies such as the Directorate of Criminal Investigation (DCI) to ensure investor protection and market integrity. There is an opportunity for the Authority to learn from SEC Ghana's "Time With the SEC". a programme which is similar to Kenya Revenue Authority's ongoing 'Ushuru Mashinani Bus'. Adopting such an initiative is likely to enhance investor confidence in the Authority which would encourage capital markets investments therefore deepening the markets.*

**b. Issuance of Credit Rating Agencies Guidelines by the Ghana Securities Exchange Commission (SEC)[37]**

SEC Ghana issued guidelines for entities that operate as credit rating agencies. The guidelines give provisions on the requirements for licensing and registration of credit rating agencies, corporate governance in the agencies, the quality and integrity of the rating process, conflict of interest and disclosures. The Licensing and registration requirements also extend to foreign credit rating agencies that wish to operate in Ghana.

A ratings committee is established by the guidelines whose main function is to review the work of rating analysts, make final decisions on the ratings to be issued by the CRA, determine the methodologies to be used by the CRA, review the methodologies used and review the ratings and transition report.

In a view to enhance the quality of the rating process, the guidelines require that each CRA will enforce a credit rating methodology for each class of entity or obligation for which the CRA issues credit ratings. The guidelines further provide for the monitoring and updating of ratings.

In order to curb for situations where conflicts of interest may arise, the guidelines have provisions on the independence of the rating process, segregation of the rating business from any other activities and disclosures that relate to conflict of interest.

The credit rating guidelines will go a long way in ensuring that key players in the financial market space in Ghana make better financial decisions.

***Capital Markets Stability Implications:***

*The SEC Ghana Credit Rating Guidelines serve as a good reference point for the Authority as it continues to review its credit rating guidelines. Investor protection is at the pinnacle of the Authority's objectives and therefore it is the duty of the Authority to create an environment where investors and other key market players can make sound financial decisions.*

## 6.3 Mauritius Launch Regulatory Framework on Crowdfunding

The Financial Services Commission (the "FSC") of Mauritius announced the launching of its Regulatory Framework on Crowdfunding on 25th of November 2021.The Financial Services Act 2007 ("FSA") introduced amendments to include 'Crowdfunding' as a financial business activity under Part I of the Second Schedule to the FSA. This is driven by the Government's efforts aimed at enabling more SMEs to get access to finance to develop their ideas and grow their businesses. This is anchored on the Government's 10 Year Master Plan for the SME Sector

[37] Source: SEC Securities Industries (Credit Rating Agencies) Guidelines 2021

which provides the following targets to be reached by 2026: raising SMEs' contribution to GDP from 40% to 52%; raising SMEs' share of total national employment from 55% to 64%; and increasing current exports from less than 3% to about 18%. With the enactment of the Crowdfunding Rules complementing the Peer-to-Peer Lending Rules, Mauritius is positioned to be a reputable Fintech hub.

***Capital Markets Stability Implication:***

*The Authority has developed Crowdfunding regulations, which are currently under review to position Kenya as a crowdfunding hub in the East African Region. This follows the successful exit of Pezesha , a crowdfunding platform from the Regulatory Sandbox.*

### 6.4 Uganda's MTN Uganda IPO Marketing

After receiving consent from the Capital Market Authority of Kenya (CMA), MTN Uganda opened its Initial Public Offering (IPOs) to investors in the East African Community trading bloc.[38] MTN Uganda is a subsidiary of the South African MTN Group, and it was licensed to list 20 percent of its shareholding. The sale of the IPO to East African Investors was intended to enable MTN Uganda to list in the Ugandan bourse.

To attract the targeted number of investors, MTN Uganda engaged in marketing which was led by two of Kenya's licensed market intermediaries, SBG Securities and Dyer and Blair. Investors would receive 5 bonus shares for every 100 shares allocated to them by MTN Uganda.

MTN Uganda shares were set to close on Monday 22nd November 2021 at 4 pm EAT with an expectation of bringing at least 108,000 shareholders to the markets. However, the set target was not met and only 60 000 shareholders were brought onboard accounting for 64% of the IPOs and therefore performing below the expectations.[39] Suggestions were raised to extend the sale since failure to meet the set target would render the IPO the first to be undersubscribed in Uganda in a very long time. In spite of the failure to meet the set target MTN Uganda was listed in the Ugandan Bourse. Through the digitalized paperless platform, MTN Uganda IPO is expected to become the largest IPO IN Uganda.[40]

***Capital Markets Stability Implication:***

*Despite the failure to meet the target, the Authority notes the commendable progress made by MTN Uganda IPO as it strives to deepen the markets and increase platforms where East African Community investors can raise capital.*

## 7.0 Domestic Market Developments

### 7.1 Nairobi Stock Exchange (NSE) launches Day Trading

In line with the NSE strategy to enhance market liquidity and increase investor participation, the exchange launched day trading on Monday 22 November 2021 following approval by the Authority during the quarter under review making Kenya the first frontier market to launch day

[38] https://www.businessdailyafrica.com/bd/markets/capital-markets/mtn-to-open-sh132bn-uganda-ipo-to-kenyan-investors-3573338

[39] https://www.businessdailyafrica.com/bd/markets/capital-markets/mtn-uganda-raises-sh17bn-in-undersubscribed-ipo-3641530

[40] https://www.mtn.com/mtn-uganda-announces-intention-to-float-20-of-its-shares-on-the-uganda-securities-exchange/

trading[41].Day trading refers to the practice of purchasing and selling a security within a single day or trading session or multiple times over the course of the day.

The roll out of day trading is intended to enhance market liquidity, increase turnover, increase investor participation in the market, deepen the capital markets, and increased revenue collection. The bourse has introduced an incentive structure that is meant to boost the uptake of day trades, whereby investors engaging in day trading receive a discount on the second leg of the transaction which is levied at 0.114% as compared to other normal trades which are normally levied at 0.12%.

***Capital Markets Stability Implications:***

*The Authority notes that day trading will be key in revolutionizing the Kenyan capital markets and strengthening NSE's position as the preferred investment hub in the region.*

### 7.2 CMA issues Guidelines on Share Buybacks

The Authority announced the issuance of the Guidelines on Share buy backs for Listed Companies on 23rd November 2021. The guidelines were gazzetted on 12th November 2021 and they will be a boost towards enhancing investor protection and promoting orderly capital markets. Limited companies will now be able to repurchase their own outstanding shares, a move which will ensure that the value of the shares is inflated and that the shareholders have a larger stake in the Company.

The CMA guidelines are in tandem with the provisions of the Companies Act 2015, Under Part XVI which first introduced share re-purchase in Kenya. The guidelines provide an additional disclosure requirement for listed companies and further address circumstances that are specific to listed companies in such transactions.

The Guidelines outline provisions on requirements for a shareholder's circular, on market (Exchange) transactions, minimum capital and free float requirement, share buyback relating to a class of shares and treatment of treasury shares, volume of shares to be purchased, disclosures to the Nairobi Securities Exchange, approvals of delisting and privatizations by independent shareholders and applicability of the Capital Markets (Take- overs and Mergers) Regulations, 2002.

### 7.3 CMA Approves Kshs 3.9 billion Corporate Bond for Investment in Affordable Housing

The Capital Markets Authority (CMA) approved the issuance of a secured Ksh3.9 billion Medium Term Note programme for Urban Housing Renewal Development Limited. The Medium-Term Note Programme, which has a Ksh600 million green-shoe option, and an 18-month tenor is a restricted public offer for sophisticated investors. It will be offered at an interest rate of 11 percent. The proceeds will support an affordable housing project in Pangani in Nairobi, comprising 1,562 housing units in a partnership with the Nairobi County Government.

The Capital Markets is well positioned as a source of funding to support productive economic activities such as delivery of affordable housing, which is one of the pillars of the National Big Four Agenda''. One of the constraints of the growth of housing in Kenya is

[41] https://www.nse.co.ke/media-center/press-release.html

the financing constraint with total mortgages in Kenya at under 30,000 as mortgages remain out of the reach of many Kenyans, while the houses units in the market are also relatively expensive.

***Capital Markets Stability Implication:***

*The Authority notes the enhanced issuer confidence in the corporate bond market with this bond coming on the back of the recent oversubscription of 245 percent reported for the EABL medium term notes listed at the Nairobi Securities Exchange (NSE) during the quarter. CMA approved an issuance to raise Kshs 11 billion, but applications were received for nearly Ksh38 billion. The oversubscription of the EABL and Family Bank corporate bond issues by 245 percent and 147 percent, respectively, indicates enhanced investor confidence and growing liquidity in the market.*

### 7.4 CDSC's Successfully Tested Screen-Based Securities Lending and Borrowing and ready to exit the Sandbox

In April 2020, the Central Depository and Settlement Corporation (CDSC) was admitted to the CMA's regulatory sandbox to test the viability of its screen-based Securities Lending and Borrowing platform. CDSC has successfully tested screen based SLB and ready to exit the Sandbox. The Corporation has since submitted rules pertaining to the operation of the platform, that are currently under review by the Authority. The Capital Markets (Securities Lending, Borrowing and Short selling) Regulations 2017 define Securities Lending as the temporary transfer of securities from a lender to a borrower with the concurrent written agreement to return the securities either on demand or at a future date.

The Authority hosted an e-stakeholder engagement on Monday, 24th January 2022 with its market intermediaries where the subject of securities lending and borrowing was discussed extensively with seasoned panelists; Ms Marion Kioi, General Manager, Client, and Intermediary Services at the CDSC[42] Kenya and Ms. Juanita Taylor, Head of Custody and Market Services, Standard Bank's Investor Services Business in South Africa.

The CDSC screen based SLB was described to operate as follows. The lender contacts an SLB agent and issues securities to the agent to either lend or borrow securities on their behalf. The agent then captures the information on the CDSC system, and this allow borrowers and lenders to have a central platform where they can borrow and lend for ease of transactions.

Some of the benefits of securities lending and borrowing include:

1. The fees that the securities lender generates enables the lender to achieve incremental returns.
2. Fees generated can be used to offset costs associated with their portfolio like custody fees.
3. SLB has also been found to enhance liquidity in the market and in return stimulates efficiency in terms of price discovery trading and settlements.

[42] CDSC is the Central Depository and Settlement Corporation Limited, Kenya

4. SLB also tends to boost the growth and development of a derivative markets.

Some of the key risk factors identified in SLB transaction include;

1. The lender might fail to deliver the securities for SLB transaction. It has been implemented in such a way that the moment a lending request is captured the system checks to ensure that the securities are available and balance free. In the CDSC's SLB framework, participants are required to make a submission of lending instructions to allow the reservation of securities to prevent the lender to use them in other transactions.
2. The borrower can fail to provide collateral. The CDSC requires that before a borrower captures the borrowing request, the borrower must provide collateral. Currently the acceptable collateral is cash or a bank guarantee.
3. The borrower can fail to return the securities at the end of a transaction. To mitigate this risk CDSC collects a hundred percent collateral and an initial margin of 10% to cover price fluctuation. In cases where the price of the security increases and the value of collateral falls below 110%, CDSC conducts a margin call and the lender is required to provide additional collateral by a given time.
4. The borrower may fail to pay the required lending fee. In such a case CDSC uses part of the collateral to pay lending fee before returning the collateral. In case the borrower fails to pay the securities and the lending fee, CDSC uses the collateral to buy the securities first and the remainder pays the lending fee. In case the collateral does not cover all these costs, there is a guarantee fund that covers the short fall. In addition rules and regulations have been put in place to ensure that lenders and borrowers agree before beginning transactions.

### 7.5 Kisumu County Government's Plan to Issue a Kshs 1.2 billion Bond

In the reporting period, the Authority, through its market deepening initiatives engaged with the Kisumu County Government and attended the Kisumu Investment Conference held in December. In early 2021, the Kisumu County Assembly approved the Kisumu Lakefront Development Corporation Bill through which the Kisumu Lakefront Development Corporation (KLDC)[43] was established. The corporation is envisioned as the official investment and promotion agency for Kisumu City and is mandated to reinforce the economic, environmental, social and cultural value of waterfront land, and to create an accessible and active waterfront for investment, tourism and trade[44].

Kisumu Lakefront Development Limited is incorporated as a registered company limited by shares conceived by a conglomeration of Public and Private Entities to develop Kisumu City as an East African cosmopolitan Port City. It is comprised of the County Government of Kisumu, Kenya Port Authority, Kenya Railway Corporation, Kenya National Chamber of Commerce and Industry, Kenya Wildlife

[43] Means a special purpose vehicle for the County Government of Kisumu to oversee the Lakefront Development Projects

[44] KLDC-Investor-Handbook.pdf (kisumuinvestmentsconference.co.ke)

Services, Nyanza Club and Lake Basin Development Authority.

Subsequently, pursuant to the registration, the Governor of Kisumu County Government through the gazette Notice Nos. 683 and 684 gazetted the corporation as a Special Purpose Vehicle (SPV) on behalf of County Government of Kisumu to oversee the Lakefront Development projects. Through the Corporation[45], the county seeks to secure assets, isolate public assets, create and invest in joint ventures, isolate corporate assets and perform any other specific financial transactions. The Corporation is served by a seven-member board under the chairmanship of FCPA Edward "Eddie" R.O Ouko, CBS, former Auditor General of the Republic of Kenya[46].

In Kenya, the Public Finance Management Act rests the responsibility for monitoring the financial performance of county corporations and county government linked corporations on the County Executive Committee Member of Finance in the respective county.

In its inaugural issuance, KLDC seeks to raise Kshs. 1.4 billion for the development of 'the Promenade[47]'. This is aimed at building a 26-kilometer ring road around the lake front that will provide access and mobility to both the tourists and the local residents.

The power to borrow by County Governments is anchored within section 140 of the PFM Act, with the CEC Finance having the powers to borrow on behalf of the county government. County borrowing is anchored on a guaranteed framework by the National Government. Section 58 of the PFMA gives the Cabinet Secretary of Finance powers to guarantee such borrowing under certain conditions with approval of the loan from Parliament required.

The factors that determine approval of County loans by the Cabinet Secretary include; a. that the loan is for a capital project; b. the County Government is capable of repaying the loan, and paying any interest or other amount payable in respect of it; c. the financial position of the County over the medium term is likely to be satisfactory; d. the terms of the guarantee comply with the fiscal responsibility principles and financial objectives48 of the national government; e. where Parliament has passed a resolution setting a limit for the purposes of this section— (i) the amount guaranteed does not exceed that limit; or (ii) if it exceeds that limit, the draft guarantee document has been approved by resolution of both Houses of Parliament; f. the Cabinet Secretary takes into account the equity between the national government's interests and the county government's interests so as to ensure fairness; e.g. the borrower complies with any conditions imposed by the Cabinet Secretary in accordance with the regulations;

Further, section 176 of the PFMA County regulations stipulates the principles of county government borrowing to include a. Need to ensure stability of the domestic financial markets; b. Promotion of inter-generational

[45] KLDC seeks to promote investment opportunities primarily in sectors including but not limited to i. transport and logistics ii. Blue economy iii. Cargo, freight and logistics iv. Education v. Fish Leather Goods vi. Financial and Business Services vii. Real Estate viii. Information Communication Technology and ix. Tourism Asset Development

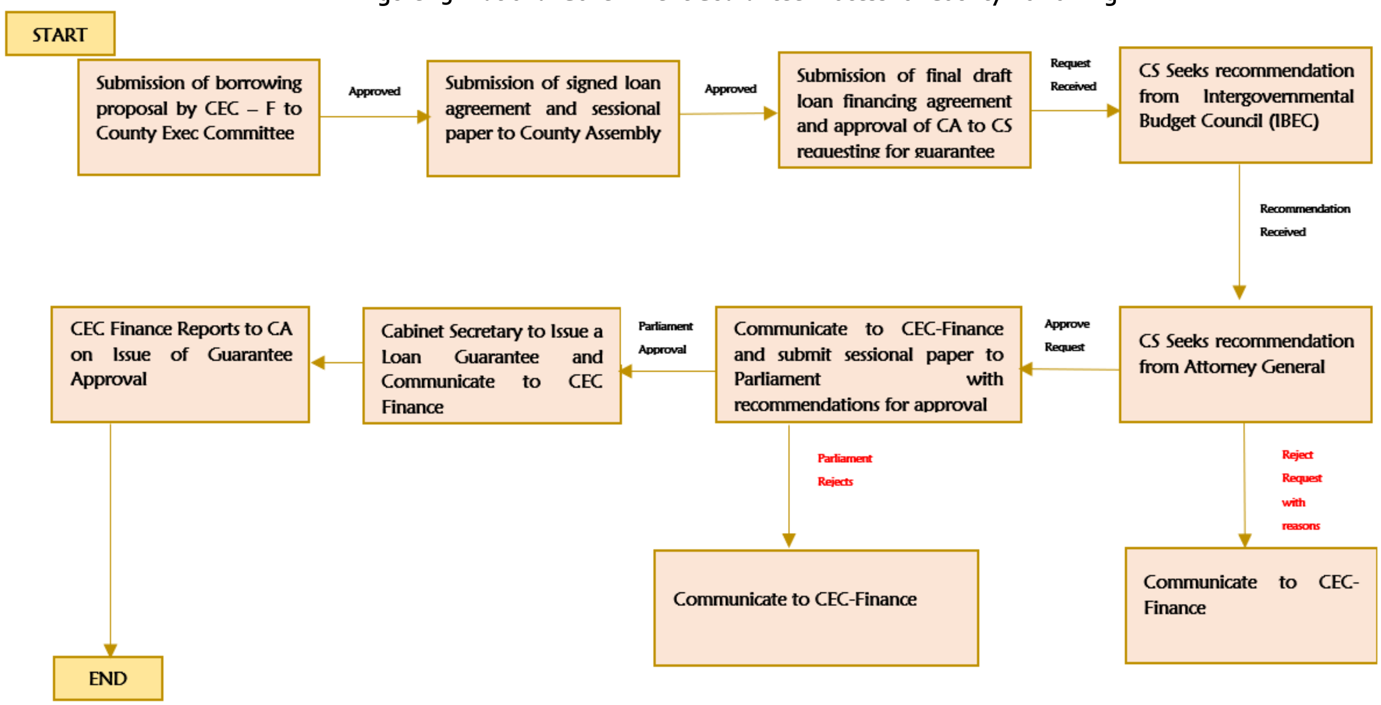
[46] KLDC-Investor-Handbook.pdf (kisumuinvestmentsconference.co.ke)

[47] This design approach borrows widely from renowned world cities such as Singapore, Miami and Jinja in Uganda. The case study adopted for reference is Melbourne, Australia.

[48] The fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper and the debt management strategy of the county government over the medium term.

equity in the sharing of burdens and benefits of public borrowing; c. Determination of thresholds of borrowing rights for both levels of Government; d. Use of objective criteria for evaluating County Government eligibility for National Government Debt guarantee; e. Prudence and equity in setting limits for debt stock levels for each County Government

**Figure 15: National Government Guarantee Process for County Borrowing**




Note: Inter-Governmental Budget and Economic Council[49]
Source: PFMA County Regulations, graphically illustrated by the Capital Markets Authority

The county government would be required to demonstrate, among other criteria, that: a, the target project could not have been financed without such borrowing; b. it has adopted an acceptable project cycle management approach; c. the conditions precedent for project implementation have been met, eg, land acquisition, resettlement and compensation of persons affected, completion and approval of project designs, regulatory approvals and resource requirement planning (ie, sources of funding and personnel for the project); and d. not less than 15% of project funds will be contributed from their own resources.

Section 177(2) of the PFMA regulations, anchored on section 140 of the PFMA allows County Governments to

[49] The purpose of the Intergovernmental Budget and Economic Council is to provide a forum for consultation and cooperation between the national government and county governments on— (a) the contents of the Budget Policy Statement, the Budget Review and Outlook Paper and the Medium-Term Debt Management Strategy; (b) matters relating to budgeting, the economy and financial management and integrated development at the national and county level; (c) matters relating to borrowing and the framework for national government loan guarantees, criteria for guarantees and eligibility for guarantees; (d) agree on the schedule for the disbursement of available cash from the Consolidated Fund on the basis of cash flow projections; (e) any proposed legislation or policy which has a financial implication for the counties, or for any specific county or counties; (f) any proposed regulations to this Act; and (g) recommendations on the equitable distribution of revenue between the national and county governments and amongst the county governments as provided in section 190; and (h) any other matter which the Deputy President in consultation with other Council members may decide.

borrow through issuance of County Treasury bonds, a bank overdraft facility from the Central Bank of Kenya or by any other loan or credit evidenced by instruments in writing. The regulations explicitly give provisions for bank overdraft facilities to be secured by the County equitable share with the other two subject to National Government guarantee pursuant to section 58 of the PFMA.

Section 141 of the PFMA sets the sources of loan repayment giving options including the county revenue fund, establishment of special funds or a sinking fund. These options are aligned with the Capital Markets Authority regulations on securitization as well as fixed income security issuances. Section 144(20) of the PFMA County Regulations also provides that duty is not chargeable under the Stamp Duty Act (Cap. 480) for the issue of a county government security.

***Capital Markets Stability Implications:***

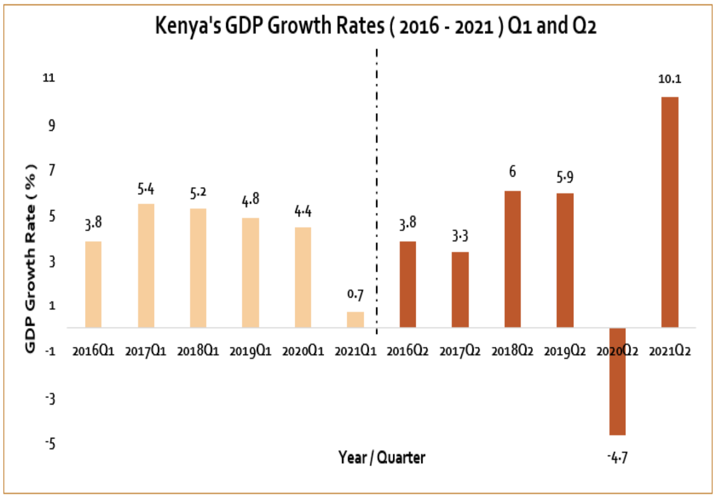
*Cognizant of the increasing interest by County Governments to access market-based financing, the Authority is undertaking a policy assessment to inform the unique requirements that County Governments and related entities would need to meet to access capital.*

*Capital markets products available for use by the devolved entities include County bonds, securitization frameworks with the latter being the most preferred as a separate entity will increase investor confidence in ensuring segregation of funds for debt.*

## 7.6 Kenya's Economic Outlook and Capital Markets Performance

Data by the Kenya National Bureau of Statistics indicate that Economic growth decelerated in the first quarter of 2021 to 0.7 per cent compared to 4.4 per cent in the corresponding quarter of 2020, mainly owing to the onset of COVID-19 pandemic in the country in March 2020. On the other hand, real GDP grew by 10.1 per cent in the second quarter of 2021 compared to a contraction of 4.7 per cent in the same quarter of 2020.

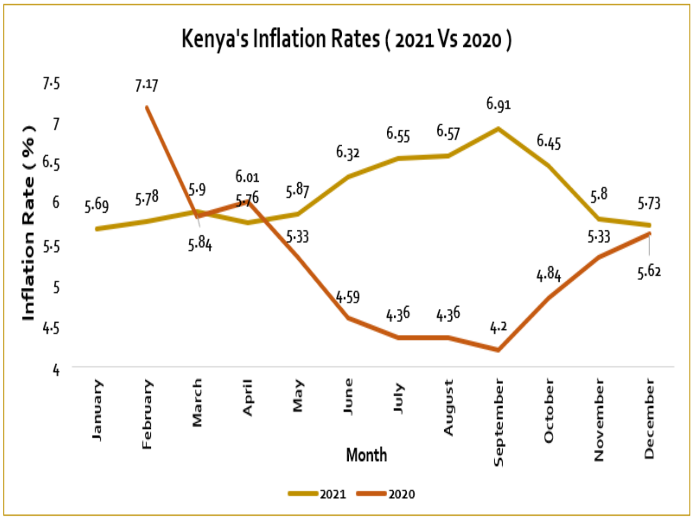
**Figure 16: Trend of Kenya's GDP Growth Rate (2016 – 2021)**




Source: Kenya National Bureau of Standards

Some of the sectors that supported overall growth in the second quarter included Manufacturing (9.6%), Education (67.6%), Transportation and Storage (16.9%), Information and Communication (25.2%) and Other Services Activities (20.2%).

**Figure 17: Trend of Kenya's Inflation Rates (2021 Vs 2020 )**




Source: Kenya National Bureau of Standards

On inflation, 2021 was characterized by relatively higher inflation rates than 2020 with the food inflation [50]being the highest contributor.

Overall., Kenya's economy is expected to rebound from a contraction of 0.3 percent in 2020 to an expansion of 6.0 percent in 2021 attributable to a pick-up of activities after the reopening of the economy.

### a. Performance of Equity Markets

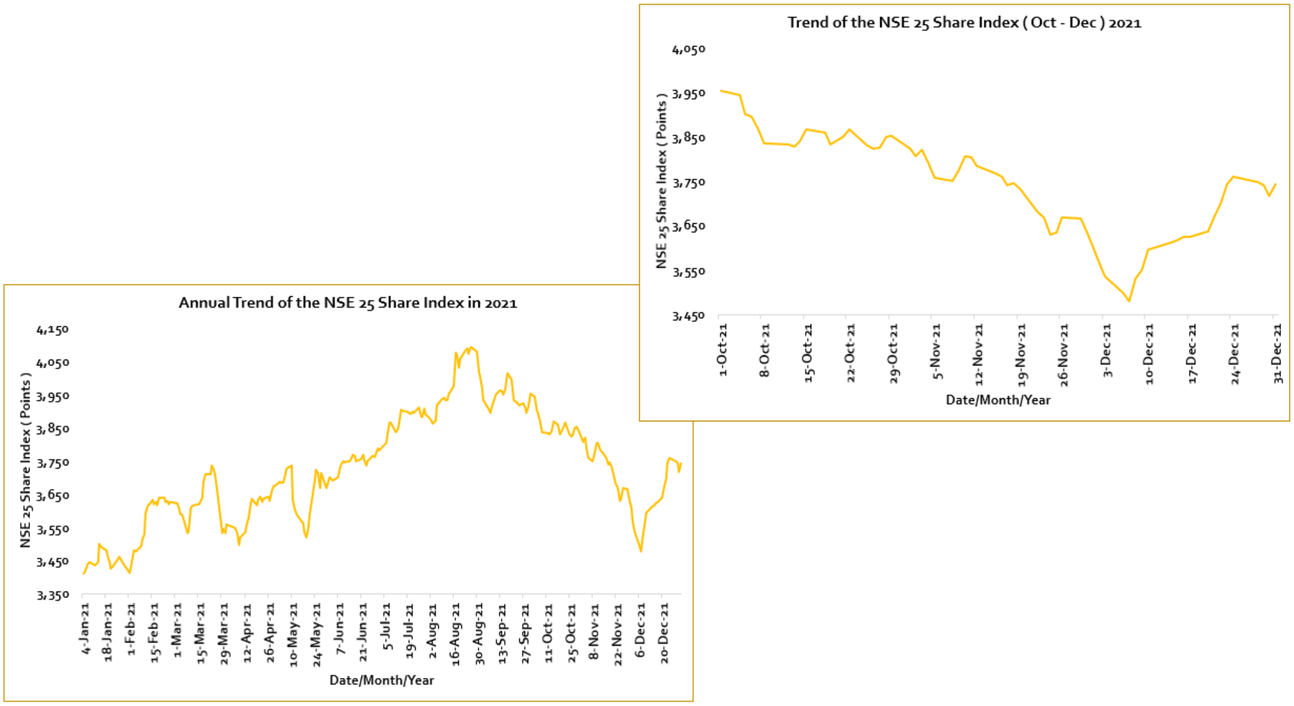
**Table 7: Summary of Equity Markets Performance**

| Year | Month | Share Volume (Kshs Mn ) | Equity Turnover (Kshs Bn) | NSE 20 Share Index | NSE 20 Index | NSE 25 Share | Market Cap (Kshs Bn) |
|---|---|---|---|---|---|---|---|
| **Q1 2021** | Jan | 294 | 8.85 | 1,881.91 | 155.59 | 3,434.52 | 2,390 |
| | Feb | 331 | 10.8 | 1,915.68 | 165.39 | 3,624.96 | 2,541 |
| | Mar | 373 | 12.06 | 1,846.41 | 158.62 | 3,531.58 | 2,437 |
| | **Total** | **998** | **31.71** | | | | |
| **Q2 2021** | April | 293 | 9.88 | 1,866.58 | 169.15 | 3,674.77 | 2,599 |
| | May | 386 | 14.16 | 1,871.55 | 169.97 | 3,669.57 | 2,647 |
| | June | 421 | 13.95 | 1,927.53 | 173.53 | 3,772.19 | 2,702 |
| | **Total** | **1,100** | **37.99** | | | | |
| **Q3 2021** | July | 285 | 9.28 | 1,974.29 | 177.52 | 3,890.09 | 2,766 |
| | Aug | 345 | 11.85 | 2,020.77 | 182.33 | 4,018.77 | 2,841 |
| | Sep | 317 | 10.23 | 2,031.17 | 178.31 | 3,914.52 | 2,779 |
| | **Total** | **947** | **31.36** | | | | |
| **Q4 2021** | Oct | 264 | 10.27 | 1,961.33 | 177.96 | 3,851.67 | 2,777 |
| | Nov | 457 | 15.58 | 1,871.31 | 163.90 | 3,633.46 | 2,553 |
| | Dec | 286 | 10.46 | 1,902.57 | 166.46 | 3,743.90 | 2,593 |
| | **Total** | **1,007** | **36.31** | | | | |

Source: CMA/NSE

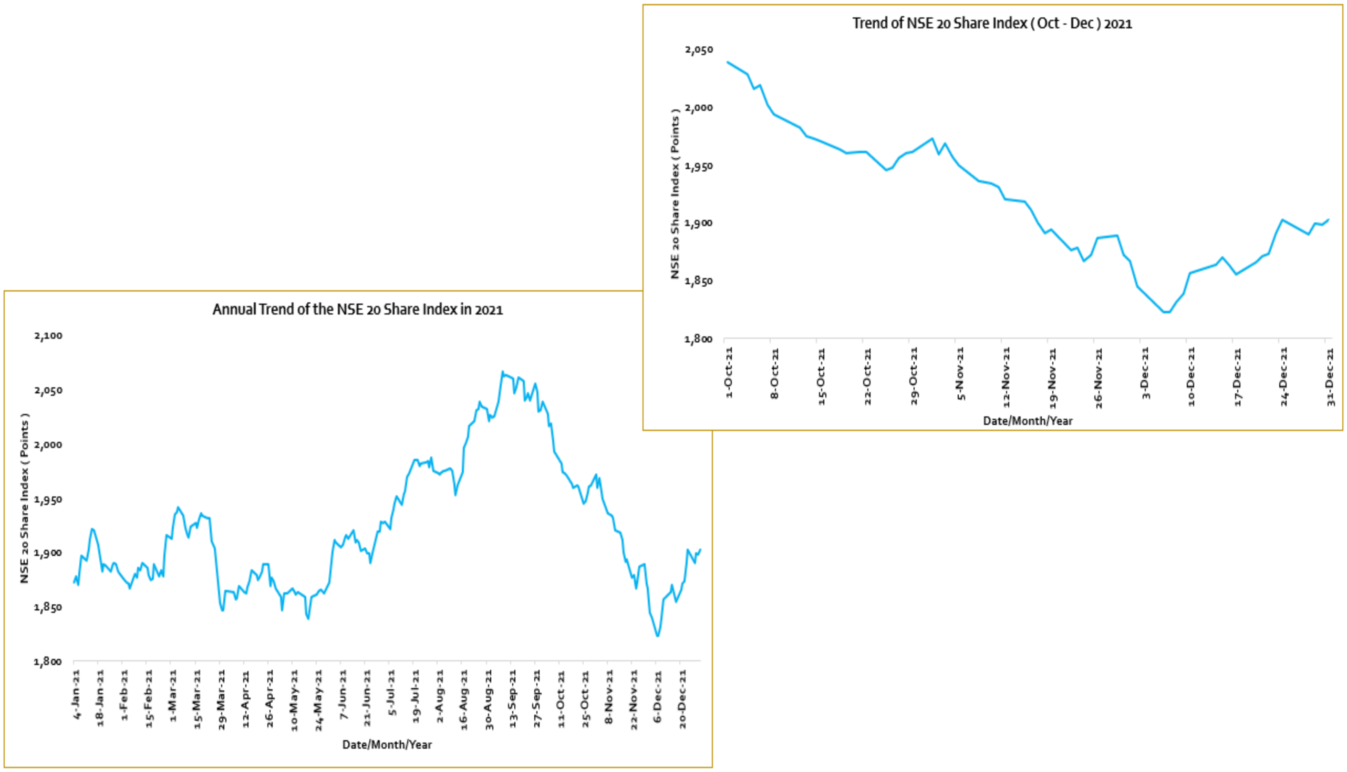
[50] Kenya's inflation levels as computed by KNBS has three key components; food inflation, fuel inflation and core inflation (nonfood; non fuel )

**Figure 18: Trend of Performance of NSE 25 Share Index ( Jan – Dec 2021 ) Vs ( Oct – Dec ) 2021**



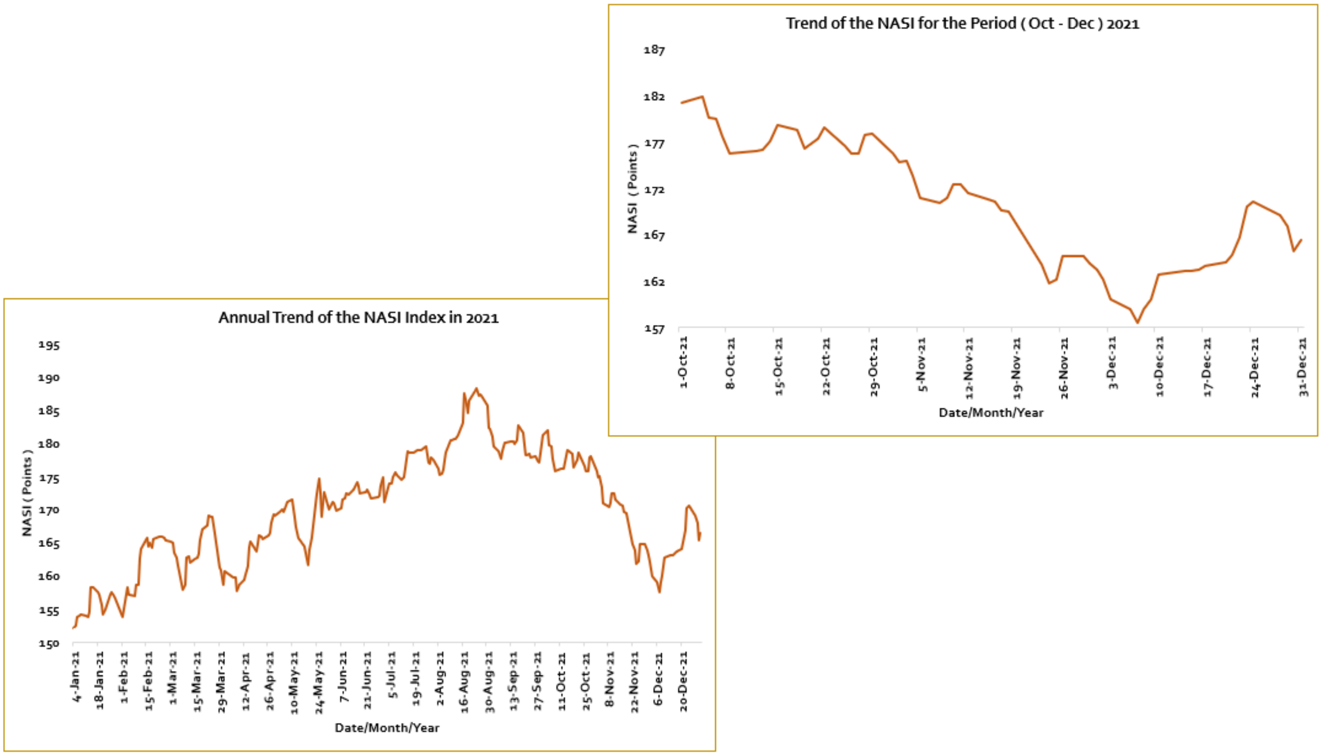

Source: CMA/NSE

**Figure 19: Trend of Performance of NSE 20 Share Index ( Jan – Dec 2021 ) Vs ( Oct – Dec ) 2021**




Source: CMA/NSE

Figure 20: Trend of Performance of NASI Index ( Jan – Dec 2021 ) Vs ( Oct – Dec ) 2021




Source: CMA/NSE

## b. Performance in the Bond Market

Table 8: Summary of Treasury Bond Primary Market Performance

| Date | Bond | Amount Issued ( Kshs Bn ) | Amount Received ( Kshs Bn ) | Amount Accepted ( Kshs Bn ) | % AA/AI | % AR/AI |
|---|---|---|---|---|---|---|
| **Q1. 2021** | | | | | | |
| Jan 2021 | **FXD1/2021/002** | 25.00 | 61.15 | 55.86 | 223.44 | 246.20 |
| | **IFB1/2021/016** | 50.00 | 125.47 | 81.05 | 162.1 | 250.94 |
| Feb 2021 | **FXD1/2013/15** | 50.00 | 13.55 | 9.41 | 18.82 | 27.10 |
| | **FXD1/2012/20** | | 28.31 | 22.71 | 45.42 | 56.62 |
| | **Tap Sale** | 18.00 | 11.24 | 10.91 | 60.61 | 62.44 |
| Mar 2021 | **FXD1/2019/10** | 50.00 | 15.90 | 15.51 | 31.02 | 31.80 |
| | **FXD2/2018/20** | | 32.81 | 32.80 | 65.60 | 65.62 |
| **Q2. 2021** | | | | | | |
| Apr 2021 | **IFB1/2021/18** | 60.00 | 88.58 | 81.94 | 136.57 | 147.63 |
| May 2021 | **FXD2/2019/15** | 30.00 | 11.58 | 6.04 | 20.13 | 38.60 |
| | **FXD1/2021/25** | | 31.00 | 14.25 | 47.50 | 103.33 |
| | **Tap Sale** | 20.00 | 20.93 | 20.69 | 103.45 | 104.65 |
| Jun 2021 | **FXD1/2019/20** | 30.00 | 41.05 | 13.40 | 44.67 | 136.83 |
| | **FXD1/2012/20** | | 23.88 | 6.29 | 20.97 | 79.60 |
| | **Tap Sale** | 50.00 | 38.48 | 37.42 | 74.84 | 76.96 |
| **Q3.2021** | | | | | | |
| 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 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 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 |
| **Q4. 2021** | | | | | | |
| 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 |
| Nov 2021 | **FXD1/2021/5** | 50 | 66.60 | 53.66 | 107.32 | 133.20 |
| | **FXD1/2019/20** | | 17.57 | 15.85 | 31.70 | 35.14 |
| Dec 2021 | **FXD4/2019/10** | 40 | 20.27 | 20.26 | 50.65 | 50.65 |
| | **FXD1/2018/20** | | 20.91 | 17.56 | 43.90 | 52.28 |

Source: CMA/NSE

## 8.0 Capital Markets Stability Soundness Indicators for the Period October – December 2021

**Table 9: Capital Markets Stability Indicators (October – December 2021)**

| Stability Indicator | Quarter/ Year | Market Statistics | | | | Assessment of Risk Level | Performance Brief for the Quarter | Ongoing Intervention Measures |
|---|---|---|---|---|---|---|---|---|
| **1.0 Equity Market Depth** | | | | | | | | |
| NSE 20 Index Volatility Base Year = 2010 | Q4.2021 | Oct | Nov | Dec | Q. Avg | Medium (indicative – Low < 1% Medium: >1% high; >10%) | In the quarter under review, Volatility in the three NSE indices improved in performance quarter on quarter with the NSE 20, NSE 25 share index and the NASI indices increasing in average volatility by 0.06%,0.01% and 0.04% respectively. | |
| | | 0.26% | 0.43% | 0.43% | 0.37% | | | |
| | Q3.2021 | July | Aug | Sep | Q. Avg | | | |
| | | 0.33% | 0.23% | 0.37% | 0.31% | | | |
| | Q2.2021 | April | May | June | Q. Avg | | | |
| | | 0.36% | 0.28% | 0.37% | 0.34% | | | |
| | Q1.2021 | Jan | Feb | March | Q. Avg | | | |
| | | 0.32% | 0.36% | 0.42% | 0.37% | | | |
| NSE 25 Index Volatility Base Year = 2015 | Q4.2021 | Oct | Nov | Dec | Q.Avg | | | |
| | | 0.44% | 0.47% | 0.36% | 0.42% | | | |
| | Q3.2021 | July | Aug | Sep | Q. Avg | | | |
| | | 0.39% | 0.47% | 0.37% | 0.41% | | | |
| | Q2.2021 | April | May | June | Q. Avg | | | |
| | | 0.44% | 0.71% | 0.32% | 0.49% | | | |
| | Q1.2021 | Jan | Feb | March | Q. Avg | | | |
| | | 0.31% | 0.38% | 0.62% | 0.44% | | | |
| NASI Volatility Base Year = 2010 | Q4.2021 | Oct | Nov | Dec | Q.Avg | Medium (indicative – Low < 1% Medium : >1% high; >10% ) | | |
| | | 0.64% | 0.58% | 0.51% | 0.57% | | | |
| | Q3.2021 | July | Aug | Sep | Q. Avg | | | |
| | | 0.60% | 0.51% | 0.47% | 0.53% | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q2.2021** | **April** | **May** | **June** | **Q. Avg** | | | |
| | | 0.61% | 0.86% | 0.37% | 0.61% | | | |
| | **Q1.2021** | **Jan** | **Feb** | **March** | **Q.Avg** | | | |
| | | 0.49% | 0.65% | 0.71% | 0.62% | | | |
| **Turnover Ratio** | **Q4.2021** | **Oct** | **Nov** | **Dec** | **Q. Sum** | High (indicative – annual: <8%-Low; >15% High) | Equity turnover ratio in the reporting period averaged at 0.46% and has remained below 1% throughout the year 2021. | |
| | | 0.37% | 0.61% | 0.40% | 1.38% | | | |
| | **Q3.2021** | **July** | **Aug** | **Sep** | **Q. Avg** | | | |
| | | 0.34% | 0.41% | 0.36% | 1.11% | | | |
| | **Q2.2021** | **April** | **May** | **June** | **Q. Avg** | | | |
| | | 0.39% | 0.54% | 0.52% | 1.45% | | | |
| | **Q1.2021** | **Jan** | **Feb** | **March** | **Q. Avg** | | | |
| | | 0.37% | 0.43% | 0.48% | 1.28% | | | |
| **2.0** | **Foreign Exposure Risk** | | | | | | | |
| **Foreign Investor turnover as a % of total turnover** | **Q4. 2021** | **Oct** | **Nov** | **Dec** | **Q.Avg** | **Medium** (indicative – annual: <40%-Low; >90% High) | Foreign investor participation in the quarter under review was 57.99%. This is a slight increase of 6.46% from the previous quarter. This is however lower than recorded in 2020. | In the face of the pandemic, foreign investor outflows continue to pose a serious risk for the Kenyan capital markets. This is further exasperated by the slow economic recovery witnessed in the domestic economy as institutions and households seek stability following the effects of the pandemic. Like China and the greater Asia, the Authority, through its investor education activities continues to encourage Kenyans to |
| | | 64.83% | 51.16% | 57.20% | 57.73% | | | |
| | **Q3.2021** | **July** | **Aug** | **Sep** | **Q. Avg** | | | |
| | | 56.16% | 48.53% | 49.91% | 51.53% | | | |
| | **Q2.2021** | **April** | **May** | **June** | **Q. Avg** | | | |
| | | 64.75% | 56.71% | 54.74% | 58.73% | | | |
| | **Q1.2021** | **Jan** | **Feb** | **March** | **Q.Avg** | | | |
| | | 62.79% | 61.96% | 56.37% | 60.37% | | | |
| **Net Foreign Portfolio Flow** | **Q4.2021** | **Oct** | **Nov** | **Dec**[51] | **Q. Sum** | | Total net portfolio flows for Q4.2021 summed up | |
| | | (1,021) | (4,294) | - | (5,315) | | | |

[51] December data was not available at the time of publication.

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **(In KES Millions)** | **Q3.2021** | **July** | **Aug** | **Sep** | **Q.Sum** | **High** (indicative – annual: <Kshs (50million) - High (outflow; >KShs. 50 million High inflow) | to a total outlow of Kshs 5 Billion compared to an inflow of Kshs 934 Million in the previous quarter | increase their savings levels and channel the same to capital markets instruments. With industry participants continually seeking to introduce investor friendly products, it is our hope that every Kenyan can consider having a stake at the NSE to affirm the position of the Kenyan capital markets by domestic investors. It is however expected that overtime, foreign investor participation should recover to prior levels. |
| | | 155 | 1,721 | (942) | 934 | | | |
| | **Q3.2021** | **April** | **May** | **June** | **Q.Sum** | | | |
| | | (31) | (782) | (1,196) | (2,009) | | | |
| | **Q1.2021** | **Jan** | **Feb** | **March** | **Q.Sum** | | | |
| | | 621 | (621) | (976) | (976) | | | |
| **3.0** | **Market Concentration Risk** | | | | | | | |
| **Market Concentration (Top 5 companies by market cap)** | **Q4.2021** | **Oct** | **Nov** | **Dec** | **Q. Avg** | **High** (indicative – annual: >50% High concentration) | Market concentration for the top 5 companies during the quarter averaged at 80.16% out of a market of 67 listed companies. | The market concentration risk that the Kenyan capital markets continue to face remains a key policy discussion both amongst regulators and the legislature of the country. To minimize this risk, more strategic initiatives aimed at growing other sectors of the economy are needed to increase the range of sectors represented by listed firms at the bourse. The Authority, in the review of its Public Offers and Listing Regulations seeks to provide favorable listing requirements to attract more companies to list. |
| | | 80.91% | 79.75% | 79.83% | 80.16% | | | |
| | **Q3.2021** | **July** | **Aug** | **Sep** | **Q.Avg** | | | |
| | | 80.97% | 80.78% | 80.80% | **80.85%** | | | |
| | **Q2.2021** | **April** | **May** | **June** | **Q. Avg** | | | |
| | | 79.77% | 80.92% | 81.13% | **80.61%** | | | |
| | **Q1.2021** | **Jan** | **Feb** | **March** | **Q.Avg** | | | |
| | | 73.25% | 73.34% | 73.46% | 73.35% | | | |

## 4.0 Derivatives Trading Statistics

**Total Volume (No. of contracts)**

**(No of Contracts)**

| | Q3.2021 | 21-Oct | 21-Nov | 21-Dec | Q4. Sum | % Change (Q4 Vs Q3) |
|---|---|---|---|---|---|---|
| ABSA | 441 | 50 | 10 | 44 | 104 | 76.42% |
| BATK | 45 | 23 | - | 22 | 45 | 0.00% |
| EABL | 126 | 57 | 20 | 17 | 94 | 25.40% |
| EQTY | 245 | 59 | 67 | 42 | 168 | 31.43% |
| KCBG | 269 | 57 | 52 | 56 | 165 | 38.66% |
| N25I | 5 | - | - | - | 0 | 100.00% |
| SCOM | 961 | 72 | 294 | 668 | 1034 | 7.60% |
| 25MN | 23 | 18 | 21 | 2 | 41 | 78.26% |
| **Total** | **2115** | **336** | **464** | **851** | **1,651** | **21.94%** |

**Low**

The volume of contracts traded in Q4.2021 were 1,652 indicating a 21.94% decrease from 2,115 recorded in Q3.2021. Safaricom and 25Mn recorded increased activity in the quarter by 7.60% and 78.26% respectively.

**Gross Notional Exposure (GNE)**[52]

**(Amount in Kshs)**

| | Q3.2021 | 21-Oct | 21-Nov | 21-Dec | Q4. Sum | % Change (Q4 Vs Q3 ) |
|---|---|---|---|---|---|---|
| ABSA | 4,573,040.00 | 522,400 | 103,490 | 484,760 | 1,110,650 | 75.71% |
| BATK | 2,036,780 | 1,033,180 | - | 943,800 | 1,976,980 | 2.94% |
| EABL | 2,273,100 | 978,705 | 328,635 | 256,910 | 1,564,250 | 31.18% |
| EQTY | 12,274,990 | 2,970,660 | 3,527,660 | 2,045,360 | 8,543,680 | 30.40% |
| KCBG | 12,716,600 | 2,648,010 | 2,360,530 | 2,423,170 | 7,431,710 | 41.56% |
| N25I | 1,986,100 | - | - | - | 0 | 100.00% |
| SCOM | 41,751,990 | 3,056,530 | 11,912,620 | 25,362,060 | 40,331,210 | 3.40% |
| 25MN | 905,230 | 708,090 | 796,060 | 71,590 | 1,575,740 | 74.07% |
| **Total** | **78,517,830** | **11,917,575** | **19,028,995** | **31,587,650** | **62,534,220** | **20.36%** |

**High** (indicative – annual: >50% High concentration)

The total value (Gross Notional Exposure) of contracts traded during the quarter summed up to Kshs 62.53 Million; a 20.36% decrease from Q3.2021.

[52] Gross Notional Exposure = no. of Contracts * notional contract size * market price of underlying equity share or index. The GNE is the value amount. It is the exact conversion of the derivative into the market value of an equivalent position in the underlying asset of that derivative.

**Total Open Interest[53](No. of Contracts)**

(No. of Contracts)

| | Q3.Avg | 21-Oct | 21-Nov | 21-Dec | Q4. Avg | % Change ( Q4 Vs Q3 ) |
|---|---|---|---|---|---|---|
| ABSA | 90 | 98 | 102 | 60 | 87 | 3.33% |
| BATK | 8 | 22 | 22 | 0 | 22 | 175.00% |
| EABL | 32 | 65 | 49 | 37 | 50 | 56.25% |
| EQTY | 47 | 67 | 55 | 28 | 50 | 6.38% |
| KCBG | 64 | 87 | 110 | 69 | 89 | 39.06% |
| N25I | 1 | 0 | 0 | 0 | 0 | 100.00% |
| SCOM | 391 | 577 | 527 | 29 | 378 | 3.32% |
| 25MN | 4 | 18 | 3 | 1 | 7 | 75.00% |
| **Total** | 637 | 934 | 868 | 224 | 675 | 5.97% |

**Medium** (indicative – annual: >50% High concentration)

Overall, the total number of open interest contract in Q4.2021 were 675; a 5.97% increase from the last quarters value of 637

As hedging instruments, the place of derivatives markets in the face of the pandemic remains important in risk management. The Authority continues to work with market stakeholders to increase the profile of and market participation for the derivatives market in Kenya.

**Settlement Guarantee Fund (SGF) Coverage[54] for Derivatives**

| | Oct-21 | Nov-21 | Dec-21 |
|---|---|---|---|
| **SGF** | 130,049,057 | 130,758,245 | 125,922,349 |
| **Average Market Value** | 627,240.79 | 864,954.32 | 2,105,843.33 |
| **SGF Coverage** | 207 times | 151 times | 60 times |

**High** (indicative – annual: >50% High concentration)

The SGF coverage ratio for the derivatives market in Q4.2021 progressively decreased month on month with December 2021 recording a coverage of 60 times

.

To maximize value from the SGF fund balances, there is deliberate effort by NSE to encourage increased activity by market intermediaries in this market for increased volumes of trade.

## 5.0 Government Bond Market Exposure

**Treasury Bond market turnover Concentration**

| | | | | |
|---|---|---|---|---|
| **Q4.2021** | **Oct** | **Nov** | **Dec** | **Q. Avg** |
| | 99.99% | 99.76% | 99.97% | 99.91% |
| **Q3.2021** | **July** | **Aug** | **Sep** | **Q.Avg** |
| | 100% | 99.90% | 100% | 99.97% |

**High** (indicative – annual: >50%

In Q4.2021, Treasury Bond market turnover averaged at 99.91%

The Authority is working with the industry to increase the number and qualify of corporate bonds listed at the NSE. Through this, investors

[53] Open interest is the total number of outstanding derivative contracts that have not been settled or closed. It is a measure of market interest.

[54] An indicator of the level of coverage the SGF provides for the derivatives market. It is the total SGF amount divided by the average value of all positions in the derivatives market.

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<tr>
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<tr><td>Q2.2021</td><td>April</td><td>May</td><td>June</td><td>Q. Avg</td></tr>
<tr><td></td><td>99.99%</td><td>99.66%</td><td>100%</td><td>99.88%</td></tr>
<tr><td>Q1.2021</td><td>Jan</td><td>Feb</td><td>March</td><td>Q.Avg</td></tr>
<tr><td></td><td>99.95%</td><td>100%</td><td>99.91%</td><td>99.95%</td></tr>
</table>
</td>
<td>High concentration)</td>
<td></td>
<td>will have a wider array of investable instruments with direct impact on the development of private sector in the country. However, favorable yields for Treasury bonds in the market continue to remain a key risk factor to this objective.</td>
</tr>
<tr>
<td>Corporate Bond Market ownership</td>
<td>
<table>
<tr><td>Category</td><td>No of Investors</td><td>% of total share quantity</td></tr>
<tr><td>Local Investors</td><td>1,693</td><td>95.65%</td></tr>
<tr><td>East African Investors</td><td>2</td><td>0.29%</td></tr>
<tr><td>Foreign Investors</td><td>30</td><td>4.06%</td></tr>
<tr><td colspan="3">Source: CDSC Data as of December 2021</td></tr>
</table>
</td>
<td>High<br>(Indicative – annual: >50% High concentration</td>
<td>Q4.2021 data shoes that local corporate bond investors were the leading investors in corporate bonds at 95.65% compared to 98.74% while foreign investor holding was a mere 4.06%</td>
<td>During the last two years, the Authority has worked progressively with industry players to increase activity in the corporate bond market particularly form MSMEs. Foreign investor participation in the corporate bond market is a key indicator of the health of corporates in the country. Through its corporate governance framework, the Authority seeks to promote the quality of listed corporate entities to raise the profile of entities listed the NSE bourse.</td>
</tr>
<tr>
<td>6.0</td>
<td colspan="4">Investor Profiles - Equity Market</td>
</tr>
<tr>
<td>Equity Market</td>
<td>
<table>
<tr><td>Type of Investor</td><td>No. of Investors</td><td>Share Quantity (Millions)</td><td>% to Total Share Quantity</td></tr>
<tr><td>Local Investors</td><td>2,008,402</td><td>78,851</td><td>81.09%</td></tr>
<tr><td>EA Investors</td><td>8,990</td><td>1,172</td><td>1.21%</td></tr>
<tr><td>Foreign Investors</td><td>14,888</td><td>17,203</td><td>17.69%</td></tr>
<tr><td>BR</td><td>12</td><td>12</td><td>0.01%</td></tr>
</table>
</td>
<td>High<br>(Indicative – annual: >50% High concentration)</td>
<td>Local investors accounted for 81.09% of total shares held in the equity market with 17.69% being held by foreign investors.</td>
<td>While the proportion of local investors is higher than foreign investors, the share quantity held by each investor on a per capita basis remains low.<br>Through its market deepening initiatives coupled with strategic partnerships with institutions</td>
</tr>
</table>

<table>
<tr><td></td><td colspan="5">JR | 298 | 1 | 0.00%<br>Source: CMA- *Data as of December 2021</td><td></td><td></td><td>offering investment solutions for retail investors, the Authority is targeting investor education investors aimed at growing the stock of shares held by domestic investors. This will minimize the effects of external shocks on the market as foreign investor holdings change in the market.</td></tr>
<tr><td>7.0</td><td colspan="8">Settlement Compensation Coverage</td></tr>
<tr><td rowspan="8">Settlement Guarantee Fund (SGF) Coverage Ratio[55]</td><td>Q4.2021</td><td>Oct</td><td>Nov</td><td>Dec</td><td>Q. Avg</td><td rowspan="8">Low<br>(Indicative – annual: > 1 times, implies full coverage)</td><td rowspan="8">The average SGF ratio for Q4.2021 was 2.04, a 0.36 reduction from the previous quarters ration of 2.40. This is largely attributable to increased trades in the quarter under review resulting in higher equity turnover levels.</td><td rowspan="8">Through Risk-based supervision, the Authority has been monitoring the SGF figures and the financial position of the firms to ensure that they are in good standing and that investors are protected.</td></tr>
<tr><td></td><td>2.14</td><td>1.64</td><td>2.35</td><td>2.04</td></tr>
<tr><td>Q3.2021</td><td>July</td><td>Aug</td><td>Sep</td><td>Q.Avg</td></tr>
<tr><td></td><td>2.58</td><td>2.13</td><td>2.49</td><td>2.40</td></tr>
<tr><td>Q2.2021</td><td>April</td><td>May</td><td>June</td><td>Q.Avg</td></tr>
<tr><td></td><td>2.27</td><td>1.59</td><td>1.70</td><td>1.85</td></tr>
<tr><td>Q1.2021</td><td>Jan</td><td>Feb</td><td>March</td><td>Q.Avg</td></tr>
<tr><td></td><td>2.49</td><td>2.06</td><td>2.13</td><td>2.23</td></tr>
<tr><td>8.0</td><td colspan="8">Asset Base of Fund Managers, Stockbrokers, Investment Banks</td></tr>
</table>

[55] Source: CDSC

<table>
<tr>
<td>Working Capital (Amount in Kshs Millions)</td>
<td>
<table>
<tr><th></th><th colspan="4">(Amount in Kshs Millions)</th></tr>
<tr><th></th><th>Category</th><th>Total Assets</th><th>Total Liabilities</th><th>Net Assets</th></tr>
<tr><td>1</td><td>Fund Manager</td><td>7,125</td><td>1,858</td><td>5,266</td></tr>
<tr><td>2</td><td>Investment Advisor</td><td>1,713</td><td>424</td><td>1,289</td></tr>
<tr><td>3</td><td>Investment Bank</td><td>12,371</td><td>4,371</td><td>8,000</td></tr>
<tr><td>4</td><td>Online Forex</td><td>2,026</td><td>1,473</td><td>553</td></tr>
<tr><td>5</td><td>Stock Broker</td><td>2,168</td><td>1,047</td><td>1,121</td></tr>
</table>
Data as of 30th November 2021
</td>
<td>Medium (Indicative – the higher the figure, the more stable is the market)</td>
<td>The net assets base of Fund Managers, Investment Advisor, Investment Banks, Online Forex and Stockbrokers, as of 30th November 2021 was Kshs 5,266 Mn, Kshs 1,289, Kshs 8,000 Mn, Kshs 553 Mn and Kshs 1,121 Mn respectively.</td>
<td>Assets Under Management within the industry has remained relatively stable in spite of the disruption of business operations in the face of the pandemic. In aggregate, the net assets recorded are in line with the minimum regulatory provisions per classified licensee herein.</td>
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