

CAPITAL MARKETS AUTHORITY- KENYA

Introductory presentation

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CAPITAL MARKETS AUTHORITY



Who we are

Independent public agency set up in 1989 through an Act of Parliament Cap 485A under The (Ministry of) National Treasury and Planning.



Vision

“To be an innovative regulator of a robust and globally competitive capital market”



Mission

“To make Kenya’s capital market the premier choice for investors and issuers through robust regulation, supporting innovation and enhanced investor protection”

CAPITAL MARKETS AUTHORITY



What we do

The Authority derives its powers to regulate and develop the capital markets industry from the Capital Markets Act and the Regulations issued there under.

Enabling Legislation

- The Capital Markets Act and The Central Depositories Act, 2000
- Regulations and rules
- Guidelines

Who is licensed

- Securities Exchanges
- Central Depositories
- Investment Banks
- Stockbrokers
- Dealers
- Investment Advisers
- Fund Managers
- Authorized Securities Dealers
- Authorized Depositories (Custodians)
- Credit Rating Agencies
- Venture Capital Companies
- REIT Managers
- REIT Trustees
- Online FX money manager
- Non-dealing online FX broker

CAPITAL MARKETS PRODUCT STRUCTURE



PRIORITIES

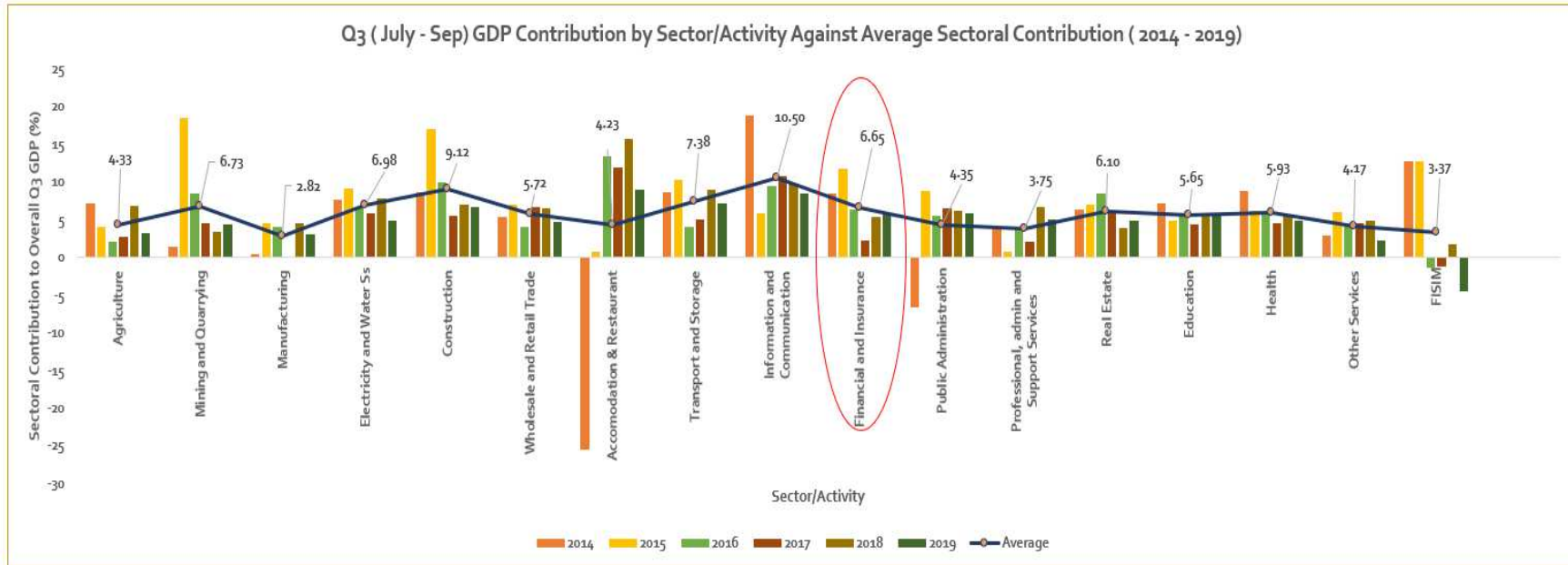
- Ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency;
- Facilitate the development, diversification, and uptake of capital market products and services;
- Ensure sound market infrastructure, institutions, and operations;
- Leveraging technology to drive efficiency in the capital markets value chain;
- Ensure optimal efficiency and effectiveness of the CMA; and
- Enhancing strategic influence



Strategic outcomes 2018-2023



GDP contribution by Activity/ Sector



Source KNBS

The recent release on GDP by the Kenya National Bureau of Statistics (KNBS) indicates that economic activity grew at the rate of 5.1 per cent in the third quarter of 2019 down from 6.0 per cent registered in the same period a previous year



Key recent capital markets developments

- Successful issuance & listing of first green bond in East& Central Africa (Acorn Green Bond Issue – also listed at London Stock Exchange)
- Upgrade of the Central Depository & Settlement Corporation infrastructure as well as the Nairobi Securities Exchange infrastructure.
- Launch of the Exchange-Traded Derivatives Markets in 2019 where single stock futures and stock indexes are listed.
- Kenya dropped from the FATF grey list based on substantial progress on legislative and institutional structures to combat AML/CFT.
- Positive market impact upon removal of caps on interest rates



Key recent capital markets developments

- Publication of Report on the State of Corporate Governance of Issuers of Securities to the Public in Kenya 2019. The Warehouse Receipt System Act, 2019
- The Authority has signed 23 MoU's with both local and international regulators, standard setting bodies and associations to address various regulatory issues and foster collaborative working relationships.
- Obtained Tax Neutrality for REITs through exemption of stamp duty and VAT
- Review of Global Investment Performance Standards (GIPS) for implementation to the market



Ongoing initiatives

Initiative	Activity	Targeted stakeholder
Engagement with Ministry of Housing		Capital market stakeholders keen on pursuing the Big 4 Agenda.
Engagements with NSE on IBUKA Platform	Incubate/accelerate companies to prepare them for listing.	'IBUKEES'
Engagements on Fintech innovations & the Regulatory Sandbox	To prepare Sandbox members for a roll-out of their products/services.	Regulatory Sandbox candidates
Social Media Marketing and Digital Marketing		The investing public
Intermediaries and potential issuers workshop on transaction advisory	To enhance intermediaries and potential issuers with knowledge on funding options, regulatory framework for raising funds in capital markets and corporate finance.	Intermediaries and potential issuers



Regulatory Sandbox

- The Regulatory Sandbox provides an **evidence-based tool for fostering innovation** while allowing the Authority to remain vigilant to investor protection, financial stability and integrity risks



What the Reg Sandbox Framework aims to achieve

Provide a framework to allow for testing innovative products and services with the potential to deepen/accelerate the capital market

Enable tailored regulatory environment for limited scale, live tests of innovative products and services

Provide evidence-based tool for fostering innovation without overlooking investor protection, stability and integrity risks

Set out the eligibility requirements and application as well as testing processes for innovative products and services

Inform the review and adaptation of the legal and regulatory environment that may unintentionally inhibit innovations in the market



Regulatory Sandbox

Ongoing Developments

- So far 3 Applications admitted to the Regulatory Sandbox.
- One almost graduating from the Sandbox
- Authority considering a number of applications

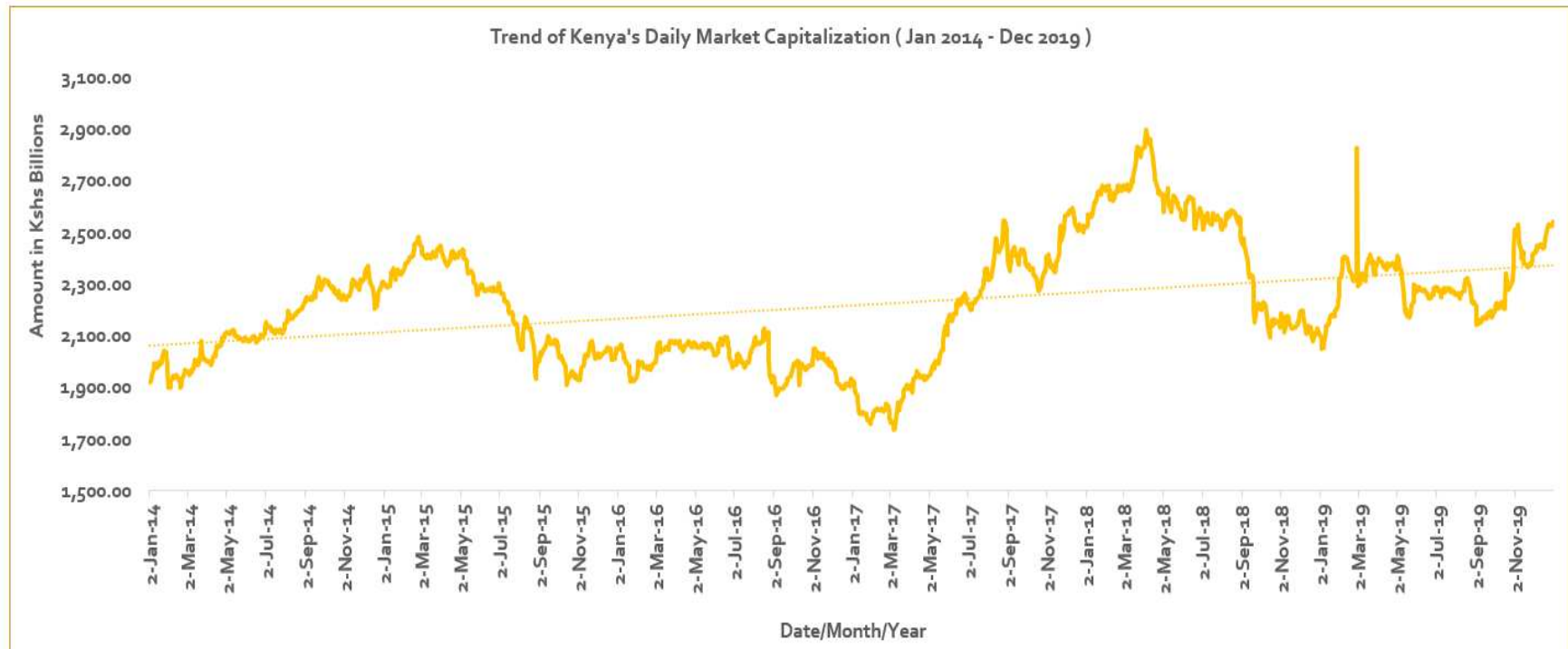


Market outlook and performance

- In the **primary treasury bonds market**, Three (3) Treasury bonds were issued in Q4. 2019 with government accepting 85.60% of the offer.
- In the **secondary bonds market**, during Q4.2019, bond market turnover decreased by 9.89% with KES.106.46 Billion (about 1.04bn USD) worth of bonds traded compared to KES. 118.15 Billion (about 1.16bn USD) traded in Q4. 2018.
- There were no **equity** Initial Public Offers (IPOs) in 2019 as well as no listings by introduction in the period.



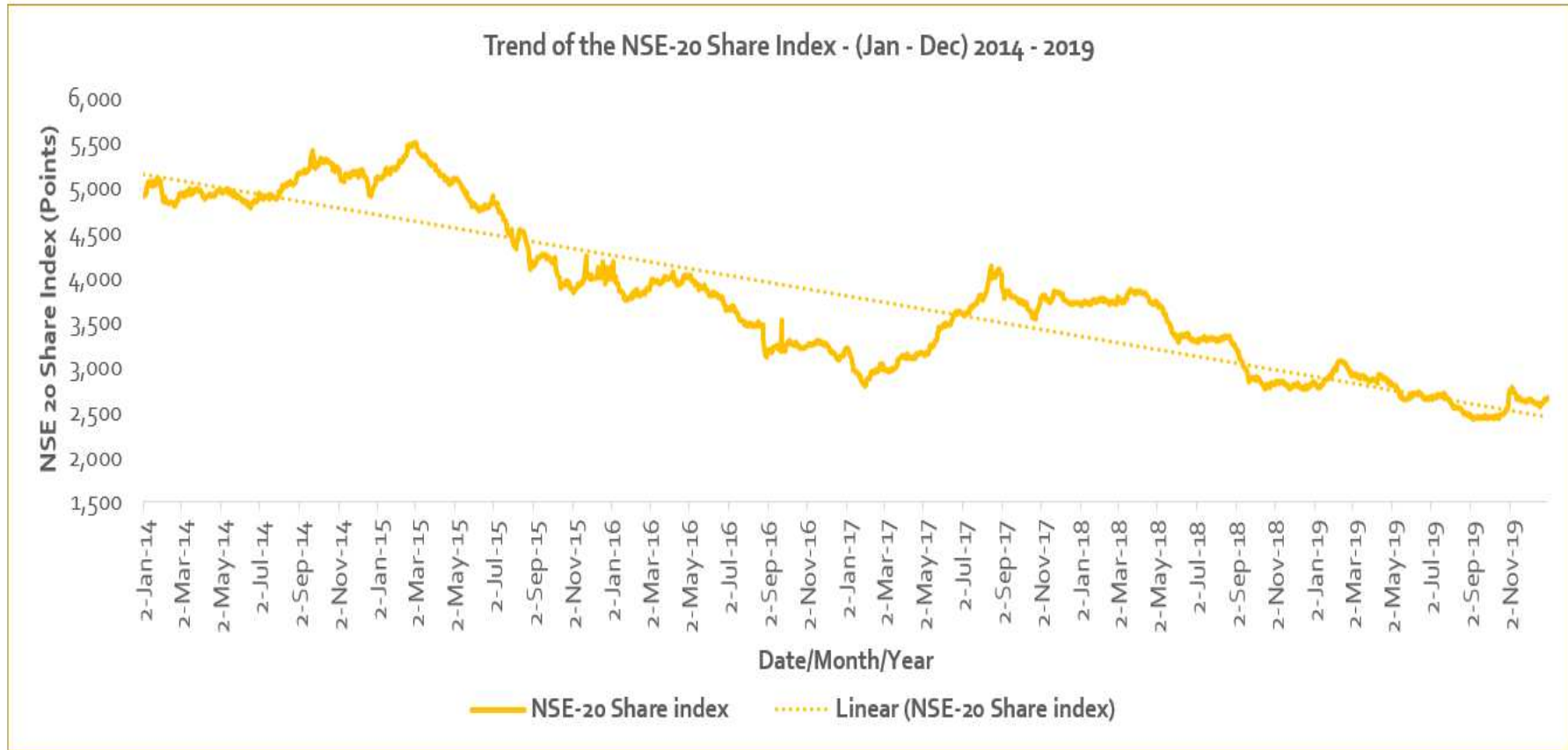
Kenya's Daily Market Capitalization – (Jan. 2014 – Dec. 2019)



Source NSE/CMA



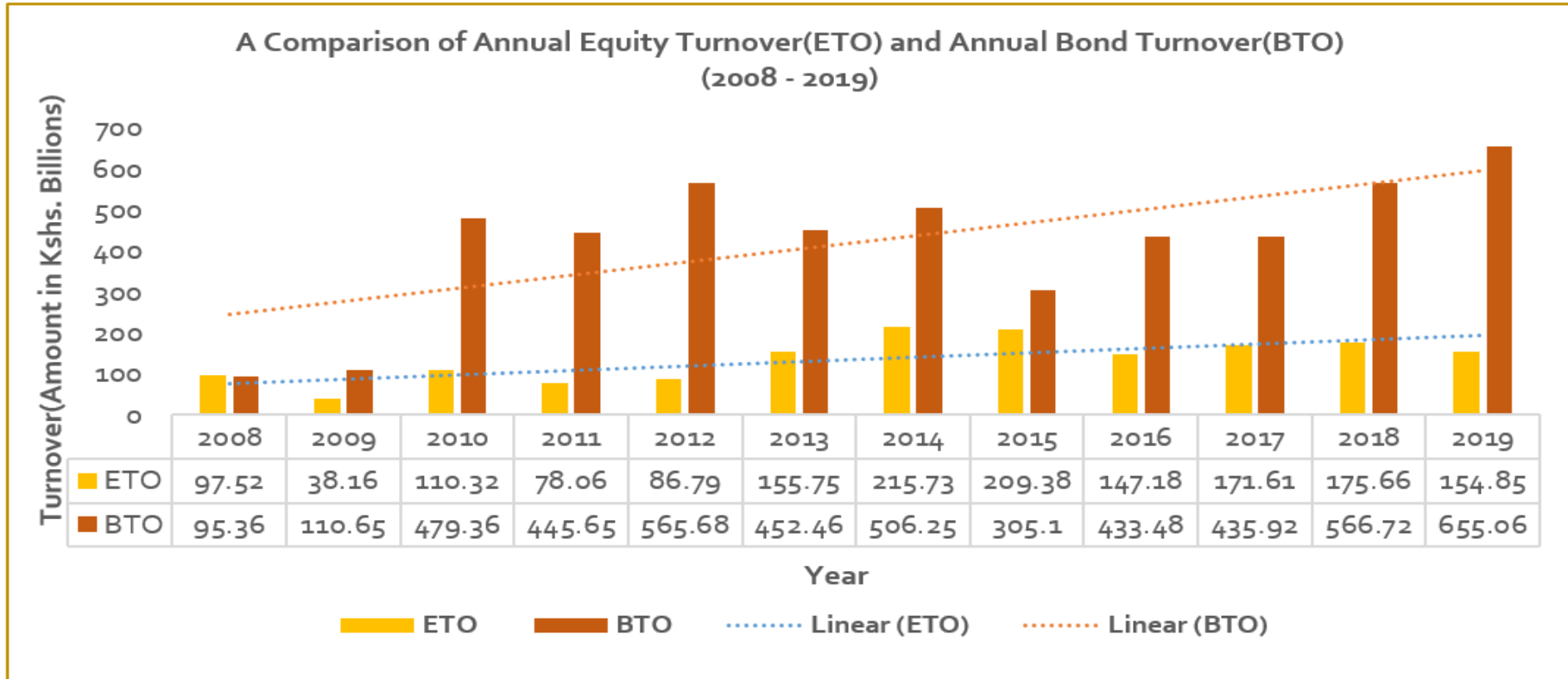
NSE 20-Share Index Trend – (Jan. 2014 – Dec. 2019)



Source NSE/CMA



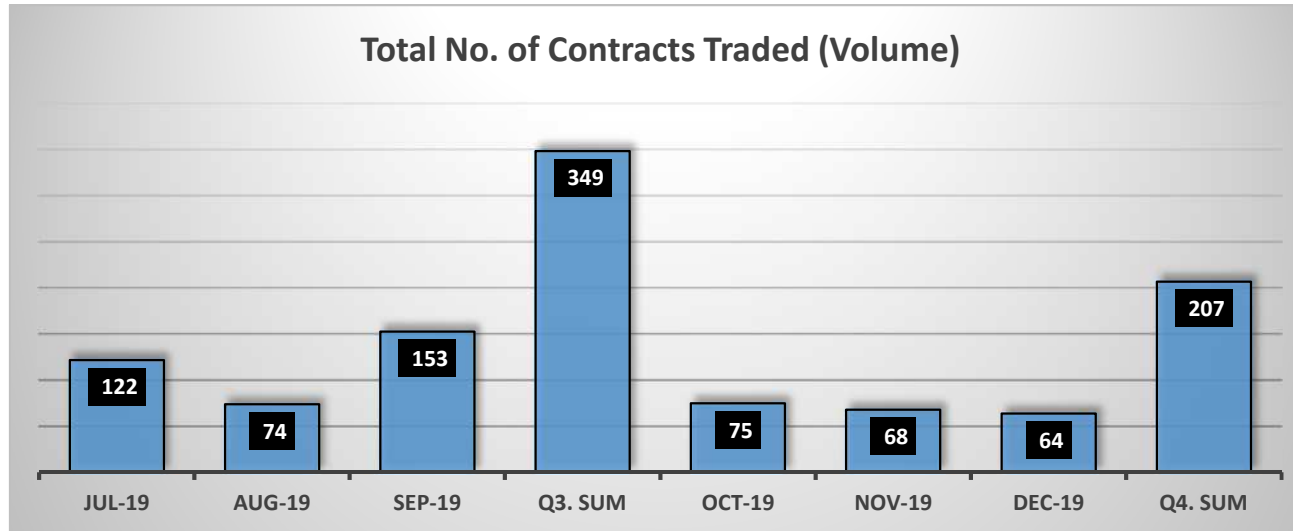
Kenya's Bond and Equity Turnover (2008 – 2019)



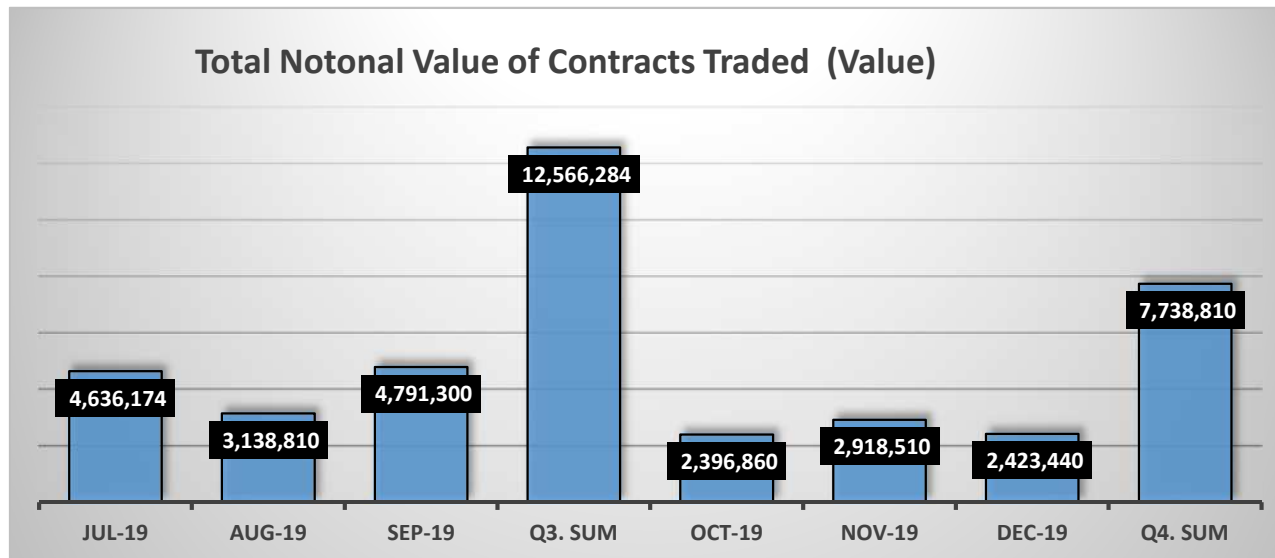
Source NSE/CMA



Performance of the Derivatives contracts

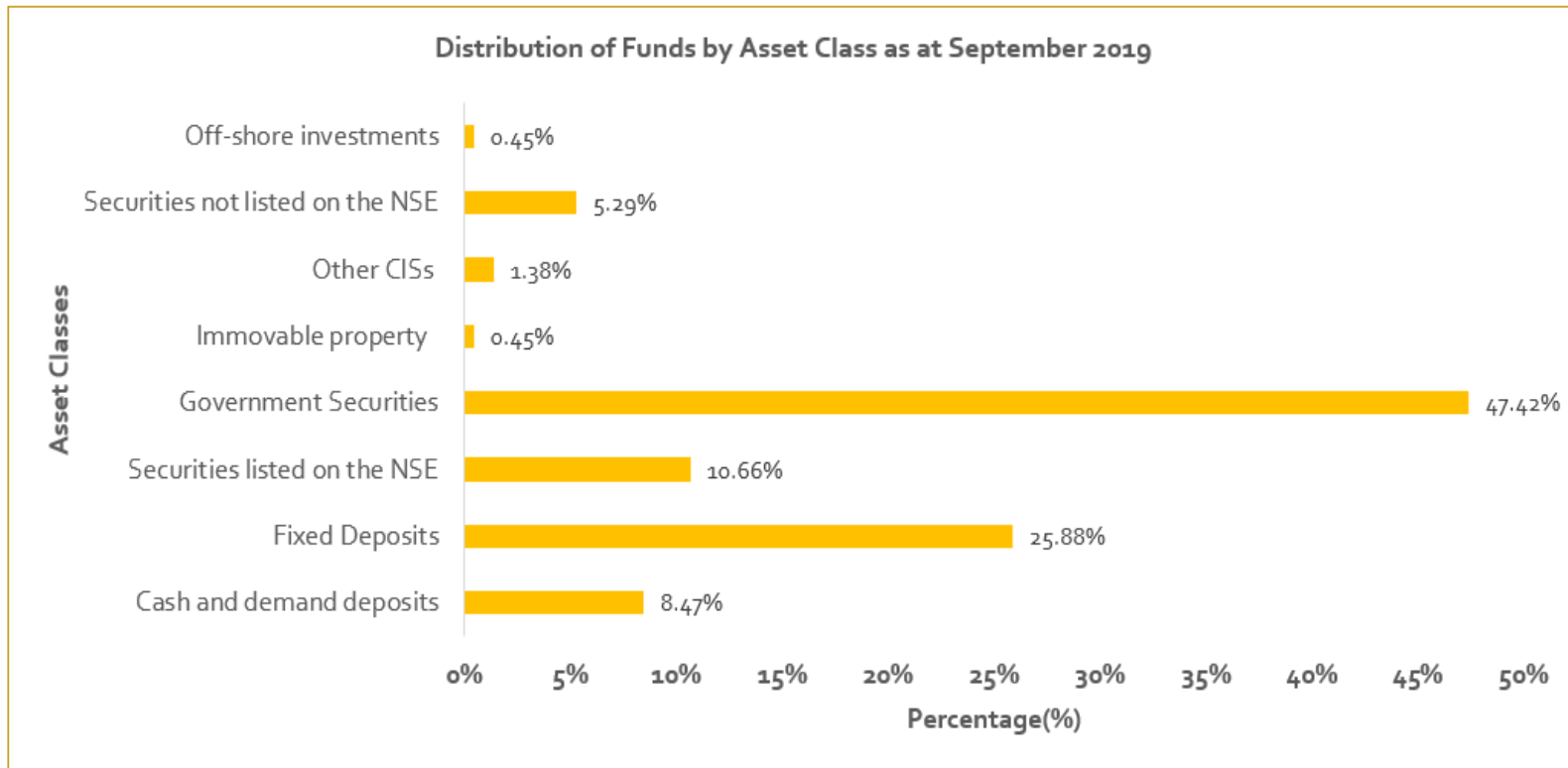


- 44% decrease in trading to 207 contracts traded in Q4 2019 from 349 contracts traded in Q3 2019.



- Notional values traded decreased from KES 12.5M in Q3 to KES 7.7M in Q4
- The Exchange has since introduced a new contract (Barclays Bank Single Stock)

Distribution of Total CIS Funds under Management across Asset Classes



CHALLENGES

- Drought in terms of new listings in the last 10 years i.e. fewer opportunities for diversification by investors.
- Low Product uptake.
- Apathy amongst investors
- Competition from other investment opportunities e.g. real estate
- Gambling and Betting especially via the phone /online
- Marketing and sale of unregulated products posing a risk to the investing public
- Declining financial performance by listed and licensed entities.



THANK YOU



10 March 2020