



## Press Release

### Green Bonds Legal and Regulatory Framework Launched in Kenya

**Nairobi, 20 February, 2019...** As part of the strategy of diversifying products in the Kenyan capital markets, the frameworks to issue listed and unlisted green bonds were launched today. A green bond is a fixed income instrument whose proceeds are used to finance or refinance projects which generate climate or other environmental benefits that conform to green guidelines and standards.

Issuers of unlisted or listed green bonds in Kenya will be required to appoint an independent verifier to conduct a pre-issuance review and confirm to the investors, the Authority, and the NSE in the case of listed green bonds, that the issuance is eligible to be classified as a green bond in line with green guidelines and standards. The procedures for listing of Green Bonds on the NSE are outlined in the NSE Listing Rules, which have been amended appropriately.

The launch of the green bonds market has been embedded in the legal framework through the publication of a Policy Guidance Note (PGN) on Issuance of Green Bonds and the approval of amendments to the NSE Listing Rules by CMA.

'Over the next five years and beyond, green instruments will play an important but niche role in driving the growth of Kenya's capital markets, in line with the Marrakech Pledge which calls for an increase in the volume, flow and access to finance for climate projects, alongside improved capacity and technology from developed to developing countries,' CMA Chief Executive Mr. Paul Muthaura observed during the launch. He further noted that the NSE and CMA were among the founder signatories of the Pledge during the 22<sup>nd</sup> Conference of Parties in Morocco.

The amendments to the NSE Listing Rules will enable the Exchange to mobilize domestic resources and international capital flows earmarked exclusively for environmentally beneficial investments to support the country's transition to a sustainable economy.

Additionally, this will enable investors balance financial returns with environmental benefits whilst hedging against climate policy risk. Speaking during the launch, NSE Chief Executive, Mr. Geoffrey Odundo noted, 'the approval of the amendments to our Listing Rules to facilitate issuance of green bonds will enable the NSE offer local and international issuers additional source of green financing, improve investor diversification as well as enhance issuer reputation thus leading to growth in our market. The approval also underscores our commitment to



continue offering investors with a wide variety of investments instruments for their varied investments needs.'

The launch of the regulatory framework is a culmination of the work undertaken by The Green Bond Programme established in 2017, whose aim was to develop a domestic green bond market. The partners in the Programme include; The National Treasury and Planning, Central Bank of Kenya, Kenya Bankers Association, NSE, CMA, Climate Bonds Initiative, Financial Sector Deepening Africa and Dutch Development Bank FMO.

'The new Green Bond Guidelines, launched by NSE and CMA today, provide confidence to investors and certainty to issuers of green bonds in Kenya. At a time when the pipeline of issuers is strong, FSD Africa is pleased to have supported this process – a milestone for the green bonds market in Africa', Mark Napier, Director, FSD Africa.

According to the Green Bonds Kenya Annual Report for 2018, the green bond market globally has grown tremendously with issuances totaling \$155.5 billion in 2017 and an estimated \$250-\$300 billion in 2018. Kenya's economy is highly dependent on its natural resources with more than 50 percent of the country's GDP attributable to sectors that are directly or indirectly reliant on natural resources. This dependence exposes Kenya to the risk of climate change, adverse weather conditions and related environmental risks.

**ENDS**

## **NOTES TO THE EDITOR**

### **About Green Bonds**

Green bonds are regular bonds with one distinguishing feature: proceeds are earmarked exclusively for projects with environmental benefits, mostly related to climate change mitigation or adaptation but also to natural resources depletion, loss of bio-diversity, and air, water or soil pollution. Green bonds are an important channel for low-carbon climate-resilient investments to support the transition to a sustainable economy. The green label is a discovery mechanism for investors; it enables the identification of climate-aligned investments with limited due diligence from investors, which reduces market friction and facilitates growth in environmentally friendly investments.

### **About Capital Markets Authority**

The Capital Markets Authority (CMA) was set up in 1989 as a statutory agency under the Capital Markets Act Cap 485A. It is charged with the prime responsibility of both regulating



and developing an orderly, fair and efficient capital markets in Kenya with the view to promoting market integrity and investor confidence. The regulatory functions of the Authority as provided by the Act and the regulations include; Licensing and supervising all the capital market intermediaries; Ensuring compliance with the legal and regulatory framework by all market participants; Regulating public offers of securities, such as equities and bonds & the issuance of other capital market products such as collective investment schemes; Promoting market development through research on new products and services; Reviewing the legal framework to respond to market dynamics; Promoting investor education and public awareness; and Protecting investors' interest.

### **About NSE**

The Nairobi Securities Exchange (NSE) is the principal securities exchange of Kenya. Besides equity securities, the NSE offers a platform for the issuance and trading of debt securities. The NSE is a member of the African Securities Exchanges Association (ASEA) and the East African Securities Exchanges Association (EASEA). It is a full member of the Association of Futures Markets (AFM) and the World Federation of Exchanges (WFE), and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative (SSE).

### **For More Information:**

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