

Press Release

Capital markets industry announces measures to mitigate the adverse effects of the coronavirus pandemic

Nairobi 03 April 2020...The capital markets industry stakeholders have unveiled a raft of measures designed to ensure business continuity and support the national strategy to manage the impact of the Coronavirus.

In this regard, the industry players have collaborated to mitigate disruption in capital markets by ensuring that the trading and settlement systems continue functioning to support transactions. In meeting this objective, the focus has been on the operational resilience of market infrastructure, the operational capability of market intermediaries and the continued flow of information to the market. The Capital Markets Authority (CMA) has also provided the appropriate regulatory flexibility to help listed companies and market intermediaries address the challenges posed the need for social distancing occasioned by COVID-19 while ensuring that market integrity and investor protection principles are maintained.

The CMA Acting Chief Executive, Mr. Wyckliffe Shamiah, explained the Authority is allowing the progression of some of the activities usually sanctioned during Annual General Meetings (AGMs) for listed companies. Mr. Shamiah said, "given the need to postpone AGMs, to help eligible shareholders access dividends during these difficult circumstances, the respective Boards of issuers of securities have been allowed to proceed to declare and pay the dividends to their shareholders. This will be subject to the companies' dividend policies, procuring all other relevant internal approvals, and making available the audited financial statements to CMA, Nairobi Securities Exchange (NSE) and the public in the prescribed channels as explained in an earlier guidance". The Boards of listed companies have also been allowed to progress the appointment and remuneration of auditors. Board decisions on these matters will need to be tabled at the AGMs, once convened, for ratification

This regulatory flexibility follows an earlier decision by the Authority to relax disclosure obligations in relation to publication of financial statements in two newspapers of national circulation until 30 June 2020. To ensure timely and seamless flow of the required information to the investing public, CMA directed that all required disclosures be published on the following platforms; issuers and licensees own websites and social media platforms; the NSE website for all issuers and trading participants; and the CMA website by all entities affected by this guidance. However, firms that do not have any challenges publishing their financial statements as normal in the newspapers are encouraged to do so.



To ensure normal operations continue at the Nairobi Securities Exchange (NSE), the NSE Chief Executive, Mr. Geoffrey Odundo, said the business continuity plan of the Exchange has been operationalized to support online and mobile trading with a URL available on NSE's website. Mr. Odundo added that the URL leads investors directly to the trading participants online or mobile portals for ease of trading from the comfort of their home. Additionally, market players have successfully been working remotely with trading systems accessed via Virtual Private Networks.

Mr. Odundo added that the industry is encouraging local firms capable and approved by the Ministry of Health to produce supplies required to combat the Covid-19 pandemic to raise capital through the NSE including Ibuka, with some of the compliance requirements eased for them by the CMA.

The Central Depository and Settlement Corporation (CDSC) Chief Executive, Mr. Nkoregamba Mwebesa, added that through its Business Continuity Plan, CDSC has ensured settlement continues through secure remote links with all settlement participants. Investors are also able to check their portfolios using the CDSC Mobile App, and their various queries are being addressed through the social media platforms. Mr. Mwebesa added that CDSC is still offering all other depository services to Central Depository Agents and other stakeholders. These measures are aimed at ensuring that investors have remote access to the market through various channels, with the ability to easily buy or sell their securities with minimal physical movement and contact in line with the Ministry of Health Directives.

The Kenya Association of Stockbrokers and Investment Banks (KASIB) Chief Executive, Mr. Willie Njoroge, welcomed the support from the Authority, which has authorized and shall continue to guide, monitor and regulate the use of automated customer onboarding processes to reduce the need for physical verification of documents and in-person visits while facilitating easy access to the market by investors.

The Fund Managers Association (FMA) Chairman, Mr. Jonathan Stichbury, said the association through its member firms will continue to operate and actively invest in the Kenyan capital markets on behalf of their institutional and retail clients - and to support the proper functioning of the capital markets. Mr. Stichbury added that FMA is already working with its members on CSR initiatives to support Kenyans affected by the COVID-19 outbreak and its economic effects.

CDSC, NSE, CMA and KASIB are also consulting with industry players to determine what other measures can be put in place to support investors in the capital markets, and these will be announced in due course.





In support of the Government's efforts to deal with the Coronavirus pandemic, Mr Shamiah said the capital markets industry has established a "Capital Markets COVID-19 Fund" to mobilise funds from industry players to support efforts at the national level through the Covid-19 Emergency Response Fund. The fund shall consist of contributions from CMA, NSE, CDSC, entities licensed/approved by CMA and listed companies and other issuers of securities. The contribution will be announced once the industry players have confirmed the level of support.

The industry players are keen to ensure that the capital markets remain functional and accessible during this challenging period. The exit by some foreign investors from the market has created an opportunity for local retail and institutional investors to take advantage of the undervalued shares of listed companies. Domestic institutional investors such as Pension Schemes, Collective Investment Schemes and Insurance Companies with a long-term investment horizon are encouraged to invest in blue-chip listed companies during this period subject to existing limits on asset class investments set out by their respective regulators.

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BACKGROUND INFORMATION ON THE 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. For more information, please contact Antony Mwangi, Head of Corporate Communications on amwangi@cma.or.ke

BACKGROUND INFORMATION ON THE NAIROBI SECURITIES EXCHANGE

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 and the East African Securities Exchanges Association. It is a full member of the Association of Futures Markets and the World Federation of





Exchanges, and a partner Exchange in the United Nations Sustainable Stock Exchanges Initiative. For more format please contact, Waithera Mwai – Ireri, Senior Manager, Corporate Affairs on: wmwai@nse.co.ke

BACKGROUND INFORMATION ON THE CENTRAL DEPOSITORY AND SETTLEMENT CORPORATION

The Central Depository & Settlement Corporation Limited (CDSC) is a limited liability Company approved by the Capital Markets Authority to provide automated clearing, delivery and settlement facilities in respect of transactions carried out at Nairobi Securities Exchange as well as holding of listed and non-listed securities including other documents of title on behalf of investors. For more information, please contact Ms. Irene Mutiso, Head of Corporate Affairs and HR on imutiso@cdsckenya.com.

BACKGROUND INFORMATION ON THE KENYA ASSOCIATION OF STOCKBROKERS AND INVESTMENT BANKS (KASIB)

The Kenya Association of Stockbrokers and Investment Banks is the umbrella body for Stockbrokers and Investment Banks, that are licensed to trade at the Nairobi Securities Exchange. Its purpose is advocacy, lobbying and any activities that create an enabling working environment for the Members. For more information contact Mr. Willie Njoroge, Chief Executive on willienjoroge@gmail.com.

BACKGROUND INFORMATION ON THE FUND MANAGERS ASSOCIATION

The Fund Managers Association (the FMA or the Association) is a Kenyan trade association established in 2008 to promote responsible and sustainable asset management. Membership in the Association is open to Capital Markets Authority (CMA) licensed organizations who manage funds on behalf of their clientele. FMA members manage among others, funds from retirement benefit schemes as well as from institutional and individual investors. Association members invest in a wide variety of asset classes which include government securities, real estate and publicly listed and unlisted securities; which contribute to the growth, development and sustainability of Kenya's capital market and economy. For more information please contact Ms. Pauline Ndirangu – secretariat on pauline@b-moreconsult.com.

