



Consolidated Performance Risk Management Report

[For October - December (Quarter 2),2019-2020]

Background

The main objective of the established Enterprise Risk Management (ERM) framework is to ensure alignment of strategy, processes, people, technology and funds in order to identify, evaluate and manage opportunities, uncertainties and threats in a structured and disciplined manner and geared towards achieving strategic objectives.

As part of the reporting requirements contained in the Risk Management Policy and Procedures, Management is mandated to report on a periodic basis to the Board on the extent of implementation of risk management strategies. This report presents progress made in the implementation of risk mitigation strategies established under the Enterprise Risk Management Framework that was adopted by the Board in August 2017. Presented below is the risk assessment and ranking methodology adopted;

Risk Impact Rating And Score

Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
An event that, if it occurs would have no effect on the achievement of the targets set	An event that, if it occurs, will cause small cost (and/or schedule) increases that, in most cases, can be absorbed by the activity, project or department	An event that, if it occurred, would cause moderate cost and schedule increases, but important requirements would still be met	An event that, if it occurred, would cause major cost and schedule increases. Secondary requirements may not be achieved	The regulatory or statutory standing of the Authority is brought into serious question or the project is terminated

Opportunity Impact Rating And Score

Insignificant 1	Minor 2	Moderate 3	Major 4	Transformational 5
An opportunity that if it materializes would have no noticeable effect on the achievement of the targets set.	An opportunity that if it materializes would yield a small cost and/or schedule saving to an activity, project or department	An opportunity that if it materializes would yield a moderate cost and/or schedule savings and would enhance the achievement of important requirements	An opportunity that if it materializes would yield a major cost and/or schedule savings and would greatly enhance the achievement of important and secondary requirements	An opportunity that if it materializes would greatly transform the strategic impact of the Authority and the continued realization of its strategic mandate.

Risk/ Opportunity Likelihood Rating and Score

Probability	Description	Risk Score	Opportunity Score	Consideration
Almost Certain	90% or greater chance of the event occurring during the life of the objective	5	5	The risk/ opportunity event has occurred during the last 3-6 months or is certain to occur in the next 3-6 months
Highly Likely	65% to 90% chance of the event occurring during the life of the objective	4	4	There is a history of frequent occurrence. The risk/ opportunity event has occurred during the last 6-12 months or may occur in the next 6-12 months
Likely	35% to 65% chance of the event occurring during the life of the objective	3	3	There is a history of casual occurrence. The risk/ opportunity event has occurred during the last 12-36 months or may occur in the next 12-36 months
Unlikely	10% to 35% chance of the event occurring during the life of the objective	2	2	The risk/ opportunity event occurs from time to time. The event has occurred during the last 36-60 months or may occur in the next 36-60 months
Rare	Less than 10% chance of the event occurring during the life of the objective	1	1	The risk/ opportunity event has not occurred in CMA but has occurred in other similar organizations. The risk event may occur beyond the next 60 months

Overall Risk Rating

Impact	Catastrophic 5	5	10	15	20	25
	Major 4	4	8	12	16	20
	Moderate 3	3	6	9	12	15
	Minor 2	2	4	6	8	10
	Insignificant 1	1	2	3	4	5
		Rare 1	Unlikely 2	Likely 3	Highly Likely 4	Almost Certain 5
		Likelihood				

Risk Treatment Decision

Overall Score	Overall Rating	Risk Treatment Decision
20-25	Very High	Extensive management essential
10-16	High	Management effort required
5-9	Medium	Management effort worthwhile
3-4	Low	Risk may be worth accepting while monitoring
1-2	Very Low	Accept

Overall Opportunity Rating							Opportunity Treatment Decision		
Impact	Transformational 5	5	10	15	20	25	Overall Score	Overall Rating	Opportunity Treatment Decision
	Major 4	4	8	12	16	20	20-25	Very High	Extensive management effort essential to harness opportunity
	Moderate 3	3	6	9	12	15	10-16	High	Management effort required to actualize opportunity
	Minor 2	2	4	6	8	10	5-9	Medium	Management effort worthwhile to pursue opportunity
	Insignificant 1	1	2	3	4	5	3-4	Low	Opportunity worth monitoring
		Rare 1	Unlikely 2	Likely 3	Highly Likely 4	Almost Certain 5	1-2	Very Low	Opportunity worth noting
		Likelihood							

ABBREVIATIONS

TERM	DEFINITION	TERM	DEFINITION
AMERC	AFRICA/MIDDLE-EAST REGIONAL COMMITTEE	ADGM	ABU DHABI GLOBAL MARKETS
ABS	ASSETS BACKED SECURITY	AUM	ASSETS UNDER MANAGEMENT
CMMP	CAPITAL MARKETS MASTER PLAN	ACIS	ASSOCIATION OF COLLECTIVE INVESTMENT SCHEMES
C & F	COMPLIANCE AND FACITILIATION	CDSC	CENTRAL DEPOSITORY & SETTLEMENT CORPORATION
CPD	CONTINOUS PROFESSIONAL DEVELOPMENT	CIS	COLLECTIVE INVESTMENT SCHEMES
DCS	DIRECTORATE CORPORATE SERVICES	CSI	CORPORATE SOCIAL INVESTMENTS
DMO	DIRECTORATE MARKET AFFAIRS	EAVCA	EAST AFRICA VENTURE CAPITAL ASSOCIATION
DRPS	DIRECTORATE REGULATORY, POLICY AND STRATEGY	ETF	EXCHANGE TRADED FUND
FINRA	FINANCIAL INDUSTRY REGULATORY AUTHORITY	FSB	FINANCIAL STABILITY BOARD
FSDA	FINANCIAL SECTOR DEEPENING AFRICA	FMA	FUND MANAGERS ASSOCIATION
GEM	GROWTH AND EMERGING MARKETS	IEMI	INVESTOR EDUCATION MEASUREMENT INDEX
IFRS	INTERNATIONAL FINANCIAL REPORTING STANDARDS	IF	ISLAMIC FINANCE
IOSCO	INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS	KAM	KENYA ASSOCIATION OF MANUFACTURERS
JFSR	JOINT FINANCIAL SECTOR REGULATORS	KASIB	KENYA ASSOCIATION OF STOCK BROKERS AND INVESTMENT BANKS
KAM	KENYA ASSOCIATION OF MANUFACTURERS	KDA	KENYA DIASPORA ASSOCIATION
KICD	KENYA INSTITUTE OF CURRICULUM DEVELOPMENT	KIE	KENYA INDUSTRIAL ESTATES
L & D	LEARNING AND DEVELOPMENT	KNBS	KENYA NATIONAL BUREAU OF STATISTICS
MSD	MARKET SUPERVISION DEPARTMENT	KNCCI	KENYA NATIONAL CHAMBER OF COMMERCE AND INDUSTRY
MFA	MULTI-FACTOR AUTHENTICATION	KPWF	KENYA POOLED WATER FUNDS
PIU	PROJECT IMPLEMENTATION UNIT	KEPSA	KENYA PRIVATE SECTOR ALLIANCE
POC	PROOF OF CONCEPT	NSE	NAIROBI SECURITIES EXCHANGE
RAK	REITS ASSOCIATION OF KENYA	PGN	POLICY GUIDANCE NOTE
RFQ	REQUEST FOR QUOTATION	PE	PRIVATE EQUITY
RBSS	RISK BASED SUPERVISION SYSTEM	PPRMIS	PROJECTS, PERFORMANCE AND RISK MANAGEMENT INFORMATION SYSTEM
ICIFA	THE INSTITUTE OF CERTIFIED INVESTMENT AND FINANCIAL ANALYSTS	RAK	REAL ESTATE ASSOCIATION OF KENYA
KMIT	KNOWLEDGE MANAGEMENT INFORMATION TECHNOLOGY	SRO	SELF-REGULATORY ORGANIZATION
		SCAC	STATE CORPORATIONS ADVISORY COUNCIL
		TOT	TRAINER OF TRAINERS

Cumulative Risks with Cumulative Activities:

N O	Strategic Objective	Cumulative Risk	Cumulative Activity	Expected Cumulative Outcome
1	Ensure optimal institutional efficiency and effectiveness of CMA	KRA and the National Treasury seizing Authority Reserves and placing agency notices on bank accounts. 25	High level engagement with KRA on basis of reservation and commitment of funds held by the Authority, while promptly settling amounts deemed genuinely due against 90% surplus obligation. 93 %	Continued funding of operations and safety of ICF funds.
2	To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency To Ensure sound market infrastructure, institutions and operations	Engagement in unlicensed business lines by regulated entities 25	assessment of increased risk likelihood of regulated entities 90 %	stability of the market
3	Ensure optimal institutional efficiency and effectiveness of CMA	Litigation against CMA actions and directives 25	Enhance of enforcement process with legal due process 100 %	Effective and efficient enforcement
4	To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency	Collapse of a Collective Investment Schemes. 25	Enhanced supervision and enforcement of quality of asset class and ration of investments 50 %	Stability of the market
5	To Ensure sound market infrastructure, institutions and operations	Low business of licensed entities. 25	Enhancement of market liquidity to increase trading activity 50 %	stability of the market

6	To facilitate the development, diversification and uptake of capital market products and services	Maximize social media and/or digital marketing to promote awareness and optimal uptake of capital markets products and services 25	Leverage digital marketing/social media platforms to disseminate information to the public on new capital markets products, services and innovations 50 %	Increased/Optimal Product and Services Uptake and Market Deepening
7	Ensure optimal institutional efficiency and effectiveness of CMA	Non compliance with Procurement, financial and Human Resource laws, policies and procedures, guidelines and circulars 20	Continued sensitisation of staff and enforcement of laid down procedures and reporting requirements. 90 %	Maintain institutional integrity and reputation
8	Leveraging technology to drive efficiency in the capital markets value chain	Obsolescence of server hardware equipment and systems software 20	Upgrades are at different stages of implementation 28 %	Improved infrastructure, capacity, performance and security of Information systems.
9	Ensure optimal institutional efficiency and effectiveness of CMA	Cyber security threats 20	Development and implementation of appropriate Cybersecurity frameworks 38 %	Confidentiality, continued availability and integrity of data and information.
10	Ensure optimal institutional efficiency and effectiveness of CMA	Failure of 3rd party ICT service providers 20	Review and ensure effective back up arrangements are in place and that SLAs with providers carry penalty clauses. 75 %	99.9% Reliability and availability of contracted services.
11	Ensure optimal institutional efficiency and effectiveness of CMA	Reduced capability of the Authority from declining staff engagement and headcount shortage. 20	Deployed teams to address urgent strategic issues and continue to pursue the National Treasury and SCAC for an expedited approval of revised HR instruments. 40 %	Optimal institutional capacity and effectiveness
12	To Ensure sound market infrastructure, institutions and operations	Failure by government majority owned listed companies to submit and publish audited financial statements 20	To review compliance by issuers of securities and market intermediaries with the continuous reporting obligations. 90 %	To enhance governance and accountability
13	To Ensure sound market infrastructure, institutions and operations	Yield driven investment decisions by fund managers without due regard to quality of the investment 20	Enhanced supervision of Fund Managers 45 %	Enhanced Governance and stability of the markets

14	To facilitate the development, diversification and uptake of capital market products and services	Unresponsive policy, legal and regulatory framework due to partial/piecemeal adoption by policy makers 20	Apply evidence based methodology in policy analysis and formulation 100 %	Responsive policy, legal and regulatory that enhances market oversight development
15	To facilitate the development, diversification and uptake of capital market products and services Ensure optimal institutional efficiency and effectiveness of CMA	Decreased level of investor protection due to low levels of financial literacy and capability 20	Implement public awareness, education, certification programs specifically aimed at investor protection, with greater focus on testimonials, diaspora, educational materials, leveraging technology 61 %	Increased uptake of new capital markets and products due to higher financial and lower incidences of fraud
16	To facilitate the development, diversification and uptake of capital market products and services	Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions 20	Facilitate successful testing of a broad mix of capital markets-related FinTech solutions in the CMA Regulatory Sandbox 70 %	Transformative Fintech solution (s) rolled out in the market and improved product and services uptake
17	To facilitate the development, diversification and uptake of capital market products and services	Delayed business decision-making by potential issuers and market organizers to take up new capital markets products and services 20	Implement market deepening and product uptake strategy and establish Think Tank to address decision-making challenges by potential issuers and market organizers 30 %	Increased/optimal capital markets products and services uptake
18	To Ensure sound market infrastructure, institutions and operations	Ineffective Continuous Professional Development (CPD) program 20	Launch and operationalize the CPD 60 %	Enhanced service delivery through increased institutional competency at market intermediary level
19	To facilitate the development, diversification and uptake of capital market products and services Enhancing strategic influence	Insufficient/Sub Optimal Uptake of Capital markets products and services 20	Develop and implement market deepening and product & services uptake strategy and programs 51 %	Sufficient/Optimal Product and Services Uptake and Market Deepening


20	<p>To ensure a robust, facilitative and responsive policy and regulatory framework for capital market development and efficiency</p> <p>To facilitate the development, diversification and uptake of capital market products and services</p> <p>Enhancing strategic influence</p>	<p>Leverage of partnerships with other stakeholders and development partners to enhance Knowledge, Attitude and Practice towards capital markets</p> <p>20</p>	<p>Enter into mutual cooperation agreements and establish strategic partnerships to promote financial literacy and build capacity for investors, issuers and market intermediaries</p> <p>68 %</p>	<p>Increase of Investor Education Measurement Index (IEMI) by 2%</p>
21	<p>To facilitate the development, diversification and uptake of capital market products and services</p>	<p>Leveraging on the Resource Persons programme and key staff members from all the Authority departments</p> <p>20</p>	<p>Implement Outsourcing strategy involving professionals country-wide and internal CMA staff in furthering Public Education and Awareness and Agenda</p> <p>43 %</p>	<p>2% increase in the Investor Education Measurement Index through increased coverage</p>

Cumulative Risks heatmap


Impact	Catastrophic 5				DCS13 DCS17 DMO22 DMO23 DRPS12 DRPS14 DRPS15 DRPS17	DCS18 DMO20 DMO21 DMO24 DMO25
	Major 4					DCS14 DCS15 DCS16 DRPS11
	Moderate 3					
	Minor 2					
	Insignificant 1					
		Rare 1	Unlikely 2	Likely 3	Highly Likely 4	Almost Certain 5
		Likelihood				


No	Cumulative Risk	Score	Ref No
1	KRA and the National Treasury seizing Authority Reserves and placing agency notices on bank accounts.	25	DCS18
2	Engagement in unlicensed business lines by regulated entities	25	DMO20
3	Litigation against CMA actions and directives	25	DMO21
4	Collapse of a Collective Investment Schemes.	25	DMO24
5	Low business of licensed entities.	25	DMO25
6	Non compliance with Procurement, financial and Human Resource laws, policies and procedures, guidelines and circulars	20	DCS13
7	Obsolescence of server hardware equipment and systems software	20	DCS14
8	Cyber security threats	20	DCS15
9	Failure of 3rd party ICT service providers	20	DCS16
10	Reduced capability of the Authority from declining staff engagement and headcount shortage.	20	DCS17
11	Failure by government majority owned listed companies to submit and publish audited financial statements	20	DMO22
12	Yield driven investment decisions by fund managers without due regard to quality of the investment	20	DMO23
13	Unresponsive policy, legal and regulatory framework due to partial/piecemeal adoption by policy makers	20	DRPS11
14	Decreased level of investor protection due to low levels of financial literacy and capability	20	DRPS12
15	Delayed business decision-making by potential issuers and market organizers to take up new capital markets products and services	20	DRPS14
16	Ineffective Continuous Professional Development (CPD) program	20	DRPS15
17	Insufficient/Sub Optimal Uptake of Capital markets products and services	20	DRPS17

Detailed Status of Risks


#	Description	Current Rating	Prior Rating	Risk Drivers	Risk Management Strategy Undertaken	Effect of Risk to Authority	Further action to be undertaken	Person Responsible
1	Low business of licensed entities.	25 (5*5) 	25 (5*5)	<ul style="list-style-type: none"> - 1. Macroeconomic factors leading to less disposable income among investors. - 2. Cutthroat competition leading to commission undercutting. - 3. Competition from other regulated products e.g. flight of funds from stocks to fixed income and other safer investments. - 4. Competition from unregulated products e.g. private equity in search of higher returns. 	<ul style="list-style-type: none"> - The Authority continuously encourages the market to come up with innovative products so as to be competitive and not be wholly independent on traditional capital market products, so that it is more attractive to potential investors - The Authority continuously encourages licensed entities to come up with innovative products so as to be competitive and not be wholly independent on traditional products - CMA continuously sensitizes the public on benefits of investing in capital markets. - 1. CMA is carrying out investigations on unlicensed firms purporting 	<ul style="list-style-type: none"> - 1. Increase in market malpractices. 2. Loss of income to the Authority. 3. Loss of credibility of the Authority. 4. Loss of investor funds. 5. Loss of investor confidence. 	<ul style="list-style-type: none"> - 1. Encourage diversification from core business to other new regulated products. 2. Encourage licensed entities to explore more innovative marketing strategies. 3. Enhance investor education initiatives. 	Manager Market Supervision


					to undertake online forex trading 2. CMA continuously sensitizes the public on benefits of investing in capital markets.			
2	Obsolescence of server hardware equipment and systems software at the Authority	25 (5*5) ← ● →	25 (5*5)	<p>- Continuous release of new hardware infrastructure, Operating system, Application and/or Database software by system owners/vendors</p> <p>- Continuous use of old server and storage hardware equipment</p>	<p>- 1. Effective patching of all the operating systems, application and database management system software nearing end-of-life 2. Project initiation between CMA and Attain on the upgrade of Enterprise systems, applications and operating system software 3. Received the licenses for the respective operating system software and enterprise applications from the vendor Attain 4. Developed a low-level design document that will be used in the software upgrades</p> <p>- 1. Timely replacement of failed hardware infrastructure peripherals such as hard disks and power supply units 2. Project initiation between CMA and Computech on the server hardware upgrade 3. Conducted current server</p>	<p>- 1.Exposing the ICT resources to zero day attacks 2. Running application or server platforms not support by vendor security/critical updates</p>	<p>- 1. Continuous patching of current operating systems, application or database software using the Windows Server Update Services (WSUS) 2. Upgrade of the operating system software, Database management systems, email infrastructure and enterprise applications to the most current versions available</p> <p>- 1. Maintenance and management of the right operating environment in terms redundant power supply and adequate cooling at the server room 2. Timely repair of failed or faulty peripherals in the current server hardware 3. Installation, setup and configuration of a new storage and server hardware at the Primary data center</p>	Manager Information Communication Technology

					infrastructure review and developed a low level design document that will guide the hardware upgrade 4. Procured 6 additional blade servers for use in the expected storage infrastructure		and DR sites respectively 4. Migration of the enterprise applications and systems from the current obsolete hardware to the new hardware infrastructure	
3	Delayed approval of Human Resource Instruments	25 (5*5) 	20 (5*4)	- Lengthy process of approving the Human Resource Instruments by the National Treasury	- The Authority engaged with SCAC to review CMA HR Instruments in a retreat held in Naivasha for one week. Approval of the instruments by The National Treasury is awaited.	- Low staff morale. Failure to achieve key targets.	- Continuous Board engagement with relevant authorities for approval.	Manager Human Capital & Administration

4	Litigation against CMA enforcement processes and unfavorable court decisions	25 (5*5) 	6 (3*2)	- 1. Court orders issued against the Authority 2. Lack of appreciation of capital market operations by the judiciary 3. Enforcement actions not based on substantive ad procedural law	- 1. Compliance of the enforcement procedure and enforcement actions with the regulatory framework (CM Act, FAAA and Constitution) 2. Appeals lodged in matters where adverse judgements were delivered against the Authority. 3. The Enforcement Department engages with Legal Department and/or External Counsel to ensure that pleadings are filed to defend the Authority's position. 4. Development of proposal to address risk of bias	- Major	- 1. Compliance of the enforcement procedure and enforcement actions with the regulatory framework (CM Act, FAAA and Constitution) 2. Appeals lodged in matters where adverse judgements were delivered against the Authority. 3. Development of proposal to address risk of bias	Manager Investigations & Enforcement
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5	Regulated entities engaging in unlicensed/new business lines without prior regulatory approval and emergence of new business lines in the Capital Markets space without prior regulatory approval	25 (5*5) ← ● →	25 (5*5)	<ul style="list-style-type: none"> - Stiff competition in traditional revenue generating activities and limited available products in the market. - Gaps, inconsistencies and ambiguities in the current regulatory framework. 	<ul style="list-style-type: none"> - Routine inspections conducted in Oct- Nov 2019 and one of the inspections objectives is to ascertain business practices 	<ul style="list-style-type: none"> - 1. Potential erosion of capital. 2. Potential misapplication of clients' assets. 3. Loss of investor confidence in case clients discover that the new business lines lacked regulator's approval. 4. Lack of market integrity. - 1. Potential erosion of capital. 2. Potential misapplication of clients' assets. 3. Loss of investor confidence in case clients discover that the new business lines lacked regulator's approval. 4. Lack of market integrity. 	<ul style="list-style-type: none"> - • Conduct routine/thematic inspections to ascertain business practices and collate feedback to inform the establishment of proper frameworks. • Unlicensed business lines/firms involved in capital market business are brought under regulatory ambit. • Continuous engagement with the market. • Continuous review of the regulatory frameworks. • Submission of information gathered through market intelligence to Market Development and Policy and Regulatory Framework Departments. • The Authority to issue public warnings on unlicensed entities issuing products that take the form of regulated activities which have not yet been approved by the Authority 	Manager Market Supervision
						Low Uptake of new	<ul style="list-style-type: none"> - Robust engagements with relevant stakeholders including transaction advisers, NSE, CDSC, CA, RAK, ACIS, FMA, Trustees, Corporate 	




6	Sub Optimal Uptake of Capital markets products and services	20 (5*4) 	25 (5*5)	<ul style="list-style-type: none"> - Low level of awareness of Capital Markets products and services by Industry associations, Fund managers, Investors and Capital Markets ecosystem - Low investor and issuer confidence on Capital Markets - Unattractive returns to spur exits by PE funds - Inadequate utilization of modern techniques and technology to broadcast capital markets products and services - Ineffective business promoters (or lack of business promoters) for the derivatives products and/or no market maker 	<ul style="list-style-type: none"> - The Authority has put in place a Market Deepening Road Map and Work plan - The department developed a strategic plan with KAM to roll out deepening initiatives - The Authority engaged EAVCA to firm up approach on enhancing PE activity within the Capital markets as well as regulatory oversight of the PE industry. - The department has collaborated with the Corporate Communication to rollout a robust social media marketing and campaign program - Engage NSE, KASIB and FMA to provide strategies to enhance market making for equities, derivatives market 	<ul style="list-style-type: none"> Low Uptake of new Capital Markets products and services. Poor market performance i.e. declining securities market index and market turnover. Increased market concentration and low liquidity levels. Illiquid Bond Market Exit of foreign investors Declining activity and performance by Market intermediaries Increased profit warnings Low revenue for the Authority Dampened economic growth resulting from capital markets - Low Uptake of new Capital Markets products and services. - Low Uptake of new Capital Markets products and services. Missed investment opportunities - Low Uptake of new Capital Markets products and services. Missed investment opportunities - Identify the entities to 	<ul style="list-style-type: none"> Finance firms and all key stakeholders to explore strategies to ramp up uptake. Based on engagements, the development of an Industry Think Tank to align and implement industry and Authority's market deepening initiatives - Implementation of the CMA KAM strategic plan and robust roll out of targeted awareness and market deepening initiatives - Continuous engagement and collaboration with EAVCA towards identification of challenges facing PE entry to the capital markets and the development of an MOU, Policy Guidance Note to SRO Recognition of EAVCA and Policy support to enhance early operationalization of LP Act - Rollout of Videos, Blogs and Social Media 	Team Leader Market Deepening , Team Leader Market Deepening
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						undertake the role of primary dealers/market makers	Campaigns on Capital Markets products and services - Develop incentives through policy proposals to support Market making in the equities and derivatives market	
7	Ineffective Continuous Professional Development (CPD) program	20 (4*5) 	16 (4*4)	<ul style="list-style-type: none"> - Cost of compliance - Low proficiency of exempted practitioners - Ineffective CPD Policy causing low uptake - Ineffective ability of Department to implement mandate 	<ul style="list-style-type: none"> - CPD circular issued CISI and ICIFA accredited as CPD service providers - CPD Policy developed MoU between ICIFA and CMA MoU between ICIFA and CISI - feedback incorporated into the CPD Policy. - engagements with National Treasury and State Corporations Advisory Committee for approval 	- major	<ul style="list-style-type: none"> - Commencement of earning CPD credits by market practitioners - Commencement of earning CPD credits by market practitioners - Soliciting feedback from practitioners on a quarterly basis - Soliciting feedback on a monthly basis 	Manager Investor Education & Public Awareness

8	Failure by government majority owned listed companies to submit and publish audited financial statements	20 (4*5) ← ● →	20 (4*5)	- Delay to appoint the Auditor General	- 1. We granted extension to the affected companies until the Auditor General is appointed 2. The affected companies were required to publish the extension notice providing adequate reason for the delay in publication of audited financial statements	- 1. Delay to analyse performance of the listed companies leading to delay in taking appropriate actions or proposing recommendations	- The affected companies to publish the extension notice providing adequate reason for the delay in publication of audited financial statements	Manager Corporate approvals
9	Ineffective succession planning	20 (4*5) ← ● →	20 (4*5)	- Failure to afford the right talent	- Board engagement with the National Treasury	- Business continuity may be hampered Low staff morale when they act in higher roles for long duration	- Review of succession planning matrix across the organization	Manager Human Capital & Administration
10	Failure of 3rd party ICT service providers	20 (4*5) ← ● →	20 (4*5)	- 1. Fiber cuts 2. Domain Naming Service (DNS) failure on the provider's servers which hosts our domain (cma.or.ke) 3. Configuration changes from the service providers end	- 1. Maintenance of two separate independent internet links	- 1. Inability to send or receive external emails 2. Unavailability of the CMA website	- 1. Continue to maintain and manage the two independent internet links for redundancy 2. Manage and maintain valid contracts for the provision of Internet, Domain and web hosting services 3. Require Kenyaweb to implement redundancy on their DNS servers	Manager Information Communication Technology
					- CNF and CE's Comments on the White paper on Capital Markets incorporated with a view to presenting the Paper to			

11	Decreased level of investor protection due to lack of financial literacy and capability	20 (4*5) ← ● →	20 (4*5)	<p>WG1 in Q3</p> <p>- During WIW, the Authority held various Social Media initiatives on investor protection, online Resource Centre Campaign, Scavenger hunt, Resource Centre physical visit, vernacular radio initiatives in two counties, intermediaries outreach programs, Facebook Conference and Crossword Puzzle on Derivatives. Further, hosted students from Kitale Technical, Baraton university as well as held forums with various professional institutions - KIP, IHRM, ISK, DCI Academy, ICIFA amongst others</p> <p>- 1. Lack of a National Financial Education Strategy</p> <p>- 2. Cultural persuasions (tangible vs non tangible products)</p> <p>- 3. Absence of capital market topics in the primary and secondary school curriculum</p> <p>- 4. Low income levels, savings and financial capacity</p>	<p>- Attended a KICD workshop in November in Naivasha as well as a forum in December at KICD offices in Nairobi on development and update on the status of infusion of capital markets and financial literacy topics into</p> <p>- Good corporate image and increased awareness</p> <p>- Increase in capital markets products and services uptake</p> <p>- Increase in capital markets products and services uptake, good corporate image</p>	<p>- Continued partnerships and adoption of the new strategic approach to target the various segments and sub groups at a more granular level.</p> <p>- 1. Inclusion of the Trading Bells Program as part of the testimonials campaign. 2. Create awareness on CIS participation as a long-term treatment for access and use of Resource Persons to reach rural areas. 3. Continued support and collaboration with both demand and supply side resource persons</p> <p>- Continued collaboration with KICD to include capital markets topics in the curriculum</p> <p>- The department will continue to implement</p>	Manager Investor Education & Public Awareness
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				<p>- 5. Low market access</p> <p>the new Competency Based Curriculum Syllabus.</p> <p>- Encouraged a savings culture in all initiatives undertaken.</p> <p>- Authority partnered with other professional institutions to demystify capital markets and encourage a culture of saving by participating in the IHRM, KIP, ISK, DCI Academy forums. Further, forums targeting institutional investors and pension scheme trustees were held. The retail investors were also encouraged to invest in CIS's and M-Akiba as easier access to the market.</p>		<p>robust programs to encourage a savings culture and introduce products for low income Kenyans hence continue to leverage on technology to teach on areas like mpesa and MAKiba.</p> <p>- Adoption of the new strategic approach to target various segments and sub groups at a more granular level.</p>	
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12	Yield driven investment decisions by fund manager without due regard to quality of the investment	20 (4*5) 	20 (4*5)	<ul style="list-style-type: none"> - Unfair competition among fund managers in attracting public funds - The Collective Investment Scheme does not provide a standardized method of calculating yield 	<ul style="list-style-type: none"> - Quarterly review of assets under management to check if all investments have been correctly reflected and invested within the limits - We reviewed the TORs of the consultant to be hired to revise Collective Investment Scheme Regulations 	<ul style="list-style-type: none"> - 1.Possible run in the CIS Industry 2.Loss to investors - 1.Loss to investors 	<ul style="list-style-type: none"> - Quarterly review of assets under management to check if all investments have been correctly reflected and invested within the limits - Inclusion of GIPS provisions in amended CIS regulations 	Manager Corporate approvals
13	Lack of adequate number of resources	20 (4*5) 	20 (4*5)	<ul style="list-style-type: none"> - 1. Low staff complement - 2. Insufficient compensation to attract specialized skills - 3. Staff deployment to other departments due to low value in the Department 	<ul style="list-style-type: none"> - 1. Request made to the Human Capital to engage temporary assistants pending recruitment of officers for the enforcement department. 2. Expand the establishment. 3. Recruit optimally 	- Major	<ul style="list-style-type: none"> - 1. Filling the vacancy available. 2. Expand the establishment. 3. Recruit optimally 	Manager Investigations & Enforcement , Manager Human Capital & Administration
14	Non compliance with the Procurement Plan requirements and procurement procedures	20 (4*5) 	12 (4*3)	<ul style="list-style-type: none"> - 1. Departmental plans not drawn from the budget - 2. Users circumventing the procurement process - 3. User specifications not clear/well drawn - 4. Short time frames provided by users to deliver services/goods 	<ul style="list-style-type: none"> - The user departments have already been engaged to ensure submission of the departmental procurement plans 	<ul style="list-style-type: none"> - Delayed delivery of goods and services, Warnings and/or sanctions from PPRA - Loss of funds 	<ul style="list-style-type: none"> - Sensitization and Monitoring 	Manager Procurement

15	Unresponsive policy, legal and regulatory framework due to partial/piecemeal adoption by policy makers	20 (4*5) ← ● →	20 (4*5)	<ul style="list-style-type: none"> - Vested interests from peer government agencies and other sectors of the economy - Competing Gok priorities 	<ul style="list-style-type: none"> - Stakeholder engagement on policy proposals i.e RBA engaged on Policy Proposal touching on PE firms accessing pension monies policy proposal. TNT engaged prior to stakeholder consultation on NSE Recovery Board in relation to SOE's in which they are the anchor shareholder. - Demonstration to GoK that there will be no tax leakages on granting tax incentives i.e Proposal on finality of withholding tax on interest income from corporate bonds for investors to TNT demonstrates this and evidences the existing tax inequity. 	<ul style="list-style-type: none"> - Failure to launch new products or launched products failing to gain traction 	<ul style="list-style-type: none"> - Targeted stakeholder engagement on outstanding policy recommendations - Employment of financial modelling techniques to present cost-benefit analysis to GoK 	Assistant Manager Policy
16	Inadequate Financial Resources.	20 (4*5) ← ● →	20 (4*5)	<ul style="list-style-type: none"> - Low Market Turnover. 	<ul style="list-style-type: none"> - Spending within revenue collected revenue - Prioritizing strategic plan activities 	<ul style="list-style-type: none"> - Lack of delivery of mandate 	<ul style="list-style-type: none"> - Facilitate Market deepening - Facilitate uptake of existing products through market deepening 	Manager Finance
							<ul style="list-style-type: none"> - 1. Maintain a robust email spam filtering solution 2. 	

17	Cyber security threats	20 (5*4) ← ● →	20 (5*4)	<ul style="list-style-type: none"> - 1. Ransomware such as Wannacry, Locky etc 2. Viruses, spyware, spam and other forms of malware 3. Phishing and pharming - Unpatched client and server operating systems - Social engineering through malicious email - Unauthorized access to critical systems or data 	<ul style="list-style-type: none"> - 1. Maintained an effective web filtering solution 2. Maintained a robust email spam filtering solution 3. Maintained an effective end-point security solution 4. Maintained an effective backup process for critical data - Maintained an effective patch management program for client and server systems - Conducted user awareness on current threats - Managed and maintained the principle of least privilege in granting access to ICT resources Monitored the respective critical aspects of the ICT infrastructure 	<ul style="list-style-type: none"> - 1. Data corruption and/or loss 2. Data theft 3. Breach of employee privacy 4. Reputation damage as a result of succesful data breaches - Data loss and/or data corruption through zero-day attacks - Users clicking on malicious links or attachments sent on email or other mediums to enable a successful attack - 1. Privilege escalation 2. Data loss 3. Unauthorized access to confidential information 	<p>Maintain an updated and licensed enterprise anti-virus 3. Send out monthly ICT security tips to staff 4. Maintain a successful backup solution and process 5. Maintain an effective web filtering solution 6. Maintain and manage an effective perimeter firewall with relevant patches 7. Acquire a Security Incident and Event Management systems (SIEM) and Network Access Control for indedpth network and systems monitoring for the detection and prevention of vulnerabilities and threats</p> <p>- Maintain an effective patch management program for client and server systems</p> <p>- Continue to sensitize staff on the evolving cyber security threat landscape</p> <p>- 1. Review of user profiles assigned to staff on the enterprise systems 2. Review of the Domain</p>	Manager Information Communication Technology
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							Admins membership 3.	
18	Inadequate capacity within MSD	20 (5*4) ← ● →	20 (5*4)	<ul style="list-style-type: none"> - Inadequate staff complement - Competing corporate and departmental priorities. - Inadequate technical skills on capital markets products, services and operations. 	<ul style="list-style-type: none"> - Temporary staff and intern joined the team during the quarter - MS is conducting continuous assessment of the work plan to ensure alignment to corporate objectives. Tracking of departmental work plan activities is reported during all departmental meetings. - Training needs in different areas has been identified and continual capacity building is carried out through training MS staff e.g. several staff were trained abroad on risk management and stress testing 	- MS mandate not optimally delivered	<ul style="list-style-type: none"> Review of staff access to the file server systems - Ongoing assessment of MS capacity needs and continuous identification of suitable staff for absorption to the relevant MS functions. - Conduct ongoing assessment of MS work plan objectives and ensuring alignment to corporate objectives. - Effective training needs analysis and implementation of training plan. 	Manager Market Supervision

19	Sub optimal internal capacity (staff numbers and skills set in review of new products)	20 (4*5) ← ● →	20 (4*5)	<ul style="list-style-type: none"> - Inadequate technical skills on new and existing complex capital markets products, services - Inadequate staff complement 	<ul style="list-style-type: none"> - 1. Some staff members were trained in the quarter and are expected to share with the rest of the staff on the knowledge gained. - 2. Some staff had to work overtime to cover the extra work spread from exiting staff 	<ul style="list-style-type: none"> - 1. Applications that do not fully comply with regulatory framework recommended for approval 2. Reputation risk 3. Loss of Revenue due to lack of confidence in the market - 1. Diminishing staff morale due to being overworked and lack of career progression. 2. overworked staff leading to low productivity, staff turnover and applications that don't fully comply with the regulations recommended for approval 	<ul style="list-style-type: none"> - 1. proper training needs assessment 2. Attachment to the market and other relevant stakeholders - 1. Recommend for filling vacant positions 2. Recommend confirmation of long serving and competent temporary staff 3. Recommend promotion for staff who are very competent but have remained in the same position for a very long time 	Manager Corporate Approvals , Manager Human Capital & Administration
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Cumulative Opportunities heatmap

Impact	Transformational 5				DRPS/O/10 DRPS/O/9 DRPS13	DRPS/O/11
	Major 4					
	Moderate 3					
	Minor 2					
	Insignificant 1					
		Rare 1	Unlikely 2	Likely 3	Highly Likely 4	Almost Certain 5
		Likelihood				

No	Cumulative Opportunity	Score	Ref No
1	Maximize social media and/or digital marketing to promote awareness and optimal uptake of capital markets products and services	25	DRPS/O/11
2	Leverage the Regulatory Sandbox and Fintech to develop innovative and transformative capital markets solutions	20	DRPS13
3	Leverage of partnerships with other stakeholders and development partners to enhance Knowledge, Attitude and Practice towards capital markets	20	DRPS/O/9
4	Leveraging on the Resource Persons programme and key staff members from all the Authority departments	20	DRPS/O/10

Detailed Status of Opportunities

#	Description	Current Rating	Prior Rating	Opportunity Drivers	Opportunity Enhancement Strategy Undertaken	Effect of Risk to Authority	Further action to be undertaken	Person Responsible
1	Roll out robust social media marketing to promote capital markets products and services uptake	25 (5*5) ← ● →	25 (5*5)	<ul style="list-style-type: none"> - Need to invest efforts into social media marketing and awareness of capital markets products and services. - Low Responsiveness to social media queries by the investing public and the investors 	<ul style="list-style-type: none"> - Collaborative effort with Corporate Communications to implement a robust social awareness campaign of capital markets products and services - Collaborative effort with Corporate Communications to implement a social awareness campaign of capital markets products and services 	<ul style="list-style-type: none"> - Enhanced awareness and visibility of capital markets products and services - Enhanced capital markets customer experience and investor journey 	<ul style="list-style-type: none"> - Roll out of products Videos and Blog posts on capital markets products and services - Dedicated resource to undertake social media customer experience and market deepening 	Team Leader Market Deepening

2	Leveraging on the Resource Persons programme and key staff members from all the Authority departments	20 (5*4) ← ● →	20 (5*4)	<ul style="list-style-type: none"> - 1. Introduction of outsourcing strategies (resource persons program) - 2. Availability of professionals who have passion for the capital market and are willing to give their time to create awareness 	<ul style="list-style-type: none"> - The department collaborated with staff for two vernacular radio interviews during the WIW and made presentations to students during Baraton University and Kitale Technical students' study visits to the Authority. Further, staff including IEPA and Market Operations teams, DRPS, and the CE made presentations during various IEPA forums held during the quarter. - The Resource Persons did not submit request for approval to undertake initiatives during the quarter. A meeting has therefore been set for Q3 to discuss with the resource persons the reasons and/or any challenges that caused the dormancy. 	<ul style="list-style-type: none"> - Increased awareness, protection and uptake of capital markets products and services - Increased uptake of capital markets products and services 	<ul style="list-style-type: none"> - Continued leverage of Resource Persons and other CMA staff resources 	Manager Investor Education & Public Awareness
					- The department continued to update the feedback matrix			

3	Leverage of partnerships with other stakeholders and development partners.	20 (5*4) ← ● →	20 (5*4)	<ul style="list-style-type: none"> - 1. Good Corporate Image - 2. Demonstrable success and value in Authority's initiatives - 3. Structures at the county level as a result of devolution - 4. Organised Kenyans in the diaspora through associations and their ability to remit substantial amounts to Kenya - 5. New products that are attractive to most of our partners; REITS, CIS, Derivatives, ETFs, ABS etc 	<ul style="list-style-type: none"> - Implemented some aspects of the signed MOUs with KAM, ICIFA and partnered with IHRM, KIP, ISK, Baraton University, Kitale Technical, DCI Academy, Kenya National Spelling Bee amongst others. - Held investor education and public awareness events in 4 counties besides Nairobi i.e. Mombasa, Kwale, Kirinyaga and Nakuru. - The department participated at the Dallas Diaspora event held in November 2019 as well as Facebook conference during the World Investor Week in October 2019. - Continued to sensitize various target groups on the capital markets products and services as well as protection through organizing forums, infographics, social media initiatives, crossword puzzle 	<ul style="list-style-type: none"> - Increased visibility - Partnerships continue to improve coverage by the Authority; this is expected to further enhance participation in the capital markets. - Increased visibility within the Counties - Increased uptake on capital markets and products 	<ul style="list-style-type: none"> - Implementation of a feedback matrix - Continued structured way of dealing with partners like MOUs, MOAs and sponsorships and other agreements to leverage on good will. - Reciprocal participation in other stakeholders initiatives - Continuous investor sensitization on the new products available in the market as well as inclusion of Trading Bells Program as part of testimonials 	Manager Investor Education & Public Awareness
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				on derivatives, one-on-one meetings, Facebook conference and other social			
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media strategies.

Emerging Trends

NO	Factor	External/Internal	Related Risk Event	Changes in Risk Profile	Directorate
1	Need to leverage social media to drive market deepening initiatives	external		The proliferation of internet-enabled mobile devices has led to the rapid development of social networking sites and media pages, resulting in a continued reconfiguration of ways by Organizations and companies to access and relay information and market products and services to individuals or groups.	DRPS
2	Emergence of Crypto-CFDs and application to test within the Regulatory Sandbox framework	external	Inability to leverage the Regulatory Sandbox to promote market deepening	This has catalyzed the risk on the inability to utilize the Regulatory Sandbox to promote the development and growth of the local capital markets. Further, this curtails the protection of investor funds and interests.	DRPS
3	Emergence of Digital platforms and schemes purporting to be licensed Capital Markets Online Forex Platforms	external		In a bid to enhance investor protection and the fair treatment of customers, Capital Markets Authority (CMA) cautioned the public against participating in Online Forex Trading through Interweb Global Fortune and its director Mr. Manasseh Kuria Karanja.	DRPS
4	Macroeconomic factors with respect to the general economic slowdown within the financial sectors. In addition, several profit warnings by listed companies resulted in low investor confidence during the reporting period	external	Exit of existing listed companies and market intermediaries through delistings and de-licensing	This trend has the potential to increase the risk of failure of intermediaries and listed companies resulting in low investor confidence.	DRPS
5	As part of demarcation between Investor Education and Public Awareness as well as Market Deepening. More emphasis on product uptake will be taken up by Market Deepening.	internal	Ineffective investor education strategy	The department will continue to collaborate with Market Deepening to achieve results.	DRPS
NO	Factor	External/Internal	Related Risk Event	Changes in Risk Profile	Directorate

NO	Factor	External/Internal	Related Risk Event	Changes in Risk Profile	Directorate
6	Tough economic condition that has led to several licensed entities not meeting minimum financial requirements	external	High Cost of continuous reporting obligations (publication of financial statements and advertisements especially for small size companies)	The rating has not materially increase because of extensions that have been granted to the licensed entities to come to compliance	DMO
NO	Factor	External/Internal	Related Risk Event	Changes in Risk Profile	Directorate

Lessons Learnt

NO	Strategies That Worked Well	Directorate
1	Consistent and timely engagement with stakeholders as informed by market intelligence on policy issues i.e We wrote to the EAC on time in relation to changing the earlier amendment of Sections 611 and 615 of the of the Companies Act.	DRPS
2	NSE CDSC System upgrades contributed to enhanced participation of investors and increased activity.	DRPS
3	Enhanced strategic partnerships with key institutions such as KAM, ISK, KIP to promote investor education and market deepening	DRPS
4	The Authority submitted the 2020/21 policy proposals that were anchored on the theme “Enhancing Capital Market Deepening in Kenya’.	DRPS
5	Companies that list under the Nairobi Securities Exchange’s GEMS program for the next three years can be forgiven tax penalties and interest, provided they pay the principal amount. This move to encourage listing at the NSE became effective in November 2019. But if they delist within five years, that window lapses and all taxes due before listing will again become payable.	DRPS
6	Real Estate Investment Trusts (REIT’s), which were exempt from corporate tax are now also exempt from income tax.	DRPS
7	Development of the Recovery Board Opinion editorial and the pursuit to realize the institution of a Recovery Board in Kenya's Capital Markets.	DRPS
8	CMA-NSE Shengzen forum. The NSE and Shengzen exchanges hosted and launched for the first time a joint investor forum dubbed the China-Kenya Capital Market Service Initiative Forum (the “China-Kenya Initiative”). The forum aimed at linking Micro, Small and Medium Enterprises (MSMEs) sector in Kenya to investors in Shenzhen to allow a capital formation platform on a larger scale.	DRPS
9	Kenya's improvement of five positions to 56 globally on attractiveness to investors	DRPS
10	Although face to face engagements are effective towards achieving results and demonstrating impact in the short, medium to long term, the department leveraged more technology for increased outreach while saving costs specifically during the World Investor Week such as a Facebook Conference, infographics on Social Media, Crossword Puzzle and the Scavenger Hunt Competition.	DRPS
11	During the quarter, engagement with market intermediaries provided opportunity for amicable resolution of several client complaints, without the Authority resorting to harsh administrative action.	DMO
12	Market intermediaries have expressed willingness to meet with the Authority on highlighted areas of regulatory concern and provided explanations, clarification on challenging areas as well as proposed road maps for rectification of issues such as corporate governance requirements, client account deficit and liquid capital deficit	DMO
NO	Strategies That Did Not Work	Directorate
1	Negative publicity associated with Cytonn Asset Management's Constitutional Petition filed against the Capital Markets Authority	DRPS
2	Leveraging Ibuka platform to promote listings in the capital markets	DRPS
3	Leveraging the Capital Markets to fund Big 4 Agenda related projects. Kenyan Government spending anticipated to increase as Kenya implements the “Big Four Agenda” infrastructure projects, while upbeat private consumption should further support the expansion.	DRPS
NO	Near Misses	Directorate

NO	Near Misses	Directorate
1	Despite engagement with KDIC on amendments to the KDI Act especially where there were clear typo's hit a snag with them opposing any change to their act. The CE to engage KDIC CEO on the same.	DRPS
2	Interweb Global Fortune's illegally collecting investor funds while promising high returns or dividends, which were not realistically available through credible investment products.	DRPS

Crystallized Risks

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
1	On boarding of five years' worth of projects into nine (9) months before closure of the FSSP project.	During the planning phase of the projects, the Authority had to provide the project teams and it was clearly seen that resource balancing is a challenge as we are running with the same staff compliment in the different departments for the projects that are running concurrently. The timelines for the projects to be implemented and closed is also too stretched which can lead to project failure.	Delays in project roll out by the Project Implementation Unit (PIU) of the National Treasury. This has caused projects that were spread over the five (5) year timeline of the Financial Sector Support Project (5) to be squeezed into the final nine (9) months of the same.	The Authority through the Chief Executive and the Board has written to the National Treasury and the World Bank seeking an extension on the timelines for the FSSP projects to ensure the quality of the projects implemented is not compromised due to rushing of the same. The project management team has also carried out resource planning for the running projects to ensure some kind of relief on the core team members especially from the ICT department to try and minimize burnout to the team.	The Authority currently does not have the capacity to run all these projects concurrently, however the Authority could consider internal funding of projects to ensure potential risks are mitigated in advance.	CES OFFICE
2	Resignation of a highly trained and skilled staff member in the department who is yet to be replaced	Decrease in the overall skill set in the department and overload of the other staff as his work had to be spread to the remaining staff members	Decreased morale due to stagnation at the same level for a long time and better opportunities in the market.	Proposal to replace the staff member	There is need to motivate the remaining staff members	DMO

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
3	Fire suppression system gas release	Inability to suppress potential fire in the data center before refill of the cylinders	Accidental triggering of the gas during shutdown of the fire suppression	Procurement of the fire suppression gas	1. Need for a refresher on how to manage the fire suppression system (shutdown and startup procedure) 2.	DCS
4	The Money Market Funds under one Fund Manager risks being totally wiped out due to investment in an institutions that have gone burst and another institution that is incapable of paying back the interest and principal	Loss to investors	Poor investment decisions and delay in impairing investments that are is no longer collectible	1.Fund managers to make full disclosures about the investments to unit holders and potential unit holders 2. Fund managers need to constantly access their investments and impair investment upon any default on interest or principle	There is needs to adequate sensitive fund managers to monitor risk appetite of their clients especially retail clients	DMO
5	Failure by licensed entities to comply with conditions for grant of the licenses and seeking several extensions to comply	Having Licensees in the market that do not meet minimum licensing requirements	Lack of commitment by licensed entities	Decline to grant license to applicants who do not meet minimum financial requirements	Some licensees tend to abuse extensions given to come to compliance	DMO
6	Judgement delivered against the Authority setting aside enforcement action taken against Aly Khan Satchu	The enforcement action taken against Aly Khan Satchu set aside	The court held that the Authority was biased in its process and therefore did not accord a fair hearing	1. An appeal has been lodged at the Court of Appeal against the judgement of the High Court	The Authority to seek opportunity to training judiciary regarding the operations of the securities regulator and mode of operations	DMO
7	Amana Capital filed an appeal against the Authority with respect to the enforcement action taken for the Fund Manager to restitute the Complainant for shares lost	The enforcement action taken by the Authority has been stayed.	The market intermediary does not agree with the position taken by the Authority	The Authority to present a robust defense to ensure that its decision taken to protect investors' interests is upheld.	The Authority should consider a mediatory approach towards resolution of cases	DMO

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
8	Use of direct procurement for legal services: Petition no. 29 of 2019 filed by Alnashir Popat & 8 Others, High court civil appeal case 44 of 2019 Satchu vs CMA, Judicial review case 220 of 2019 Satchu vs CMA	1. Loss of value for money 2. Non compliance to procurement procedures	Urgency of need from the User to handle the cases	1. Ensure due procurement process es are followed for fully approved requisitions 2. Sensitization on the appropriate procurement processes 3. Adoption of framework contracting for frequently used services	Adequate sensitization and adequate training of Users on procurement procedures	DCS
9	Delayed actions by Ministry of Agriculture post Pre-Gazettement engagement on WRS Regulations with Parliamentary Committee on Delegated Legislation held in November 2019. A Clear timetable has not been issued in relation to the following; 1. Convening of a Taskforce Workshop to incorporate comments of National Assembly Committee 2. Scheduling of one month mandatory public exposure notice 3. Scheduling of National Validation Exercise Pre Gazettement meeting in November 2020	Delayed gazzetement of WRS Regulations leading to delayed operationalization of structured trading of commodities in Kenya	Not Clear at this time. However anecdotal evidence suggests it could be as a result of resource constraints due to running many programs.	CMA to engage Ministry of Agriculture on way foward	Need to review mode of engagement with Ministry of Agriculture by engaging the National Treasury to advocate for their progression.	CES OFFICE

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
10	Cytonn Asset Manager has been faced with the unfortunate event where the trustee for its CIS resigned. The CIS has been unable to get an alternative trustee.	This exposes investors to lack of proper oversight over their CIS investments.	The existing trustees, all banks, in the market seem to shun Cytonn.	The CMA to continue to hold engagements with the existing trustees and fund managers, on how to ensure that there are no gaps in ensuring oversight of the CIS.	Conduct a much more closer in-depth oversight over Cytonn as a Fund Manager especially its business model. There is need to carefully review the CMA Regulatory Framework, to open up the eligibility of Trustees to a broader set of institutions in order to ensure competitiveness.	CES OFFICE

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
11	Amana Capital is faced with a liquidity crisis as a result of inability to meet unit holder claims and liabilities, which was occasioned by investment in Nakumatt Holdings Ltd Commercial Paper and Jamii Bora Fixed Deposit Accounts.	A payment crisis has resulted, due to inability by the firm to meet unit-holder claims.	This situation is a direct result of the poor investment decisions taken by the firm, i.e. chasing yield at the expense of the fiduciary duty of care owed to unit holders.	1. To avert a payment crisis, the firm needs to be urgently recapitalized and outstanding unit holder claims should be paid. 2. The company needs to provide a complete reconciliation of client funds matching total client assets with total client liabilities and an explanation of any differences arising due to pricing revaluations and losses due to bad investments. 3. Jamii Bora Bank (JBB) Ltd to be required to commit to a schedule of fixed payments to materially reduce unit holder claims on their underlying investment in a Fixed deposit account with JBB. 4. Consider culpability of directors and key personnel of Amana Capital Limited and take necessary enforcement action.	Fund Managers should be required to conduct proper due diligence in support of their investment decisions. Compliance personnel within these entities should check that adequate and independent research is being conducted. Trustees should more actively participate in analysis of investment decisions taken by fund managers.	CES OFFICE

No	The Event	Impact	Root Causes	Corrective Action Plans	Lessons Learnt	Directorate
12	CDSC transition from MIT system to Perago to the new system on 14th October 2019. Following transition to the new Perago system, CSDC encountered post go-live challenges including; Concerns in relation to reconciliation of the shareholder register raised by registrars especially Safaricom shareholders' register within 10 working days from the end of October. Although in Q3, an incident occurred on 8th January 2020, involving a delay in sending the holdings file for the 7th Jan 2020 to brokers to allow them validate client holding balances. The file which ought to have been sent to the trading participants prior to the trading session on 8 Jan 2020 was availed at 1pm.	Concerns by registrars that they were unable to confirm the accuracy of shareholders registers in readiness for corporate actions that may have arisen. Interruption of trading activities for 4hrs for most brokers anon 8th January 2020. In the case of registrars, there has been no impact to payment of dividends but this could happen if issues are unresolved by March 2019 , which is the dividend season.	Slow pace of resolution of emerging issues by CDSC.	The approval of the new CDSC Perago system included several conditions such as audit of the shares under CDSC custody post go-live. Continuous engagement of CDSC management towards resolution of the identified new system challenges. CDSC to consider beefing up its ICT capacity.	There is need for regular reporting by CDSC to the Authority on system enhancement activities. There seems to be continued capacity challenge at CDSC IT department since lapses in processes have been glaring. CDSC was penalized in 2019 for such lapses.	CES OFFICE