



## PUBLIC NOTICE

### THE CAPITAL MARKETS ACT (CAP. 485A)

## **COUNTRY CONSULTATIONS ON THE PROPOSED HARMONIZED EAST AFRICAN COMMUNITY (EAC) CAPITAL MARKETS LEGAL AND REGULATORY FRAMEWORK**

The EAC Markets Protocol, effective July 1, 2010, prioritizes regionalization of the East African Capital Markets with the aim of providing an opportunity for the growth and deepening of the capital markets in the region to promote economic growth. Well integrated regional market will allow issuers to tap regional capital market to raise capital necessary to meet the costs of major infrastructural development and commercial ventures. The objectives of the EAC Monetary Union Protocol, effective 30<sup>th</sup> November 2013, complement those of the EAC Common Market Protocol in that the Protocol seeks to promote and maintain monetary and financial stability aimed at facilitating economic integration to attain sustainable growth and development of the Community. The EAC Monetary Union Protocol requires the implementation of the EAC Common Market Protocol as a pre-requisite to the realization of the monetary union.

The EAC regionalization strategy recommended that EAC regionalization should be implemented in legal and regulatory terms through a harmonized rather than a single overarching regime. Harmonization is interpreted to mean the implementation of minimum standards of regulation across all the EAC Partner States. Each country would recognize the regulatory regime of other countries through harmonization of policies and approximation of laws. The regionalization process has taken into consideration that the EAC capital markets are at different levels of development and that an overarching EAC Community law would only be feasible in the long-term after a high degree of convergence between the different EAC capital markets has been attained. These harmonized laws are developed in form of EAC Council of Ministers Directives by the CMA, NSE and CDSC together with their peer institutions in the EAC region.

The first set of seven EAC Council Directives developed in 2013 was taken through stakeholder consultation process and considered by the EAC Sectoral Council of Finance and Economic Affairs at its meeting of 15<sup>th</sup> March 2014 and thereafter promulgated by the EAC Council of Ministers on 28<sup>th</sup> April 2014. All the EAC Partner States are now in the process of transposing these Directives into their respective national legal frameworks.

The second set of nine draft Council Directives has been finalized and are now ready for stakeholder consultation. These are Directives on Securities Exchanges; Central Securities

Depositories; Self-Regulatory Organizations; Conduct of Business for Market Intermediaries; Corporate Governance for Listed Companies; Anti-Money Laundering; Investor Compensation Funds; Investor Protection; and Regulation of Takeovers and Mergers..

This Notice has been issued in accordance with the Constitution of Kenya, the Capital Markets Act and the Statutory Instruments Act to commence stakeholder and public consultation period for a period of the next thirty (30) days. The proposed Directives are available on the website of the Capital Markets Authority website:- [www.cma.or.ke](http://www.cma.or.ke), the Nairobi Securities Exchange website [www.nse.co.ke](http://www.nse.co.ke) and the Central Depository and Settlement Corporation Limited website [www.cdskenya.com](http://www.cdskenya.com). Kindly submit your comments on the draft Directives by **July 23, 2014** via email or hand delivery or post to: -

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