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**THE CAPITAL MARKETS (AMENDMENT) BILL,
2025**

A Bill for

**AN ACT of Parliament to amend the Capital Markets
Act**

ENACTED by the Parliament of Kenya, as follows—

PART I – PRELIMINARY

1. This Act may be cited as the Capital Markets
(Amendment) Act, 2025.

Short title.

2. Section 29 of the Capital Markets Act is amended
by—

Amendment of
section 29 of Cap.
485A.

(a) inserting the following new subsection
immediately after subsection (3)—

(3A) The Cabinet Secretary may, in
consultation with the Authority, make Regulations
prescribing the shareholding limits for different
categories of business that require to be licensed or
approved under the Act;

(b) deleting subsection (4);

(c) deleting subsection (5);

(d) deleting subsection (6); and

(e) deleting subsection (7).

MEMORANDUM OF OBJECTS AND REASONS

Statement of the Objects and Reasons for the Bill

The principal object of the Capital Markets (Amendment) Bill, 2025, is to amend section 29 of the Capital Markets Act (Cap. 485A) for the purposes of refining the provisions relating to shareholding limits within different licence categories.

The amendments seek to enhance ease of doing business by removing shareholding limits to attract more investment in regulated institutions. Without such limits, larger investors may be more willing to invest significant capital, leading to increased liquidity and expansion opportunities for the institution.

Clause 1 of the Bill sets out the short title.

Clause 2 of the Bill proposes to amend section 29 of the Act by deleting subsections (4), (5), (6) and (7). Further, clause 2 proposes to insert a new subsection which is intended to confer on the Cabinet Secretary, in consultation with the Capital Markets Authority, the power to make Regulations prescribing shareholding limits for different categories of business that require to be licensed or approved under the Act.

The amendment aims to:

- (a) enhance flexibility by conferring on the Cabinet Secretary, in consultation with the Capital Market Authority, the power to make Regulations prescribing shareholding limits for different categories of business that require to be licensed or approved under the Act. The amendment will provide greater flexibility to adapt to changing market conditions and regulatory needs.
- (b) streamline regulation the amendment aims to simplify the regulatory processes and thereby facilitate more efficient and responsive adjustments to shareholding limits as dictated by market dynamics.
- (c) align with best practice the amendment will ensure that shareholding limits can be aligned with best practice and evolving market standards and thereby support a more robust and effective regulatory environment.

Statement on the delegation of legislative powers and limitation of fundamental rights and freedoms

This Bill delegates legislative powers to the Cabinet Secretary, but it does not limit fundamental rights and freedoms.

Statement of how the Bill concerns county governments

The Bill does not concern county governments in terms of Article 110(1) of the Constitution as it does not contain provisions that affect the functions and powers of the county governments as set out in the Fourth Schedule to the Constitution.

Statement as to whether the Bill is a money Bill within the meaning of Article 114 of the Constitution

The enactment of this Bill may not occasion additional expenditure of public funds.

Dated the 10th June, 2025.

KIMANI ICHUNG'WAH,
Leader of the Majority Party.

Section 29 of Cap. 485A which it is proposed to amend—

29. Licensing requirements

(1) Before granting any licence or approval, the Authority in respect of a business that requires to be licensed or approved shall satisfy itself—

- (a) that the applicant is such legal entity as may be prescribed in the Regulations as the Authority may prescribe or is duly constituted as a collective investment scheme;
- (b) *deleted by Act No. 35 of 2012, s. 7;*
- (c) that at least one the director, chief executive officer or such other person who directs, conducts, manages or supervises the business of the applicant has satisfied such minimum qualification requirements as may be prescribed;
- (d) in the case of a stockbroker, dealer or other person prescribed by the Authority that the applicant company has lodged security in such sum as may be determined by the Authority or an equivalent bank guarantee or bond with the securities exchange in which it is a trading participant or with the Authority or other person approved by the Authority as the case may be;
- (e) that the applicant company has the necessary administrative capacity to carry on business for which the licence is required;
- (f) in the case of an application for a stockbroker's licence, that the applicant shall carry on business solely on behalf of clients;
- (g) in the case of an application for a dealer's licence, that the applicant shall carry on business solely on the applicant's own behalf;
- (h) in the case of an application for a derivatives broker licences, that the applicant may carry on business either on behalf of clients or on the applicant's own behalf, or both;
- (i) *deleted by Act No. 35 of 2012, s. 7.*

(2) A securities exchange or a derivatives exchange shall admit an applicant for a stockbroker, dealer or derivatives broker license if the applicant—

- (a) fulfils all the requirements imposed by the Authority and the relevant securities exchange, derivatives exchange or any self-regulatory organization; and
- (b) pays an admission fee which has been approved by the Authority.

(3) A securities broker, a derivatives broker or a dealer whose license is revoked under section 26, shall cease to be a trading participant of the securities exchange.

(4) An individual or a corporate person shall not, in relation to a company—

- (a) control or be beneficially entitled, directly or indirectly, to more than thirty three and a third percent of the issued share capital or voting rights in a company;
- (b) appoint more than one-third of the members of the Board of directors; or
- (c) receive more than thirty-three and a third percent of the aggregate dividends and interest on shareholders loans to be paid in any given financial year:

Provided that the provisions of this subsection shall not apply—

- (i) to a corporate entity which is licensed by a banking, insurance, pensions or securities regulator in Kenya or elsewhere in so far as such licence imposes restrictions on the entity in relation to the majority shareholding; or
- (ii) where the ownership structure of that corporate shareholder is diverse and no person holds or controls more than twenty-five percent of its shares, votes, directorship appointments, dividends or interest on shareholder loans.

(5) A person who, in relation to a company, exercises control or is beneficially entitled, directly or indirectly—

- (a) to more than twenty-five percent of the listed share capital or voting right;
- (b) to appoint more than one quarter of the members of the Board of Directors; or
- (c) to receive more than twenty-five percent of the aggregate dividends and interest on shareholders loans to be paid in any given financial year, shall not be appointed as a key personnel of that company.

(6) The Authority shall, in determining whether a person has direct or indirect control or beneficial entitlement for the purposes of subsection (4) and (5), have regard to whether that person is an associate or party to any contract, arrangement or understanding between persons that may allow for control to be exercised directly or indirectly in relation to the company.

(7) For the purposes of subsection (4), (5) and (6), “company” means—

- (a) a stockbrokerage;
- (b) an investment bank;
- (c) a fund manager; or
- (d) derivatives broker;
- (e) such other class of licensee as may be prescribed by the Authority by notice in the *Gazette*.