

Press Release

CMA issues guidelines for holding virtual general meetings to issuers of securities to the public

Nairobi 08 June 2020... In line with its investor protection mandate, the Capital Markets Authority (CMA) has issued guidelines to issuers of securities to the public for hosting virtual general meetings. The guidelines have been issued in line with the recent High Court Ruling, the challenges posed by the Covid-19 pandemic and the Government Directive banning public gatherings.

According to the CMA Acting Chief Executive, Mr. Wyckliffe Shamiah, the Circular applies to any issuers of securities to the public who finds it impracticable to conduct a general meeting in the manner required by its articles of association due to the measures set out by the Government in view of the Covid-19 pandemic. This is in line with the Court Ruling while allowed companies listed on the Nairobi Securities Exchange to hold virtual general meetings subject to the following terms: obtain a No Objection from CMA before issuing the notice to shareholders on the intended general meeting; send to CMA details of how the meeting will be held; and demonstrate how requisite information will be provided to shareholders to enable them make informed decisions.

Mr. Shamiah explained that CMA will process all complete applications received from issuers within fourteen days and hence listed companies must factor in this time as they plan for their AGMs. Upon receipt of a no objection, issuers are at liberty to issue a twenty-one day statutory notice of the intended general meeting to its shareholders. Mr. Shamiah said, "In order to protect the rights of all shareholders, the CMA has emphasized that all shareholders should be given ample time to raise their questions and receive explanations from the Directors and/or management".

"We are collaborating with issuers of securities to the public to ensure that shareholders are provided with adequate information to help make informed decisions in line with our investor protection mandate", said Mr. Shamiah. He lauded the Judiciary for the landmark ruling which enables the capital markets industry to leverage technology to facilitate general meetings.

Mr. Shamiah explained that the capital markets industry players have been working closely through joint strategies to ensure business continuity and mitigate disruption in capital market by ensuring that the trading and settlement systems continue functioning to support all 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.

Key outcomes of the engagements include; waiver of the need for listed companies and market intermediaries to publish their financials in newspapers and flexibility to use websites and social media channels instead; and guidance to the Boards of listed companies to progress key issues such as approval and payment of dividends and appointment of auditors which would be ratified once AGMs are convened. In line with the commitment to support national efforts to address the adverse effects of the Coronavirus pandemic, the capital markets industry stakeholders led by CMA donated Ksh30 million to the Covid-19 Emergency Response Fund.

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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