



The Capital Markets Soundness Report (CMSR)

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“THE ROLE OF ISLAMIC FINANCE IN THE CAPITAL MARKET”

Quarterly Publication of the Capital Markets Authority (Kenya)

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SPECIAL MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



Dear Esteemed Reader,

To ensure our stakeholders remain informed of key developments in the capital markets industry, the Authority has continuously published the Capital Markets Soundness Report every quarter. This publication is aimed at enhancing transparency and market awareness of relevant developments at the local, regional, and international levels. In this second quarter of 2025, the Capital Markets Authority is pleased to present the 35th edition of the Capital Markets Soundness Report, which highlights key developments within the capital markets industry and provides an overview of market performance trends.

The global economy continues to face significant challenges, exacerbated by tight financial conditions and rising trade tensions, further weakening an already fragile economic outlook. Inflation remains a key risk, alongside potential shifts in global trade policies in future. Against this backdrop, the Organisation for Economic Co-operation and Development (OECD) projects a slowdown in global economic growth, with forecasts of 3.3% in 2025 and 2.9% in 2026. Notably, interest rate cuts by the European Central Bank and several Asian central banks have emerged as positive developments during the quarter. On the domestic front, an improved trade balance has played a vital role in strengthening investor confidence in the capital markets.

I'm delighted to announce that the Authority is continuously strengthened its global regulatory standing as demonstrated by the recent signing of the Enhanced Multilateral Memorandum of Understanding (EMMoU) under IOSCO. This move marks a significant milestone in boosting investor

protection, enforcement capabilities, and cross-border cooperation in line with CMA's 2023–2028 Strategic Plan.

Recognizing the continued growth potential of Collective Investment Schemes (CIS), which is now approaching KES 500 billion mark in Assets under Management, the Authority licensed three new corporate trustees to support the expansion of Kenya's CIS market. These licensing efforts, alongside ongoing support to CISs, are aimed at enhancing oversight, strengthening investor protection, and ensuring robust regulatory compliance across investment vehicles such as unit trusts, mutual funds, and other pooled investment structures.

We have also licensing of two additional fund managers, which reflects rising investor demand for professionally managed investment products and signals growing competition and dynamism within the fund management sector.

I extend our sincere appreciation to all our stakeholders, for their continued support to the Capital Markets Authority and their engagement with this publication. their feedback is important to us. As you review this report, we warmly welcome stakeholder's thoughts on the key findings, insights, opportunities, risks, proposed mitigation measures, and suggestions on how we can further improve this publication.

We consider stakeholders input invaluable in significantly contributing to enhancing the quality, relevance, and impact of this quarterly publication.

Happy Reading!

Mr. Wyckliffe Shamiah, FCPA

CHIEF EXECUTIVE OFFICER

EDITORIAL



“In Islamic finance, earning interest (riba) is forbidden! It is haram! Shariah encourages trade and fair profit-sharing instead.” This is one of the key elements presented in the 35th Edition of the Capital Markets Soundness Report covering the period April to June 2025.

Themed “***The Role of Islamic Finance in the Capital Market,***” this Capital Markets Soundness Report Special Feature explores the demystification of Islamic finance in Kenya and provides a comparative jurisdictional analysis of Islamic finance in developed markets such as Malaysia, Ireland, Bahrain, United Kingdom, among others. This analysis comes in light of the growing potential and demand for Shariah-compliant capital markets products in the country, especially following the successful issuance of Kenya’s first Sukuk bond; Linzi Sukuk, which was floated in May 2023 and formally listed on the Nairobi Securities Exchange (NSE) on July 31, 2024, raising over. KES 3 billion.

Amid the growing global push for sustainability, China has positioned itself as a trendsetter by becoming the first superpower to issue a sovereign green bond, a move poised to attract significant international interest.

Regionally, the East African capital markets witnessed significant growth and developments during the quarter, signalling positive momentum for the industry. Notably, the launch of the East Africa Exchanges (EAE) 20 Share Index marked a major milestone in advancing regional capital markets integration. Furthermore, Somalia inaugurated the National Securities Exchange of Somalia (NSE), representing a pivotal step in the country's ongoing economic recovery efforts.

In the equity market, the MSCI World Index posted a year-to-date return of 9.75%, while the MSCI Emerging Markets Index recorded a stronger gain of 15.57%. In comparison, Kenya’s equity market

outperformed both, registering an impressive year-to-date return of 27.39%, a sharp increase from the 3.69% gain recorded in March 2025. Relative to the first quarter, the market exhibited exceptional performance. By the end of the quarter, the NSE 20, NSE 25, NASI, and NSE 10 indices closed at 2,440.26, 3,938.28, 153.43, and 1,516.93 points, respectively. At the same time market liquidity, as measured by the turnover ratio, stood at 1.30%.

Foreign investor participation in the domestic equity market increased significantly from 38.24% in the first quarter of 2025 to 46.68% in the second quarter. Additionally, net outflows declined sharply to KES 177 million, down from KES 3.262 billion recorded in the previous quarter. This renewed investor interest can be attributed to a stable macroeconomic environment, supported by the national government's announcement of interest rate reductions by banks, which has contributed to improved investor confidence, and the strong performance of key market indices.

The report concludes with a comprehensive analysis of capital market stability, focusing on key trends in market volatility, liquidity, market concentration, and foreign portfolio flows over the past year.

The Capital Markets Authority looks forward to continued support by stakeholder in fulfilling Authority's twin mandate of regulation and facilitation of market development.

Enjoy your read!

Mr. Samuel Kamunyu Njoroge

Ag. Director Policy & Market Development

Abbreviations

CAGR- Compound Annual Growth Rate

CSR- Corporate Social Responsibility

EAE- East Africa Exchanges

EAP - East Asia and Pacific

EASEA- East African Securities Exchanges Association

EMMoU- Enhanced Multilateral Memorandum of Understanding

FGN- Federal Government of Nigeria

FRACE- Financial Regulation Advisory Council of Experts

GCC- Gulf Cooperation Council

GEM-Global Exchange Market

IFDI -Islamic Finance Development Indicator

LSEG- London Stock Exchange

MAS- Monetary Authority of Singapore

NSE- National Securities Exchange of Somalia

PISCES - Private Intermittent Securities and Capital Exchange System

SAC- Shariah Advisory Council

SACSCM- Shariah Advisory Council of the Securities Commission Malaysia

SFC- Securities and Futures Commission

SSB- Shariah Supervisory Board

VATPs- Virtual Asset Trading Platforms

VBI- Value-based Intermediation

1.6 SPECIAL FEATURE: THE ROLE OF ISLAMIC FINANCE IN THE CAPITAL MARKETS

Islamic finance is a system of financial activities guided by Shariah (Islamic law), emphasizing ethical, asset-backed, and socially responsible practices. Unlike conventional finance, it prohibits *riba* (interest) and discourages speculation (*gharar*) and gambling (*maysir*), instead promoting risk-sharing, profit-and-loss arrangements, and investment in real, productive assets.

In Islamic Finance, financing must be linked to tangible assets or services, and activities involving unethical goods or industries, such as alcohol, pork, or arms, are strictly avoided. This model views money only as a medium of exchange, not a commodity to generate returns independently. Thus, returns must derive from ownership or participation in economic activities.

Growth and Global Reach

Islamic finance has gained global traction, including in non-Muslim-majority countries, due to its ethical appeal, alignment with sustainable development goals, and resilience during economic crises. As of June 2025, Shariah-compliant assets are estimated at USD 5 trillion, with consistent annual growth of 10–15%. The market is projected to reach USD 5.75 trillion by 2034, growing at a compounded annual growth rate (CAGR) of 5.13%.

Countries such as the UK, Luxembourg, South Africa, and Hong Kong have adopted Islamic finance frameworks, while global institutions like the World Bank actively support its integration for poverty alleviation, infrastructure development, and financial inclusion.

Islamic finance is deeply connected to the real economy, supporting sectors like agriculture, infrastructure, and small businesses through its focus on productive use of funds. Its inclusive nature makes it particularly valuable for underserved populations, including those excluded from conventional finance for religious reasons. Additionally, its principles promote (i) Financial stability through limited leverage and risk-sharing; (ii) Shared prosperity via equity-based partnerships; and (iii) Sustainable development through ethical investment frameworks. World Bank data indicates that only 24% of Muslims globally use conventional banking, highlighting the potential of Islamic finance to bridge financial inclusion gaps.

Despite rapid growth, Islamic finance faces challenges including: (i) The need for stronger regulatory frameworks; (ii) Enhanced institutional capacity, and (iii) Greater public awareness and education on Shariah-compliant financial instruments. Ongoing efforts to harmonize standards, leverage technology, and develop innovative financial products will be crucial in driving further adoption and integration into the global financial system.

Islamic Finance Instruments

Fundamental Islamic finance instruments include cost-plus financing (murabaha), profit-sharing (mudaraba), leasing (ijara), partnership (musharaka), and forward sale (bay' salam). These serve as foundational structures for the development of a diverse range of more sophisticated financial products. The following is an overview of major shariah compliant financing instrument:

Murabaha: Murabaha is a trade-based financing arrangement where a financial institution purchases an asset on behalf of a client and resells it at a pre-agreed profit margin. Payment may be made either as a lump sum or in instalments. Ownership of the asset remains with the financier until the full payment is completed.

Ijara: Ijara refers to an operational or financial lease where the bank acquires an asset on behalf of a client and leases it out for a fixed rental payment. While ownership remains with the financier during the lease period, it may be gradually transferred to the client, who ultimately assumes full ownership. This structure is known as Ijara wa Iqtina (lease-to-own).

Mudaraba: Mudaraba is a form of partnership where one party provides the capital (the investor), while the other contributes expertise and management (the entrepreneur). Profits are distributed based on a pre-agreed ratio, while financial losses are borne solely by the capital provider, unless caused by negligence or misconduct. Returns to the investor are not guaranteed.

Musharaka: Musharaka is a joint venture arrangement in which all partners contribute capital and share in the profits based on a pre-agreed ratio, which may differ from their respective capital contributions. However, any losses are distributed strictly in proportion to each partner's capital input. All partners have the right to participate in managing the investment and are jointly liable for decisions and actions taken within the partnership.

Sale Contracts: Credit sales in Islamic finance can be structured through deferred-payment sales (bay' mu'ajjal) and deferred-delivery sales (bay' salam), alongside conventional spot sales. In a deferred-payment sale, the buyer receives the goods immediately, while payment is postponed to a future date, either as a lump sum or in instalments—without any additional charges for the delay. On the other hand, a deferred-delivery sale resembles a forward contract, where payment is made upfront and the delivery of goods occurs at a later agreed-upon date.

Sukuk: Sukuk are Shariah-compliant financial certificates that represent equal and undivided ownership shares in tangible assets, usufructs, services, or specific project assets. Unlike conventional bonds, sukuk holders earn returns that are directly tied to the income generated by the underlying assets, rather than interest payments.

Drivers of Growth for the Islamic Finance Market

The Islamic finance market is growing rapidly, driven by three key factors: rising demand for Shariah-compliant financial services, strong government support, and ongoing innovation. The expanding Muslim population and increasing awareness have created a favourable environment, particularly in the Middle East, Southeast Asia, and North Africa. Governments are promoting Islamic finance through supportive regulations, incentives, and public education to enhance financial inclusion and economic development. Additionally, innovation in products, such as sukuk, Islamic mortgages, and various Shariah-compliant investment funds, is attracting more customers and investors. The market is projected to reach USD 4.95 trillion by 2032, growing at a CAGR of 5.13%.

Performance of Islamic Finance Products - Global Overview

Sukuk

The global Sukuk market is a cornerstone of Islamic finance. It has experienced significant growth, solidifying its position within the broader financial landscape. Malaysia, Saudi Arabia and Indonesia are the top three issuance bases for Sukuk, collectively contributing 66% of total Sukuk issued in 2023¹.

¹ efaidnbmnnnibpcajpcglclefindmkaj/https://www.lseg.com/content/dam/data-analytics/en_us/documents/reports/lseg-islamic-finance-development-report-2024.pdf

According to Fitch Ratings, the global outstanding Sukuk market grew 8.5% Year on Year to US \$900 billion by end Q3 2024. Projections indicate a Compound Annual Growth Rate (CAGR) of 12.6% through 2029. This expansion is driven by increased demand for Sharia-compliant instruments, diversification in funding sources, and recognition of Sukuk as a key tool for investors and issuers. A major trend is the increasing focus on sustainability.

In 2024, New sukuk issuances rose by 25.6% to USD 230.4 billion, with total outstanding sukuk surpassing USD 900 billion (as shown in the figure below). Lower interest rate expectations, coupled with ample global liquidity and tighter credit spreads, created conducive financing conditions, encouraging issuers to tap the sukuk market to meet refinancing needs and fund new projects.

Figure 1: Global Sukuk Issuances and Outstanding (2004-2024) (USD in Billions)



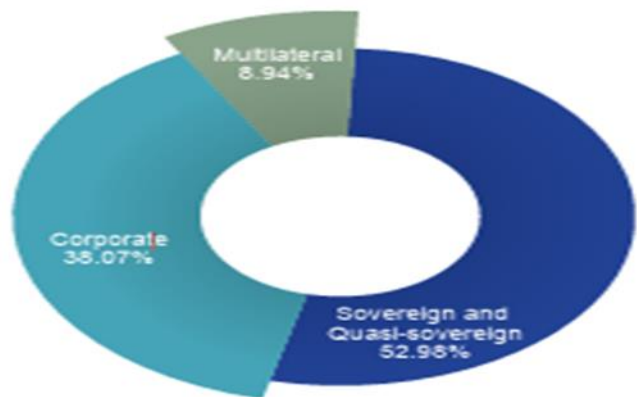
Source: IFSB

The sukuk market saw increased participation in year 2024 from corporate issuers, although issuance activity continues to be dominated by public sector issuers. Sovereign and quasi-sovereign issuers accounted for around 52.9% of total issuances in 2024. However, corporate sukuk issuance grew by 21.2% to USD 87.7 billion, reflecting increasing private sector participation and recognition of sukuk as a viable alternative to conventional debt (as shown in the figure below).

Issuances by multilateral institutions, notably the Islamic Development Bank and the International Islamic Liquidity Management Corporation, also increased to over USD 20 billion in 2024, driven by efforts to mobilise development funding and facilitate cross-border liquidity management. While these

developments signal broader issuer participation, the market structure remains concentrated in key markets and sectors.

Figure 2: Sukuk Issuances by Issuer Type



Source: IFSB

Sukuk issuances remain dominated by agency-based, hybrid (composite), and debt-based structures, with wakalah and hybrid sukuk leading due to their flexibility and ease of execution. Murabaha-based sukuk also hold a significant share, though their Shariah-related tradability limits restrict secondary market liquidity.

In contrast, equity-based sukuk like mudarabah and musharakah remain marginal due to structural complexity and lower investor demand for variable returns. This preference for fixed-income-like sukuk reflects market comfort with predictable returns but poses challenges for developing a more diverse and liquid sukuk market.

Shariah Compliant Funds

Islamic retail asset management has emerged as a significant force within the global Islamic finance industry. By providing Shariah compliant investment avenues, this sector caters to individual investors seeking ethical and morally sound financial solutions. As the demand for such investments continues to grow, Islamic retail asset management has evolved from a niche market to a mainstream industry, driven by robust regulatory frameworks, increasing investor awareness and innovative financial products that cater to diverse market needs.

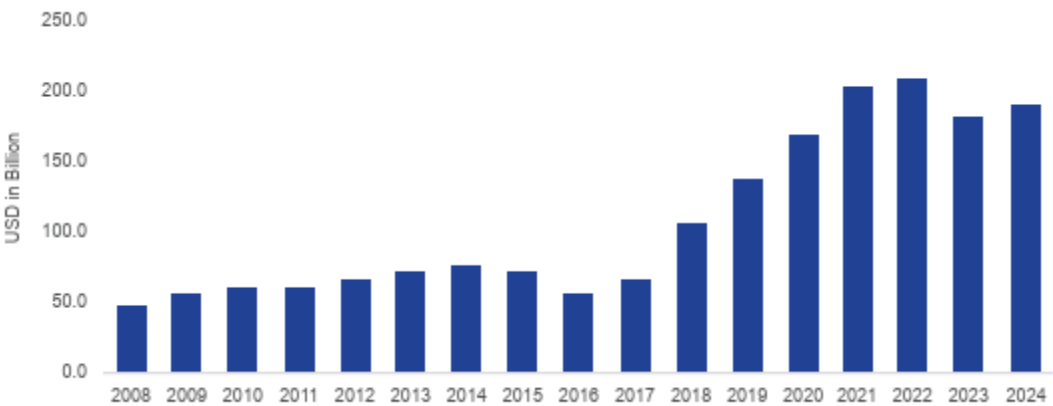
Iran, Malaysia and the UK are the largest markets for Islamic funds, accounting for 75% of the global segment in 2023. For Malaysia, nearly 70% of Islamic funds domiciled in the country invest in the domestic market, complemented by a global investment approach.

Malaysia is keen to continue to facilitate the growth of Islamic funds and enhance the capital market’s accessibility. In January 2024, the federal government exempted unit trusts from capital gains tax for the next five years and foreign-sourced income tax for the next three years.

More than 79% of Islamic funds manage less than US\$50 million in assets with the largest share comprising funds managing US\$1 million or less. Most of these funds are domiciled in Malaysia, Indonesia and Pakistan. The relatively small size of Islamic funds contrasts with strong demographics favouring Shariah compliant investments. Although global Islamic capital markets have seen impressive growth in the past five years, funds are still challenged by a limited supply of eligible Shariah-compliant investments.

In 2024, the global Islamic funds industry recorded moderate growth from the previous year, with total assets under management (AUM) increasing by 9.2% to USD 193.6 billion in year 2024 (as shown below). This recovery follows a decline in 2023 and was largely supported by robust performance in global equity markets.

Figure 3: Growth of Islamic Assets Under Management (2008-2024)

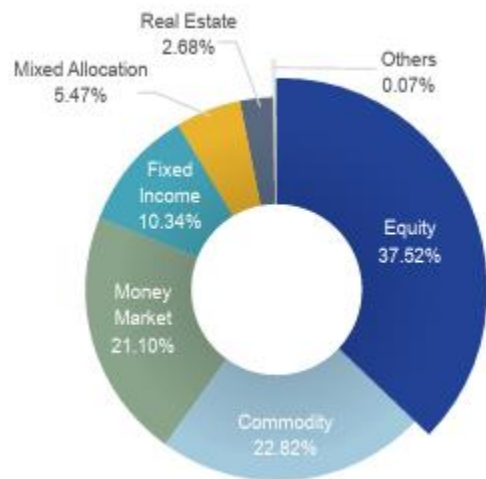


Source: IFSB

Equities remained the largest asset class in Islamic fund portfolios, accounting for 37.5% of total AUM as shown in the figure below, followed by commodity (22.8%) and money market instruments (21.1%).

The positive performance of these asset classes, particularly equities, was a key driver of the overall growth in Islamic fund assets.

Figure 4: Islamic Fund's AuM by Asset (2024)



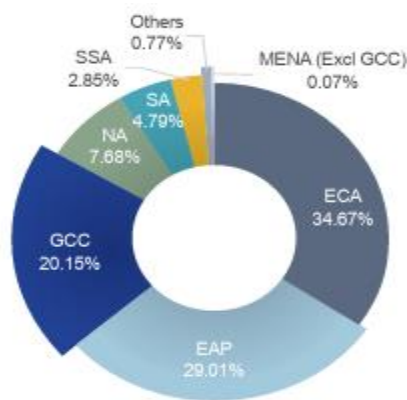
Source: IFSB

The domicile distribution of Islamic fund assets in 2024 points to growing geographical diversification, although with continued concentration in some regions. Europe and Central Asia (ECA) accounted for the largest share of global Islamic funds' AuM at 34.7%, indicating the continued importance of established financial centres in hosting Islamic fund vehicles. This was followed by the East Asian and Pacific (EAP) region with 29%, reflecting the strong presence of Islamic finance markets in Malaysia and Indonesia.

The Gulf Cooperation Council (GCC) region held a significant share of 20.2%, an increase from 11.3% in 2023, signalling a growing shift of fund domiciles to the region. This increase reflects regulatory improvements, enhanced market infrastructure, and rising investor demand within the GCC. North America accounted for 7.7%, while other regions such as South Asia (4.8%), Sub-Saharan Africa (2.9%), and Middle East and North Africa (MENA -excluding GCC) (0.07%) had marginal shares, (as shown in figure 5 below).

The presence of fund domiciles across a wide set of regions suggests increasing internationalisation of Islamic funds, although the dominance of a few jurisdictions (Europe, EAP, and GCC) indicates that the industry’s structural development remains geographically concentrated.

Figure 5: Islamic Funds by Domicile (2024)



Source: IFSB

Although mutual funds dominate the Islamic funds landscape, Islamic pension funds are gaining more attention and also saw a higher growth of 22% in 2024 compared to 6% for mutual funds during 2023.

Sharia Compliant Equities (Initial Public Offers)

In 2024, the Middle East witnessed several notable Shariah compliant IPOs, showcasing the region’s robust capital markets and growing demand for Shariah compliant investments. Key IPOs included Fakeeh Hospital, which raised US\$763 million on the Saudi Exchange, and Alef Education, an innovative UAE-based edtechfirm. Other significant offerings included Spinneys, a leading UAE supermarket franchise and Tasheel (UIHC), a prominent Shariah compliant consumer finance provider in Saudi Arabia. Lulu Group International, another Shariah compliant offering was also 25 times oversubscribed with orders of more than US\$37 billion, highlighting the demand of Shariah compliant offerings.

The outlook for the Shariah compliant global equity issuances in 2025 is optimistic, supported by the potential tech companies and other business that are integrating ESG principles, which align with principles of Islamic finance. The Middle East, Southeast Asia and other Islamic finance hubs are likely

to maintain momentum in IPO activity, particularly in sectors such as fintech, healthcare and renewable energy.

A key growth driver for Islamic capital markets in primary issuances and private equity space, is the global shift towards sustainability, which is attracting growing interest from its investors. Within the regulatory landscape, green initiatives represent an attractive segment closely aligned with the principles of Islamic finance, many of which have already been implemented or are currently in development. Similarly, growing investor awareness of sustainability issues and the rising demand for ethical and socially responsible investments are further driving the growth of Islamic capital markets².

Islamic Finance Jurisdictional Review

Despite Islamic finance not being widely adopted globally, various jurisdictions, including Malaysia, Saudi Arabia, the United Kingdom, Ireland, Luxembourg, Bahrain, Nigeria, South Africa, and Kenya, have taken significant steps to develop and promote Shariah-compliant financial markets. A jurisdictional analysis (in the below table) reveals that Malaysia remains the undisputed global leader in Islamic finance, exhibiting a highly developed and diversified ecosystem across sukuk issuances, Islamic funds, incentives, Shariah-compliant financial instruments, and governance structures.

Countries like Saudi Arabia and Ireland also demonstrate significant market depth, with large sukuk volumes and Islamic fund assets, while offering regulatory or tax-based incentives. On the other hand, jurisdictions like Kenya, Nigeria, and South Africa are still in the early stages, showing promising but limited growth marked by foundational reforms, few listed instruments, and smaller asset bases. Their progress, however, reflects growing regional interest in Islamic finance.

From a governance perspective, centralized Shariah oversight, as seen in Malaysia and Bahrain, appears to correlate with more robust market development and regulatory clarity. In contrast, countries with decentralized models (UK, Luxembourg, Kenya) offer flexibility but may face challenges in standardization and market confidence. Additionally, tax neutrality remains a critical enabler, with many jurisdictions, particularly in Europe and Africa adopting fiscal parity for Islamic products to encourage growth. Overall, the analysis highlights a global trend of expanding Islamic finance, with

² <https://www.islamicfinancenews.com/supplements/ifn-annual-guide-2025>

varying levels of maturity and infrastructure depending on regulatory commitment, market incentives, and institutional capacity.

Table 1: Islamic Capital Markets Jurisdictional Review

JURISDICTIONS	SUKUK ISSUANCES	ISLAMIC FUND	ISLAMIC FINANCE INCENTIVES	OTHER SHARIA COMPLIANT FINANCIAL INSTRUMENTS	SHARIA GOVERNANCE
Malaysia	Malaysia's sukuk market which has been active since the 1990s, remains the world's largest leader. To date, it has recorded 8,500+ issuances, with many listed-on Bursa Malaysia and commands a global sukuk market share valued at approximately \$218 billion.	As of late 2024, Malaysia's Islamic funds manage around \$33 billion in net assets across over 400 funds, making it the largest Islamic fund market in Asia Pacific and among the global top three.	Malaysia offers strong incentives for Islamic finance, including tax deductions on sukuk issuance, stamp duty exemptions, and a grant covering up to 90% of Green/SRI sukuk review costs. Fund managers also enjoy tax breaks,	Bursa Malaysia has 6 listed Shariah-compliant exchange-traded funds (ETFs) and 5 Shariah-compliant real estate investment trusts (REITs).	Malaysia's Shariah governance framework is led by the Shariah Advisory Councils (SAC) of Bank Negara Malaysia and the Securities Commission. The Shariah Governance Framework (SGF) mandates internal Shariah committees, compliance officers, audits, and Shariah risk management within Islamic financial institutions.
Saudi Arabia	As of 2024, sukuk from Saudi issuers was approximately \$72.7 billion, reflecting the Kingdom's significant share in the global sukuk market.	Saudi Arabia hosts 282 Shariah-compliant funds managing about \$ 30–32 billion, representing 28.5% of the global Islamic fund market	While Saudi Arabia offers no specific tax credits for Islamic products, its neutral tax regime, secondary market reforms, and issuer-friendly capital market policies effectively	In Saudi Arabia, they have Six Shariah-compliant ETFs covering sukuk, equity, and commodities and fifteen Islamic REITs are listed	Saudi Arabia's Shariah governance is decentralized, with internal Shariah committees required by all Islamic financial institutions. Regulated by SAMA and CMA, the framework

JURISDICTIONS	SUKUK ISSUANCES	ISLAMIC FUND	ISLAMIC FINANCE INCENTIVES	OTHER SHARIA COMPLIANT FINANCIAL INSTRUMENTS	SHARIA GOVERNANCE
			support the growth and institutional adoption of Islamic finance.		mandates compliance policies and audits, aligned with AAOIFI standards.
United Kingdom	The London Stock Exchange (LSE) is a key global venue for the issuance of Sukuk. As of 2024 more than 70 Sukuk had been listed on London Stock Exchange with a total value of \$51bn.	UK-based Islamic funds manage around \$ 11 billion across over 70 funds, mainly equity and focused driven by rising pension inflows. This accounts for approximately 8.5% of the global Islamic fund market.	In 2010, the United Kingdom issued tax neutrality laws that ensured that sukuk transactions would be tax neutral with conventional bonds. Also amended stamp act and other applicable taxes to ensure that sukuk are considered an exemption from payment.	A total of four Sharia-compliant exchange traded funds (ETFs) and two Sharia-compliant exchange trade products (ETPs) are listed on the LSE	In the UK, Islamic financial institutions appoint their own Shariah boards, with regulatory bodies overseeing operations but not issuing Shariah rulings. Compliance remains decentralized and institution specific. The Financial Conduct Authority and Prudential Regulation Authority provide regulatory oversight
Ireland	As of 2024, over 120 sukuk, mostly denominated in hard currencies and totalling around \$90 billion	As of mid 2024 Ireland had roughly \$ 23 billion in net assets under management across over 30 public Islamic funds,	Since 2010, Irish tax law grants sukuk and other Islamic structures equal treatment with conventional instruments,	Ireland hosts eight prominent Shariah-compliant UCITS ETFs, while Islamic REITs (I-REITs) are not yet	In Ireland, Shariah governance is institution-led, with Islamic financial service providers appointing their own Shariah boards.

JURISDICTIONS	SUKUK ISSUANCES	ISLAMIC FUND	ISLAMIC FINANCE INCENTIVES	OTHER SHARIA COMPLIANT FINANCIAL INSTRUMENTS	SHARIA GOVERNANCE
	outstanding are listed on Euronext Dublin (formerly the Irish Stock Exchange), Which accounts for about 38% of the global hard-currency sukuk market, making it the world's leading venue for international sukuk listings.	representing nearly 18% of the global public Islamic fund market.	offering tax and stamp duty exemptions. VAT is also waived for Shariah-compliant fund and takaful services by approved entities.	directly listed on its exchange.	There is no central Shariah authority, and regulatory oversight focuses on financial compliance, not Shariah matters.
Luxembourg	Luxembourg is a key Islamic finance hub and was the first in Europe to list a sukuk. However, the Luxembourg Stock Exchange has hosted only a limited number of sukuk, with total listings valued at approximately \$ 5.5 billion.	Luxembourg holds about 5.5% of global Islamic fund assets, with 70 Shariah-compliant funds managing USD 6.8 - 7.1 billion.	The Luxembourg tax authority treats sukuk yields as interest for tax deduction purposes and exempts them from withholding tax. Income from Murabaha financing is taxed over the deferred payment period, allowing smoother deferral of gain	Luxembourg hosts about 54 Shariah-compliant funds but has no Islamic REITs or Shariah-compliant ETFs directly listed on its exchange.	Shariah governance is decentralized, with Islamic finance institutions appointing their own Shariah boards. There is no national Shariah authority, and oversight by financial regulators focuses on compliance with financial laws, not Shariah rulings

JURISDICTIONS	SUKUK ISSUANCES	ISLAMIC FUND	ISLAMIC FINANCE INCENTIVES	OTHER SHARIA COMPLIANT FINANCIAL INSTRUMENTS	SHARIA GOVERNANCE
Bahrain	Bahrain has issued over 230 short-term sovereign sukuk, mainly Ijara, with about \$15 billion outstanding roughly 1 to 1.5% of the global market. Listings are on the Bahrain Bourse and London Stock Exchange.	Bahrain hosts 31 locally domiciled Islamic funds and offers access to 121 foreign-domiciled ones. Islamic funds manage approximately USD 2.2 billion, representing just 2.8% of the country's Islamic finance assets.	Bahrain supports Islamic finance with a neutral tax regime, no capital gains or withholding tax, and AAOIFI-aligned regulations. The Central Bank offers Islamic liquidity tools, while funds such as Waqf Fund supports training.	Bahrain has one listed Islamic REIT, the Eskin Bank Realty Income Trust, while there are no Shariah-compliant ETFs or sukuk publicly traded on the Bahrain Bourse.	Bahrain has a regulated Shariah governance framework. Islamic institutions must have internal Shariah boards and follow the Central Bank of Bahrain's Shariah Governance Module, which covers compliance, audit, and risk. The system aligns with AAOIFI standards.
Nigeria	Nigeria has issued six sovereign sukuk series since 2017, with an outstanding value of approximately \$2.2 billion, representing about 0.15% of the global sukuk market.	Nigeria has around 15 Shariah-compliant mutual funds as of mid-2025, managing approximately \$70.4 million.	The Central Bank of Nigeria (CBN) introduced non-interest liquidity tools, while federal sovereign sukuk enjoy full tax exemptions.	Nigeria has one listed Shariah-compliant ETF, the Lotus Halal Equity ETF, which tracks the NSE-Lotus Islamic Index of 15 screened equities.	Nigeria follows a decentralized Shariah governance model. Each Islamic institution has its own Shariah committee, while regulators provide oversight without issuing Shariah rulings. Compliance is guided by national Islamic finance frameworks.

JURISDICTIONS	SUKUK ISSUANCES	ISLAMIC FUND	ISLAMIC FINANCE INCENTIVES	OTHER SHARIAH COMPLIANT FINANCIAL INSTRUMENTS	SHARIAH GOVERNANCE
South Africa	South Africa has issued two sovereign sukuk, listed on the Luxembourg and Johannesburg stock exchanges. Total outstanding sukuk stand at approximately \$1.6 billion.	South Africa offers around 30 Shariah-compliant funds unit trusts and ETFs.	South Africa supports Islamic finance through tax-neutral legislation, expanded issuance rights for sukuk, and innovative Shariah-aligned financing channels	Johannesburg Stock Exchange has one listed Shariah-compliant ETF, the Satrix MSCI World Islamic Feeder ETF. Which provides global equity exposure aligned with Islamic principles	South Africa uses a decentralized model. Islamic institutions have their own Shariah boards, while regulators oversee financial compliance only. There's no central Shariah authority; governance is self-managed within existing laws.
Kenya	Kenya issued its first sukuk in 2023, listed on the Nairobi Securities Exchange.	The Capital Markets Authority has licenced 15 Shariah Compliant Funds	The Finance Act 2017 granted tax neutrality to Sharia-compliant financial instruments, ensuring they are taxed on par with conventional products.	Kenya has no Shariah-compliant ETFs or Islamic REITs listed on the main exchange, though some REITs are traded over the counter. Efforts are underway to strengthen the Islamic finance framework.	In Kenya, Shariah governance is institution-based, with each Islamic financial entity managing its own Shariah committee.

CMA Action Point

Kenya has already issued country's first Sukuk, the Linzi Sukuk, in September 2023. Through this issuance, property developer Linzi Finco Trust raised KES3 billion, with proceeds earmarked for funding the development of 3,069 institutional housing units, aligning with the government's Transformative Agenda. In addition, the market licensees have established Islamic Funds which are currently regulated by the Authority.

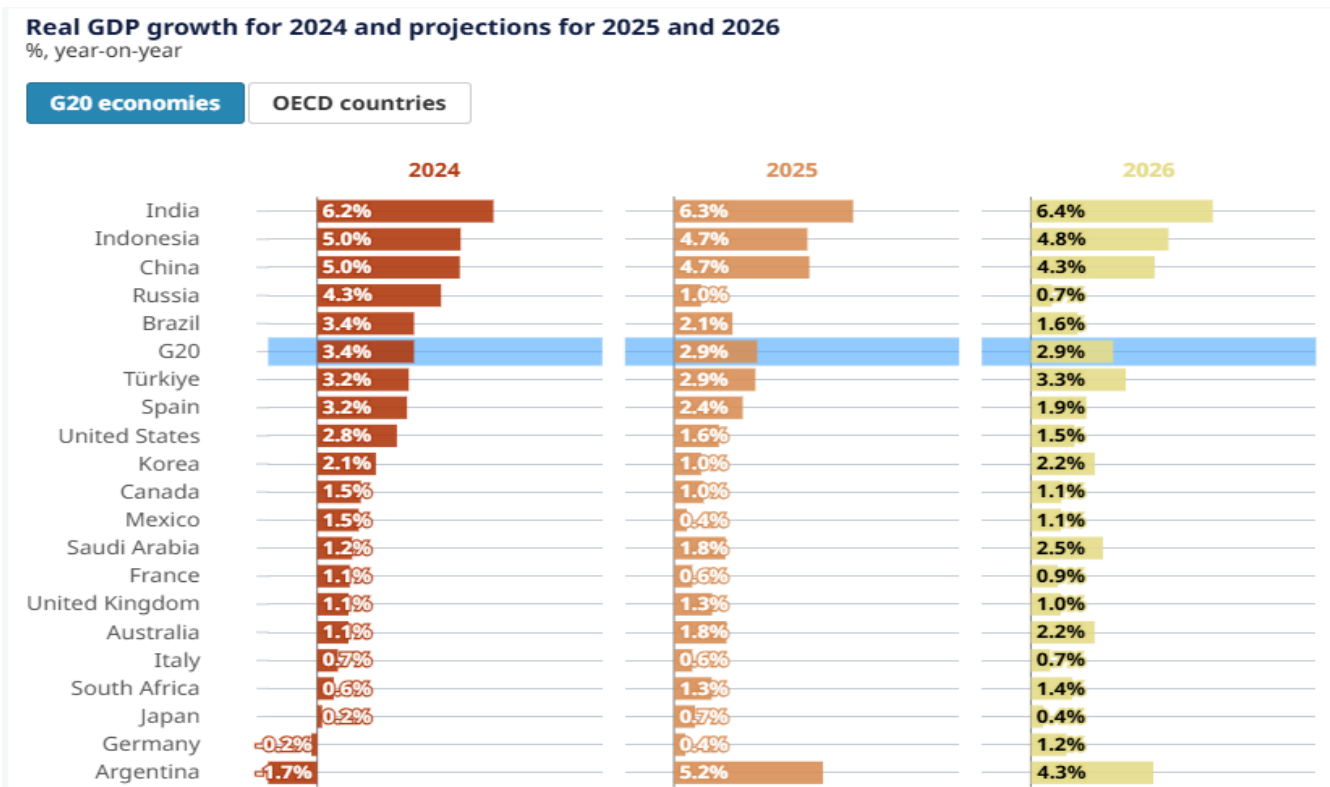
However, much is needed in positioning Kenya as an Islamic Capital Markets hub including need to establish a National Sharia governance. In addition, there is need for capacity building on Islamic finance products and services. Further the government may consider issuing Sovereign Sukuk as part of government fixed income instruments to provide Islamic Banks and Islamic Fund Managers with liquidity management avenue and shariah compliant fixed income investments, respectively.

2.6 GLOBAL ECONOMIC AND CAPITAL MARKETS OUTLOOK

The global economic environment became increasingly uncertain and complex in the quarter under review. Escalating trade tensions, tighter financial conditions, and rising policy unpredictability weakened both business and consumer confidence, exerting downward pressure on global growth prospects. Newly imposed tariffs across several jurisdictions are expected to increase trade costs and contribute to inflationary pressures, although recent declines in commodity prices are expected to offer partial relief. The outlook remains fragile, with key risks including shifting trade policies, restrained spending by households and businesses, and continued market repricing. Inflation could stay elevated for an extended period, particularly if expectations become entrenched. Nevertheless, a swift removal of recent trade restrictions could support economic recovery and help moderate inflation.

According to the latest major countries projections from the Organization for Economic Co-operation and Development (OECD) released in 2025 (Figure 1), global GDP growth is expected to ease from 3.3% in 2024 to 2.9% in both 2025 and 2026, assuming no further changes to current tariff policies.

Figure 6: Real GDP Growth Projections for 2024, 2025 and 2026

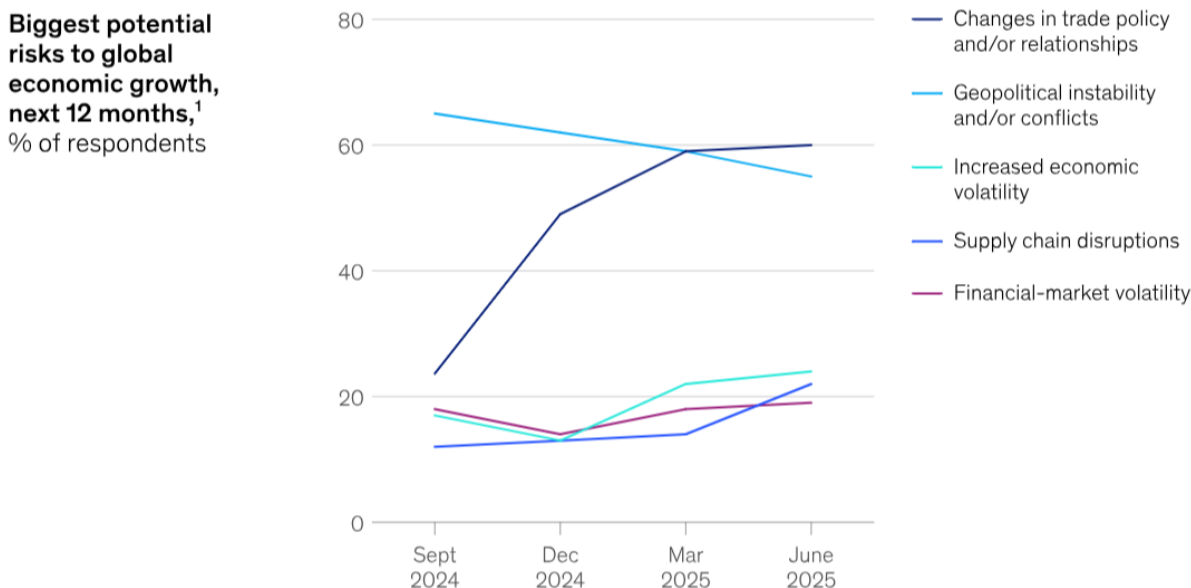


Source: [OECD Economic Outlook, June 2025](#).
Source: *OECD Interim Economic Outlook June 2025*

This anticipated slowdown is driven primarily by softer economic performance in major economies, notably the United States, Canada, Mexico, and China, with more modest slowdowns expected in other regions. The outlook for 2025 appears particularly subdued, with global output projected to grow by just 2.6%, and U.S. growth forecast to slow sharply to 1.1%. These figures underscore growing concerns about the resilience of global demand amid persistent economic headwinds.

According to the latest McKinsey Global Survey on economic conditions (figure below), respondents identified changes in trade policy as the leading disruption to global growth. Sentiments toward current economic conditions remains cautious, with fewer respondents expressing optimism. However, views on near-term prospects have improved modestly since March 2025.

Figure 7: McKinsey Potential Risks to Global Economic Growth June 2025



Source: McKinsey

The survey's findings highlight how evolving trade dynamics are increasingly shaping the global outlook, reinforcing concerns over inflation, supply chains, and geopolitical risk.³

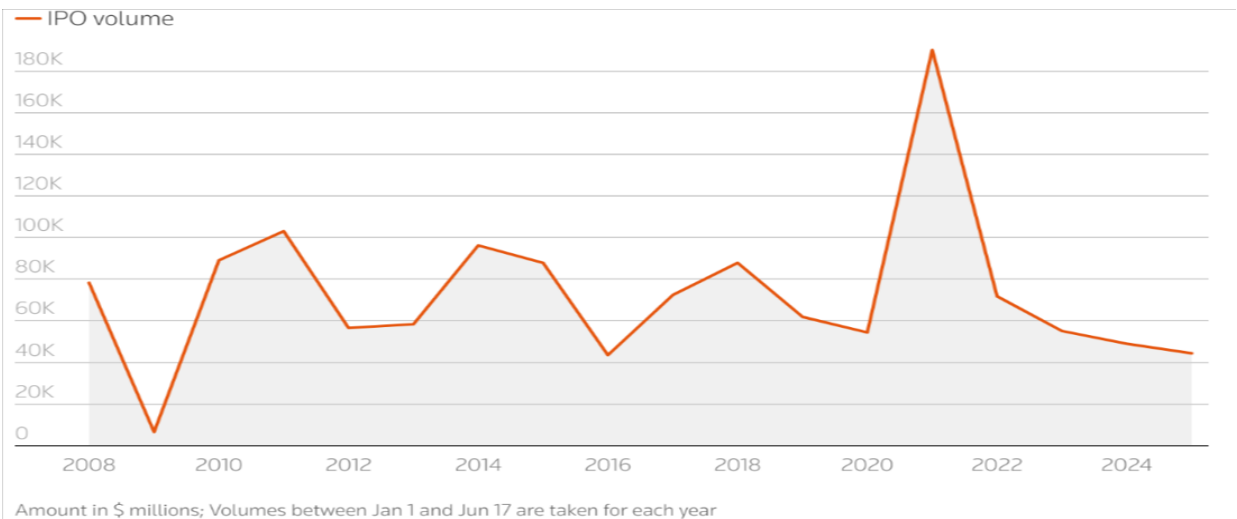
2.1 Capital Markets Outlook

a. IPOs

Global equity IPOs have dropped sharply this year due to U.S. tariffs, market volatility, and high interest rates, which have raised funding costs and dampened listing appetite. According to LSEG data, as of June 17 global IPO volume is down 9.3% year-on-year to \$44.3 billion, the lowest in nine years. U.S. and European IPOs dropped 12% and 64% respectively, while Asia-Pacific rose 28% to \$16.8 billion.

³ <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/economic-conditions-outlook>

Figure 8: Global IPO Volume



b. Bonds Markets

In Q2 2025, European bonds outperformed US and Japanese counterparts as the ECB cut rates in April and June, which reduced the deposit rate to 2.0%. The easing supported financial conditions despite signals that the cycle may be ending. With ECB projections showing inflation could undershoot its target, markets are pricing in further accommodation. Falling yields and tighter spreads reflect growing confidence in eurozone disinflation and policy support, boosting Italian bonds with a 2.9% return.

Figure 9: Fixed Income Government Bonds Returns

2017	2018	2019	2020	2021	2022	2023	2024	2025	Q2 '25
Global 7.5%	Spain 2.5%	Italy 10.6%	Global 9.7%	Japan -0.2%	Japan -5.4%	Italy 9.3%	Italy 5.3%	Global 7.4%	Global 4.9%
US 2.3%	Germany 1.9%	Spain 8.4%	UK 8.9%	US -2.3%	US -12.5%	Spain 6.9%	Spain 3.4%	US 3.8%	Italy 2.9%
UK 2.0%	Japan 1.0%	UK 7.2%	US 8.0%	Germany -2.9%	Global -16.8%	Germany 5.7%	Germany 1.2%	UK 2.5%	UK 2.0%
Spain 1.1%	US 0.9%	US 6.9%	Italy 7.9%	Italy -3.0%	Italy -17.2%	Global 4.4%	US 0.6%	Italy 2.1%	Spain 1.8%
Italy 0.8%	UK 0.5%	Global 5.6%	Spain 4.3%	Spain -3.0%	Germany -17.4%	US 4.1%	Global -3.1%	Spain 0.7%	Germany 1.3%
Japan 0.2%	Global -0.7%	Germany 3.1%	Germany 3.0%	UK -5.3%	Spain -17.5%	UK 3.6%	Japan -3.2%	Germany -0.4%	US 0.8%
Germany -1.0%	Italy -1.3%	Japan 1.7%	Japan -0.8%	Global -5.8%	UK -25.1%	Japan 0.5%	UK -4.0%	Japan -2.7%	Japan -0.2%

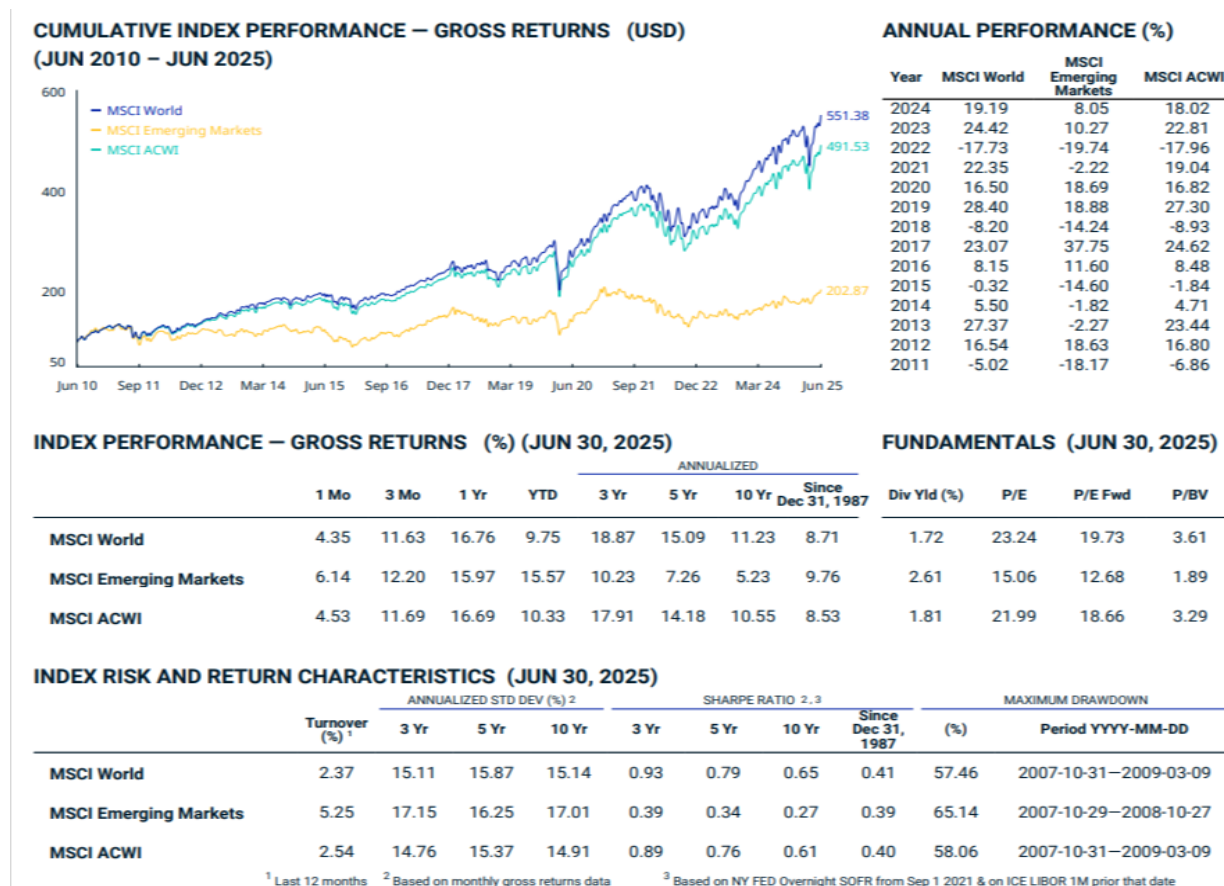
Source: FTSE, LSEG DataStream, MSCI, S&P Global, TOPIX, J.P. Morgan Asset Management. All indices are total return in local currency, except for MSCI Asia ex-Japan and MSCI EM, which are in US dollars. Data as of 30 June 2025

US Treasury yields remained broadly unchanged over the quarter, but the curve steepened as long-term rates rose. This movement was driven by markets concerns surrounding a proposed legislative package which could add \$3–\$5 trillion to federal debt over the next decade. As a result, 30-year Treasury yields rose by 20 basis points during the quarter, while shorter-term yields held relatively steady, leading to a steeper yield curve.

c. Equity Markets

Global equity markets recorded strong gains, with the Morgan Stanley Capital International (MSCI) World Index, representing developed markets, rising by approximately 4.32% on a net return basis. This marked the index's strongest monthly performance since November 2023, driven by easing global trade tensions, robust corporate earnings, and growing investor confidence.

Figure 10: MSCI World Index



Source: MSCI

Year-to-date, the MSCI World Index posted a gain of around 9.75%, with a one-year return of +16.76%, signalling broad-based resilience across major developed economies. Emerging markets showed solid recovery in June, with the MSCI EM Index rising by 15.57% as investor sentiment improved ⁴This optimism is driven by expectations of a weaker U.S. dollar, reduced trade policy risks, and more accommodative monetary policies across key emerging economies.

Overall, June's performance underscores a global rebound in equity markets, with developed markets leading but emerging markets catching up due to improving macroeconomic conditions.

⁴ <https://www.msci.com/documents/10199/178e6643-6ae6-47b9-82be-e1fc565ededbhttps://www.msci.com/downloads/web/msci-com/indexes/index-resources/>

Top Global Risks and Opportunities During the Quarter

Key Risks Identified

- 1. US Fiscal Concerns-A proposed US budget reconciliation bill, passed by both the House and Senate, raised concerns over long-term fiscal sustainability, with debt projections set to rise by \$3–\$5 trillion over the next decade. This drove up long-term US Treasury yields and strengthened the dollar. For Kenya, the stronger dollar increased external debt servicing costs and weakened the shilling, raising import expenses and inflationary pressure while straining foreign exchange reserves.*
- 2. Rising tariff tensions between major economies particularly the renewed US-China trade rivalry and a wave of protectionist measures in Europe led to new tariffs and trade barriers. These developments disrupted global supply chains and raised input costs across multiple sectors.*
- 3. Geopolitical tensions remained high with the ongoing Russia-Ukraine war and rising trade war risks threatening global stability. The Iran-Israel conflict in June further rattled markets. In Kenya, widespread June protests over governance and economic grievances disrupted business activity, which dampened GDP growth and pushed sovereign bond yields to five-month highs amid weakening investor confidence.*
- 4. Extreme weather events disrupted agriculture and energy markets in several regions, adding inflationary pressure and supply instability, particularly in Asia and parts of Africa.*

Key Opportunities

- 1. The European Central Bank and several Asian central banks began cutting interest rates as inflation softened. This shift improved global liquidity and risk appetite, benefiting emerging markets like Kenya. Lower global borrowing costs provided Kenya with a more favourable environment for future external financing, helping stabilize sovereign debt markets and easing pressure on the shilling.*
- 2. Despite global headwinds, international demand for key Kenyan exports remained steady, especially in European and Middle Eastern markets. Strong export performance supported*

forex inflows, improved trade balance expectations, and helped strengthen investor sentiment in the capital markets.

- 3. Kenya saw a strong surge in Green Finance and ESG investments in Q2 2025, driven by the launch of the Green Finance Taxonomy and Climate Risk Disclosure Framework. Increased green lending by banks like KCB, backed by international funding, and the introduction of ESG-linked SME loans boosted sustainable financing. These developments deepened capital markets and reinforced Kenya's role as a regional leader in sustainable finance.**

3.0 INTERNATIONAL DEVELOPMENTS

3.1 China Inaugurates Superpower Green Bonds

China has made a major statement in the global sustainable finance space by launching its first sovereign green bond, becoming the first superpower to do so and outpacing the United States. The landmark of US\$825million dual-tranche offshore green bond drew over US\$6.45 billion in orders, allowing pricing to tighten up to 42bps. The three and five-year tranches were priced at 1.88% and 1.93%, respectively. Despite some lingering concerns from ESG-focused investors regarding China's ongoing reliance on coal and broader human rights issues, the offering was broadly seen as a major step forward. Notably, the bonds were issued under a green framework aligned with International Capital Market Association (ICMA) 2021 Green Bond Principles and will finance projects with a strong environmental emphasis, including clean transportation, pollution control, marine and land ecosystem restoration, and sustainable resource use.

The issuance was strategically placed to attract global interest, being denominated in offshore renminbi and listed in both Hong Kong and London. It also marked the start of a Chinese green sovereign issuance programme in the UK, as previously announced by the UK Treasury. International participation was emphasized through the inclusion of global bookrunners, Barclays, Credit Agricole, HSBC, and Standard Chartered, alongside four Chinese banks, though US institutions were notably absent. The move reinforces China's leadership in green finance and aligns with other national initiatives, such as the expanded emissions trading scheme.

Meanwhile, the US continues to lag behind. Despite the Treasury's Borrowing Advisory Committee recommending green bond issuance in May, no action was taken, and the new Trump administration has shown no interest, having exited the Paris Agreement in January. With China actively issuing in international markets, including a \$2bn USD deal in November and a €2bn deal in September it is now likely to beat the US in launching dollar-denominated green bonds, reinforcing its leadership in sustainable finance.

Key Takeaway

This sets a benchmark for integrating robust green frameworks in Kenya's Capital Markets, attracting global investors, and positioning the country competitively as it develops its own sustainable finance roadmap.

3.2 Hong Kong Sets out Staking Guidance for Licensed Virtual Asset Trading Platforms and Authorised Virtual Asset Funds

The Securities and Futures Commission (SFC) of Hong Kong has taken a significant regulatory step by issuing new guidance that allows licensed Virtual Asset Trading Platforms (VATPs) and SFC-authorized virtual asset funds (VA Funds) to offer staking services under strict compliance conditions. Staking in digital assets is the process of locking up your cryptocurrency holdings to support a Proof-of-Stake blockchain network and, in return, earn rewards. This move is part of the SFC's broader "ASPIRe" strategy aimed at fostering a secure and innovative virtual asset ecosystem in Hong Kong. The guidance recognizes staking as a mechanism that not only strengthens blockchain network security but also provides investors with yield-generating opportunities, all within a regulated framework.

For VATPs, the SFC requires the implementation of strong internal controls to minimize operational risks, including the prevention of service errors and the protection of staked client assets. Platforms must also provide full and transparent disclosure of the risks associated with staking. Meanwhile, SFC-authorized VA Funds are now permitted to engage in staking, but only through licensed or authorised channels, and with liquidity caps in place to protect investors from redemption risk.

SFC reinforced that expanding the scope of regulated services is essential to the sustainable development of Hong Kong's digital asset sector but stressed that such growth must be anchored in investor protection and sound regulatory practices. This development not only strengthens Hong

Kong's position as a global digital asset hub but also serves as a model for balancing innovation with market integrity

Key Takeaway

Kenya can adopt a similar phased approach to build a trusted and competitive digital asset ecosystem. The Hong Kong model highlights the importance of regulating innovative services like staking within a secure framework that prioritizes investor protection. Key elements such as licensing requirements, robust risk controls, and liquidity caps for funds can guide Kenya in developing a safe and sustainable virtual asset market.

3.3 UK to launch a Supercharged Sandbox to help Firms Experiment Safely with AI to Support Innovation.

The Financial Conduct Authority (FCA) has announced the launch of a Supercharged Sandbox, a new initiative designed to help financial services firms safely experiment with artificial intelligence (AI) to support innovation. This program is part of the FCA's broader strategy to drive economic growth by enabling innovation and leveraging technological advances. The Supercharged Sandbox is being launched in collaboration with NVIDIA, giving participating firms access to NVIDIA's accelerated computing platform and AI Enterprise Software.

This newly launched sandbox differs from traditional regulatory sandboxes by being "supercharged" with advanced technological capabilities, through this partnership, participating firms will gain access to NVIDIA's full stack accelerated computing platform, including NVIDIA AI Enterprise Software, which is used by industry leaders for developing, training, and deploying AI applications. This significantly lowers the barrier to entry for smaller or early-stage firms who may have innovative ideas but lack the infrastructure, tools, or resources to explore them effectively.

The sandbox aims to provide not only technical capabilities but also access to better data, regulatory support, and expert guidance thus creating a secure and enabling environment for innovation. This initiative targets firms still in the discovery and experimentation phase of AI development. For those already further along, the FCA continues to offer its AI Live Testing service, which supports companies that are ready to implement AI solutions in live settings.

Key Takeaway

Kenya can draw valuable lessons from the FCA's Supercharged Sandbox by considering a technology-enabled regulatory sandbox focused specifically on AI experimentation in financial services. This approach would accelerate fintech growth, enhance regulatory oversight of emerging technologies, and position Kenya as a regional hub for responsible AI innovation in capital markets.

4.0 REGIONAL DEVELOPMENTS

4.1 East African Securities Exchanges Association (EASEA) Unveils the East Africa Exchanges Market Index – EAE 20 Share Index

The East African Securities Exchanges Association (EASEA) has launched the East Africa Exchanges (EAE) 20 Share Index, marking a major step toward regional capital markets integration. This is the first regional index to track the performance of East Africa's top listed companies, aimed at enhancing visibility, investor confidence, and cross-border investment.

The EAE 20 Share Index is market capitalization weighted and includes the top 20 public companies across key sectors from the Nairobi Securities Exchange (NSE), Dar es Salaam Stock Exchange (DSE), Uganda Securities Exchange (USE), and Rwanda Stock Exchange (RSE). These companies collectively represent over 85% of the region's equity market value, making the index a strong benchmark for regional market performance and integration.

The index aims to provide investors with a unified view of East Africa's leading firms, supporting improved visibility, investor confidence, and enhanced market analytics for portfolio managers, financial advisors, and policymakers. Beyond performance tracking, the launch of the EAE 20 Index is also seen as a critical enabler of capital market integration under the East African Community (EAC) agenda. It is expected to foster cross-border listings, trading, and capital flows, while also encouraging product innovation, such as regional ETFs and index-linked instruments.

Stability Implication

The launch of the EAE 20 Share Index is a significant step toward regional capital markets integration and is expected to enhance the stability of Kenya's capital markets by promoting risk diversification, cross-border investment, and greater investor confidence. By providing a unified benchmark of East Africa's top listed companies, the index fosters deeper market participation, encourages product innovation such as regional ETFs, and aligns with regulatory harmonization efforts under the EAC agenda. While regional interlinkages may introduce some contagion risks, the overall impact is positive for market resilience, liquidity, and long-term capital flows into Kenya's market.

4.2 Eagle REIT Set to Debut as Zimbabwe's First US Denominated Property Fund

Zimbabwe is set to list its first-ever US dollar-denominated Real Estate Investment Trust (REIT), named EAGLE REIT, on the Victoria Falls Stock Exchange (VFEX). Spearheaded by Fidelity Life Asset Management, the fund seeks to raise \$62 million, with \$24.5 million already secured through private placement. Proceeds will fund real estate projects in Victoria Falls and Mazowe, aiming to provide both development impact and inflation-resistant returns.

The choice of the VFEX, a US dollar-based platform, over the local Zimbabwe Stock Exchange (ZSE), reflects ongoing investor concerns over local currency instability. Although EAGLE REIT is the first on VFEX, Zimbabwe already has two local-currency REITs Tigere and Revitus on the ZSE, which have attracted institutional investors seeking inflation and currency risk hedges. By the fourth quarter of 2024, real estate allocations by fund managers rose to 47%, reflecting this growing interest.

REITs are popular for their liquidity, steady dividends, and low maintenance. In Zimbabwe's volatile market, they offer faster, more flexible returns than physical property, with investors prioritizing income stability over capital gains.

Key Takeaway

Zimbabwe's listing of a USD-denominated REIT on the VFEX highlights the growing investor appetite for inflation-hedged, income-generating assets in markets affected by currency volatility. This presents a timely opportunity for the Authority to explore the introduction of dollar-denominated REITs, which have yet to gain significant traction in the domestic market. Aligning this with Kenya's

plans to issue a dollar-denominated bond could further boost investor confidence and attract foreign capital, while diversifying the country's capital markets product offerings.

4.3 Somalia Launches its First National Stock Exchange

In a historic move, Somalia officially launched the National Securities Exchange of Somalia (NSES), marking a significant milestone in the country's economic recovery and capital markets development. Based in Mogadishu, the exchange will serve as a centralized, regulated platform for companies to raise capital and for investors to participate in Somalia's growth story.

The NSES is expected to begin operations in early 2026, initially focusing on equities and Sharia-compliant sukuk bonds. Priority sectors include telecommunications, banking, real estate, energy, and agriculture, industries vital to Somalia's post-conflict reconstruction and investment agenda. The exchange will operate under a self-regulatory model but with oversight and support from the Central Bank of Somalia and the Ministry of Finance, ensuring transparency, investor protection, and compliance with global standards.

Importantly, NSES has joined the East African Securities Exchanges Association (EASEA), signalling Somalia's intent to align with regional market practices and pursue cross-border listings and investment flows. This integration opens the door for collaborative ventures with established exchanges in Kenya, Uganda, Tanzania, and Rwanda, enhancing Somalia's access to regional capital and contributing to the broader East African financial ecosystem.

Stability Implication

The launch of Somalia's Securities Exchange and its integration into the East African financial network strengthens regional economic ties, promotes cross-border investment, and enhances stability by supporting Somalia's recovery and deepening capital market cooperation across East Africa.

4.4 African Countries Launch Continental Payment Card, PAPSSCARD to Strengthen Trade Integration

The launch of PAPSSCARD, Africa's first pan-African payment card, marks a major step toward financial integration and holds important implications for capital markets. By enabling fast, low-cost, and local-currency retail payments across African borders, PAPSSCARD strengthens the infrastructure needed to support cross-border investment and trade flows, which are essential for deepening regional capital markets.

For capital markets, a seamless payment and settlement system reduces reliance on hard currencies like the U.S. dollar and minimizes transaction delays and costs, barriers that have long hindered efficient trading, settlement of securities, and repatriation of returns. The planned Africa Currency Marketplace, which allows for direct local currency exchanges, will further reduce FX risks for cross-listed companies and investors, enhancing liquidity and price discovery across African exchanges.

In essence, PAPSSCARD and its supporting systems will foster greater investor confidence, market efficiency, and cross-border capital mobilization, all of which are critical to unlocking the full potential of the African Continental Free Trade Area (AfCFTA) and driving inclusive capital markets development.

Key Lesson

The Capital Markets Authority Kenya can leverage PAPSSCARD to enhance cross-border investment flows by reducing transaction costs, currency conversion risks, and settlement delays, thereby improving market efficiency and investor confidence.

5.0 LOCAL DEVELOPMENTS

5.1 The Capital Markets Authority (CMA) signs the Enhanced Multilateral Memorandum of Understanding to enhance investor protection

During the quarter, the Capital Markets Authority (CMA) strengthened its global regulatory standing by signing the Enhanced Multilateral Memorandum of Understanding (EMMoU) under IOSCO during the 50th Annual Meeting in Doha, Qatar. This move marked a significant milestone in boosting investor protection, enforcement capabilities, and cross-border cooperation in line with CMA's 2023–2028 Strategic Plan.

As the 28th jurisdiction globally and second in Africa to sign the EMMoU, CMA joined a select group of regulators with access to a broader range of enforcement tools. These include the ability to request and share critical data such as telecommunications records, internet service provider data, and audit working papers, and to take coordinated actions like freezing assets in cross-border securities investigations.

This enhanced framework will enable CMA to respond swiftly to emerging risks and global financial misconduct, positioning Kenya as a more credible and secure investment destination. Ultimately, the agreement reinforces market integrity, investor confidence, and regulatory agility, which are essential pillars for deepening and modernizing Kenya's capital markets.

Stability Implication

The signing of the EMMoU significantly strengthens the stability of Kenya's capital markets by enhancing the Capital Markets Authority's enforcement capacity and cross-border cooperation. With access to advanced regulatory tools and global collaboration networks, CMA is better equipped to detect and respond to financial misconduct, safeguard investor interests, and uphold market integrity, fostering a more secure and resilient investment environment that supports long-term market development and international investor confidence.

5.2 CMA licenses three new corporate trustees

The Capital Markets Authority (CMA) licensed three new corporate trustees to support the growth of Kenya's Collective Investment Schemes (CIS) market, which recently surpassed KES 400 billion in assets under management. The move aims to strengthen oversight, investor protection, and regulatory

compliance for investment vehicles such as unit trusts, mutual funds, and other pooled investment structures.

The newly licensed trustees include MTC Trust & Corporate Services Limited, which offers a wide range of fiduciary and specialized trustee services; Standard Chartered Bank Kenya, which is expanding its dominance in custody services into the trustee space; and NCBA Group Plc, which is integrating trustee services into its broader investment solutions.

This expansion reflects rising demand from both retail and institutional investors for professionally managed and diversified investment options. CMA's action underscores its commitment to building a transparent, well-regulated, and investor-focused capital markets ecosystem in Kenya.

CMA's Action Point

The Authority remains dedicated to licensing and integrating a broader range of capital market products and services, including those supporting Collective Investment Schemes (CIS). In line with its strategic objectives, the Authority is advancing regulatory reforms to enhance investor protection, strengthen trustee oversight, and foster sustainable growth of professionally managed, diversified investment vehicles.

5.3 Fund Managers Licensed by Capital Markets Authority Kenya Rise to 45 as Competition Hots up.

During the quarter CMA, approved two new fund managers, Meridian Asset Management Limited and Swala Capital Limited, further strengthening Kenya's asset management industry. The licensing reflects increased investor demand for professionally managed funds and highlights growing competition in the sector. It also builds on the licensing of Tradium Investment Services earlier in the year, underlining CMA's strategic commitment to broadening market participation and enhancing capital markets depth.

In addition, CMA authorized Ndovu Wealth Limited to launch two special unit trust funds under the "Taifa" brand: the Kibaba Special Multi-Asset Fund (KES) and the Kibaba Special Multi-Asset Fund (USD). This signals not only an expansion in the number of players but also a shift toward more

diversified and sophisticated investment offerings. The introduction of these funds enhances investor choice and supports more inclusive access to tailored investment solutions.

With the total number of licensed fund managers now reaching 45, Kenya's capital markets continue to evolve toward greater maturity. CMA's continued approvals reinforce its role in fostering a resilient, innovative, and inclusive financial ecosystem that attracts both domestic and international investment.

Stability Implication

The CMA's recent approvals support financial stability by broadening the fund manager base and encouraging product diversification. This reduces market concentration risks and allows investors to spread risk across assets and currencies. Increased access to professionally managed funds also promotes stable capital flows, reducing dependence on short-term speculative activity.

5.4 Performance of Domestic Capital Markets

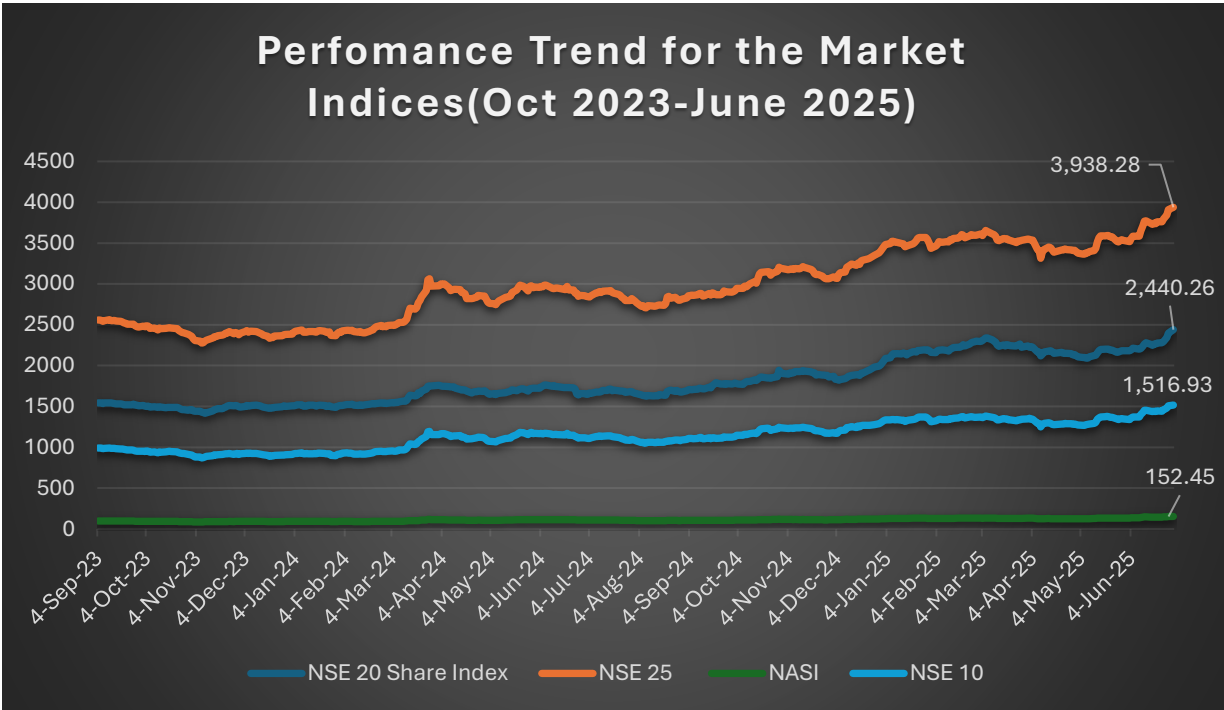
As of mid-2025, Kenya's domestic capital markets demonstrated signs of modest recovery. The quarter was characterized by strong equity performance, improved bond market activity, and increased participation across various capital market segments. The Capital Markets Authority (CMA) has played a key role in this progress by bolstering investor trust through continuous enhancement of its regulatory framework and the consistent execution of its oversight responsibilities. These efforts support greater capital raising, strengthen economic growth prospects, and reinforce the credibility and effectiveness of the regulatory environment.

a. Equity Market

The equity market was one of the segments that recorded notable growth and strong performance during the quarter compared to the first quarter of the year, as evidenced by the increase in basis points across the four market indices. NSE 20, NSE 25, NASI, and NSE 10 closed the quarter at 2,440.26, 3,938.28, 153.43, and 1,516.93 basis points, respectively. This reflects a significant increase from the Q1 2025 end-of-quarter levels of 2,226.88, 3,535.38, 130.81, and 1,342.38 basis points, respectively, and an even stronger gain from the end of last year, December 31, 2024, when the indices stood at 2,010.65,

3,402.80, 123.48, and 1,302.31 basis points, respectively. The consistent upward trend across all indices indicates a broad-based recovery in the equities market.

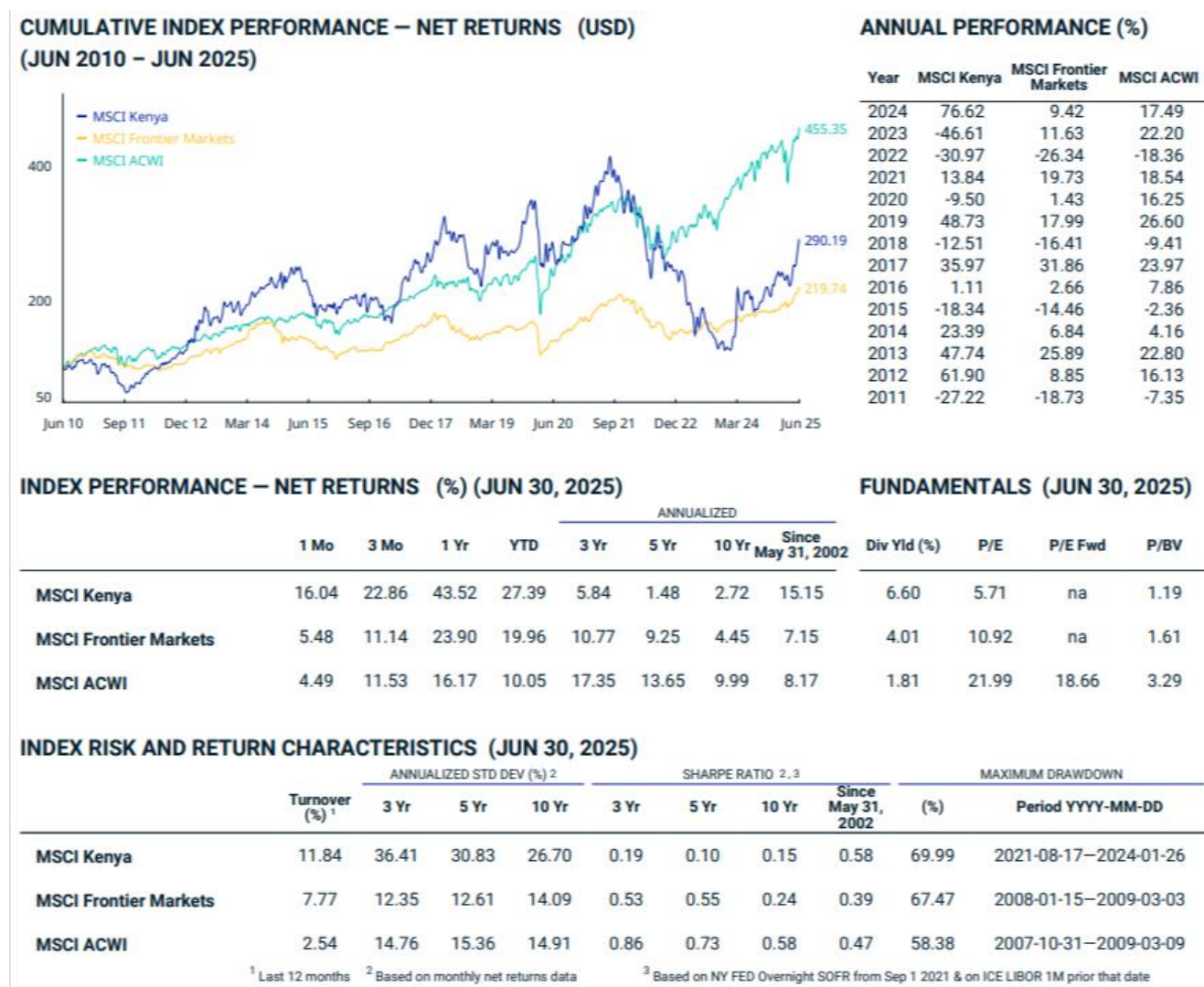
Figure 11: Trends of the Performance of the Market Indices



Source: CMA

The MSCI Kenya Index, which tracks the performance of large and mid-cap segments in Kenya’s equity market, recorded a strong performance as of June 30, 2025. The index posted a robust gain of 27.39% Year to Date.

Figure 12: MSCI Kenya Index

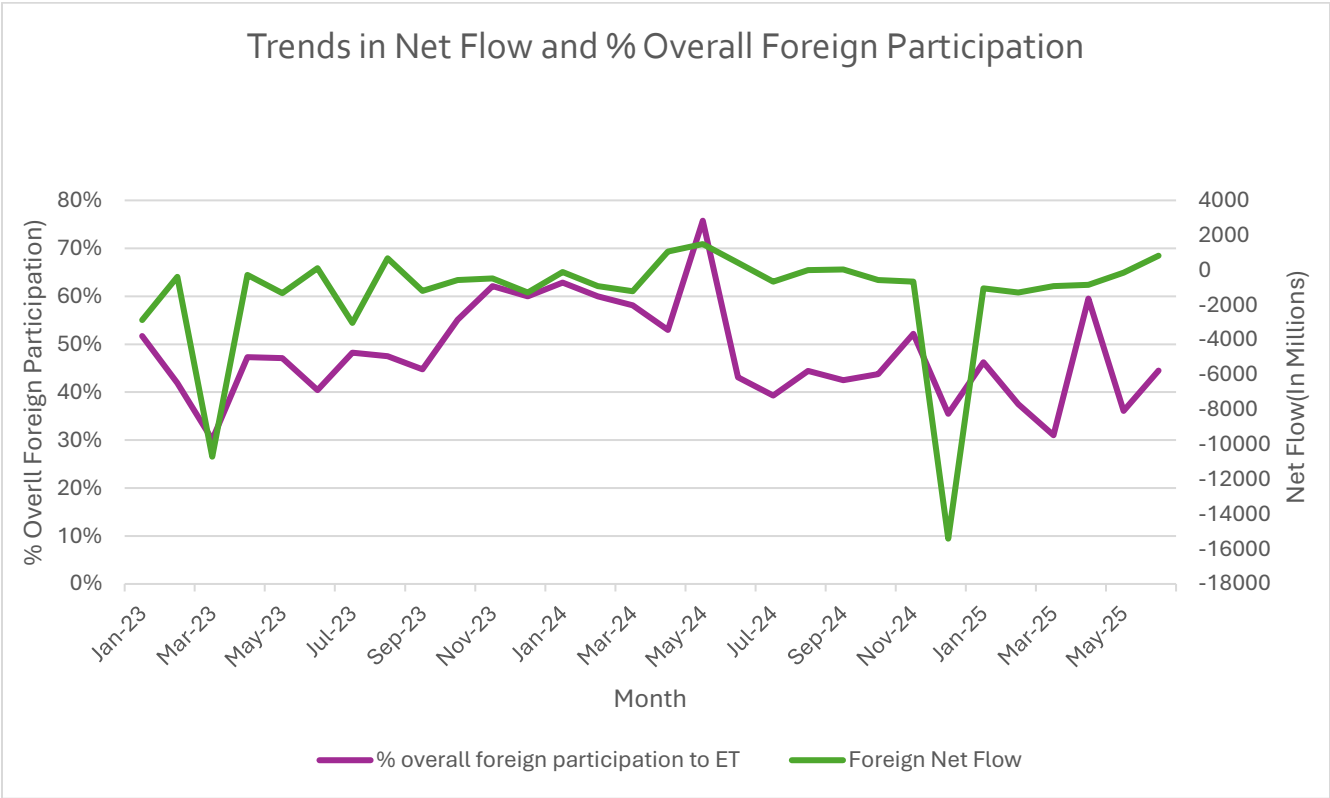


Source: MSCI Kenya

Net Flow and Overall Foreign Participation (April- June 2025)

Between April and June 2025, Kenya's equity market experienced continued net foreign outflows, with the quarter concluding with inflows. In April, the market recorded a significant outflow of approximately KES 851 million. This was followed by a relatively smaller outflow in May, estimated at KES 146 billion. In June the market recorded inflows of KES 820 million. Despite the persistent outflows, overall foreign participation showed increased, from 38.24% recorded in the first quarter to 46.68%, indicating that while foreign investors remained net sellers, their level of trading activity picked still remained relatively high.

Figure 13: Trends in net flow and overall Foreign Participation (April- June 2025)



Source: CMA

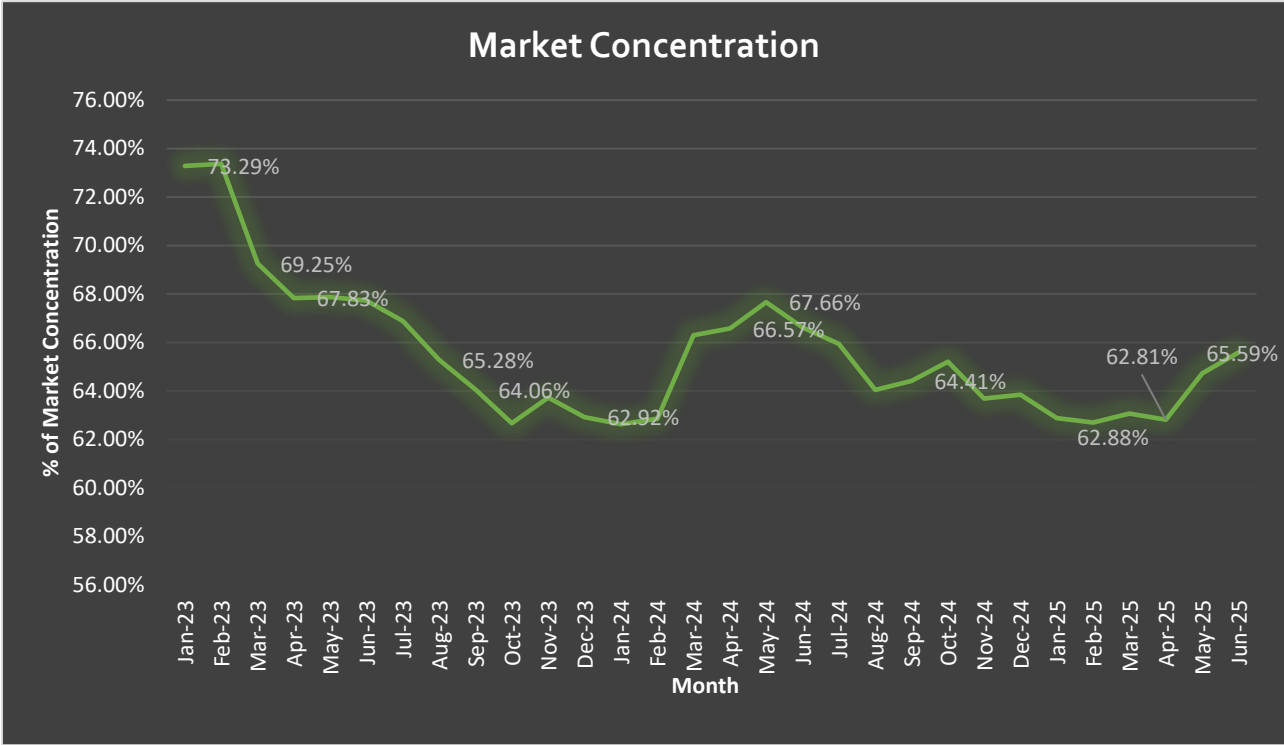
The continued foreign outflows from Kenya’s equity market between April and May 2025 has been driven by both global and domestic factors. Globally, risk-off sentiment, higher interest rates, and stronger yields in developed markets especially the U.S. have made frontier markets like Kenya less attractive. Domestically, concerns over fiscal stability, rising debt levels, and slowing economic growth have weighed on investor confidence.

Market concentration

The average market concentration of the five blue-chip companies rose to approximately 64% in Q2 2025, up from about 61% in the first quarter. This indicates increased investor focus on leading counters such as Safaricom, Equity Group, KCB, Co-op Bank, and EABL, which likely outperformed or remained more resilient than the broader market. Compared to 2024, when concentration mostly remained below 65% with only minor spikes, the rise in Q2 2025 suggests a renewed tilt toward dominant stocks.

This trend may reflect growing risk aversion or selective investor confidence in large, stable firms amid ongoing market volatility.

Figure 14: Market Concentration (Top 5 Companies by Market Cap)



Source CMA

Table 2: Equity Performance (April- June 2025)

Year	Month	Share Volume	Total Equity Turnover (KES)	NSE20 Share Index (Average)	NASI Index (Average)	NSE 25 Share (Average)	NSE10	Market Cap (KESs Billion Mn)
Q2. 2025	Apr	329,550,900	7,518,161,833	2169.78	127.15	3436.88	1297.48	1,981.79
	May	468,379,300	8,943,596,216	2153.81	130.94	3493.01	1,329.63	2,183.46
	Jun	579,832,200	11,967,967,309.06	2272.34	144.35	3732.83	1,434.87	2,417.06
	Total	1,377,762,400	28,429,725,358					

Year	Month	Share Volume	Total Equity Turnover (KES)	NSE20 Share Index (Average)	NASI Index (Average)	NSE 25 Share (Average)	NSE10	Market Cap (KESs Billion Mn)
Q1. 2025	Jan	632,151,262	9,570,109,631.27	2151.81	129.86	3506.99	1341.88	1983.70
	Feb	470,687,700	8,528,713,733.76	2226.02	131.27	3552.14	1355.61	2076.83
	Mar	470,420,100	8,112,214,457.52	2273.38	130.81	3567.34	1350.50	2056.07
	Total	1,573,259,062	26,211,037,862.5					

b. Treasury Bond Market

Table 3: Treasury Bond Performance

Date	BOND	Amt Issued (KESs. Bn)	Amt Received (KESs. Bn)	Amt Accepted (KESs. Bn)	% AA/AI	% AR/AI	Issue
Apr-25	FXD1/2020/015	70.00	20.90	20.88	29.83	29.85	RO
	FXD1/2022/015	-	18.15	17.98	25.69	25.93	RO
	FXD1/2022/025	-	32.68	32.54	46.48	46.69	RO
	FXD1/2020/015	10.00	13.24	12.59	125.93	132.40	TS
May-25	FXD1/2022/015	50.00	26.41	25.28	50.56	52.83	RO
	FXD1/2022/025	-	30.68	25.10	50.21	61.36	RO
	FXD1/2012/020	30.00	54.39	43.52	145.07	181.29	RO
Jun-25	FXD1/2020/015	50.00	84.73	57.87	115.75	169.47	RO
	SDB1/2011/030	-	16.62	13.77	27.53	33.25	RO
Total		210.00	297.81	249.53			
Jan-25	FXD1/2018/15	30.00	30.58	23.75	79.18	101.92	RO
	FXD1/2022/25		28.42	24.73	82.43	94.74	RO
Feb-25	IFB1/2022/14	70.00	93.13	65.26	93.22	133.05	RO

Date	BOND	Amt Issued (KESs. Bn)		Amt Received (KESs. Bn)	Amt Accepted (KESs. Bn)	% AA/AI	% AR/AI	Issue
	IFB1/2023/17			100.77	65.55	93.65	143.95	RO
	FXD1/2022/003		50.00	10.28	9.27	18.54	20.55	BB
	FXD1/2020/005			40.07	35.08	70.16	80.15	BB
	IFB1/2016/009			5.74	5.74	11.47	11.48	BB
Mar-25	FXD1/2018/25	25.00		47.01	35.25	140.99	188.05	RO
Total		175.00		356	264.63			

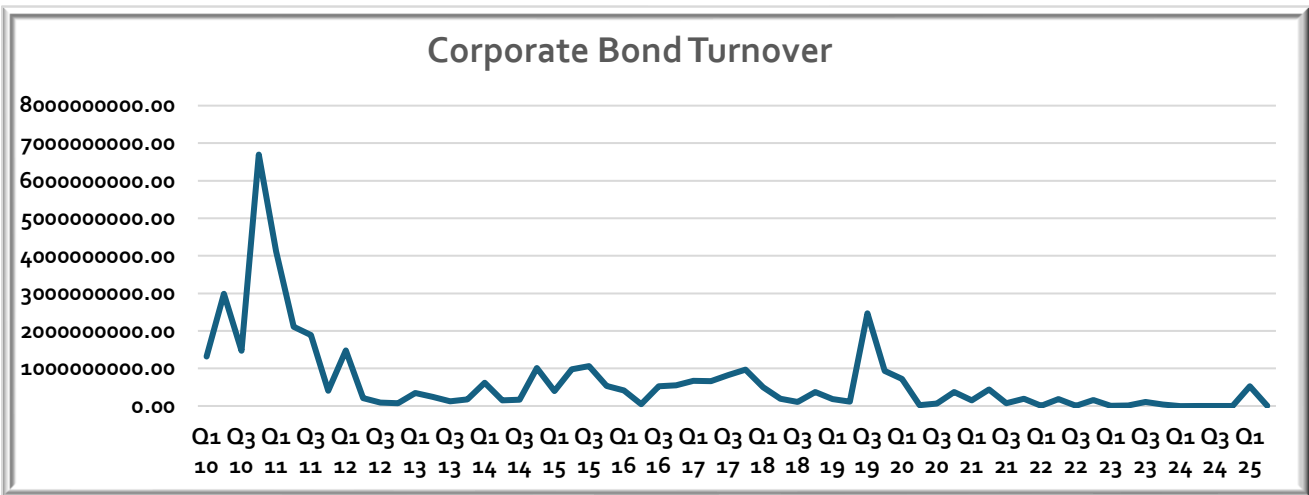
RO-Re-opened; TS- Tap Sale; New-New Issue; BB-Buyback AA-Amount Accepted; AI-Amount Issued; AR-Amount Received; (AA/A) % - Acceptance Rate; (AR/AI) % - Performance Rate; Source: CBK

During the quarter, the government intended to collect KES 210.00 billion from the market. Bids worth KES 297.81 billion were received but the government only accepted bids valued at KES 249.53 billion, reflecting an average acceptance-to-issue ratio of 118.8% and a bid-to-issue ratio of 141.8%. The quarter maintained strong investor appetite, especially for longer-term papers.

c. Corporate Bonds Market

Corporate bonds in Kenya have experienced a significant long-term decline in market activity. Although a few isolated spikes were observed around Q4 2015, Q4 2019, and Q1 2025, these were modest and did not indicate a sustained recovery. Notably, the value of corporate bond turnover during the quarter stood at KES 1,240,000 a marked decrease from KES 525,104,341 recorded in Q1 2025.

Figure 15: Trends in Corporate Bonds Turnover from 2010-2025

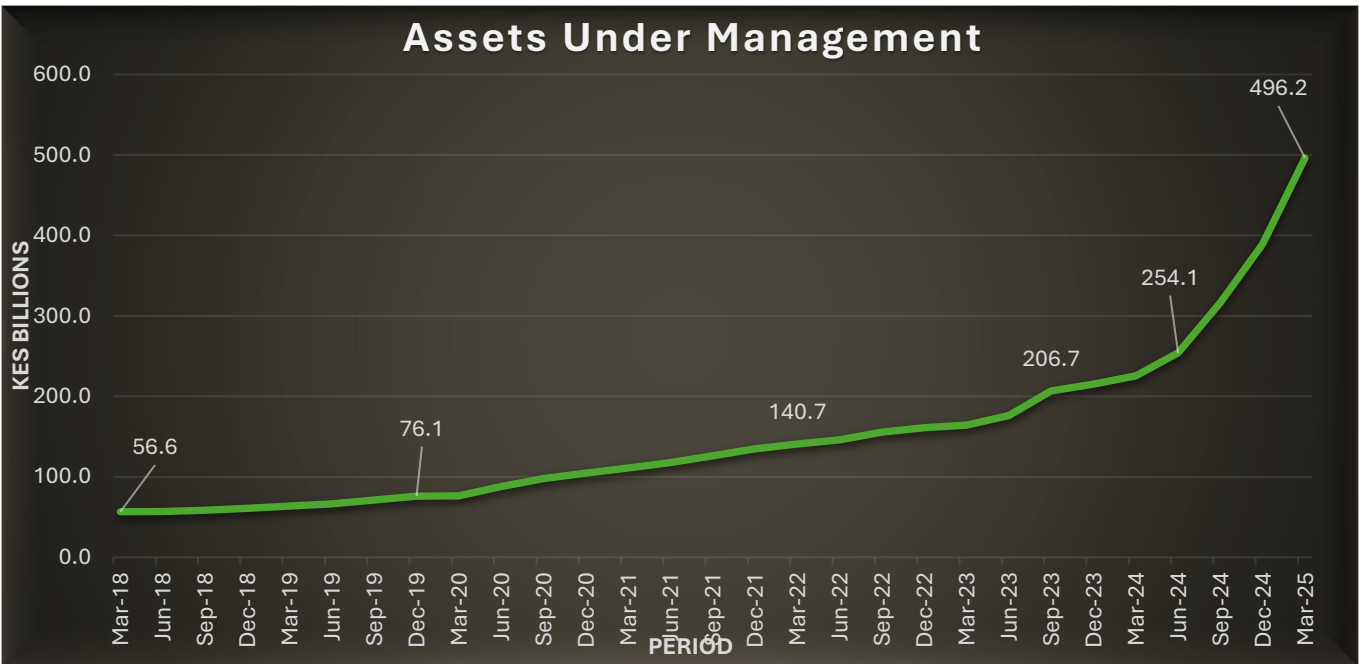


Source: CMA

d. Collective Investment Schemes (CIS)

Assets under management (AUM) have exhibited a sustained upward trajectory, increasing from KES 56.6 billion as at March 31, 2018, to KES 496.2 billion by March 31, 2025. The graph below depicts the cumulative growth trend over the seven-year period.

Figure 16 Trends of Assets Under Management



ANNEXURE: CAPITAL MARKETS SOUNDNESS STABILITY COMPUTATION APRIL 01-JUNE 30, 2025

Table 4: Capital Markets Stability Indicators April 01-June 30, 2025

Stability Indicator	Quarter/ Year	Market Statistics				Assessment Risk Level	Performance Brief for the Quarter	Ongoing Intervention Measures
1.0 Equity Market Depth								
NSE 20 Index Volatility Base Year= 2010	Q2.2025	Apr	May	Jun	Q2. Aver	Low (Indicative-Low < 1%; Medium 1%; High >10%)	The volatility for the three Market indices, NSE 20, NSE 25, and NASI was 0.56%, 0.58%, and 0.62%, Respectively	The Market volatility for the three key indices NSE 20, NSE 25, and NASI remained low, staying below the 1% threshold. However, this represented a marginal uptick compared to levels recorded in Q1 2025. The marginal uptick in market volatility, though still below 1%, was likely driven by increased trading, earnings
		0.84%	0.40%	0.45%	0.56%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		0.56%	0.40%	0.47%	0.48%			
	Q4. 2025	Oct	Nov	Dec	Q4. Aver			
		0.71%	0.42%	0.58%	0.57%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		0.36%	0.69%	0.58%	0.54%			
NSE 25 Index Volatility Base Year = 2015	Q2.2025	Apr	May	Jun	Q2. Aver	Low (Indicative – < 1% Medium: >1% high; >10%)		
		0.77%	0.41%	0.54%	0.58%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		0.36%	0.44%	0.45%	0.42%			
	Q4. 2025	Oct	Nov	Dec	Q4. Aver			
		0.47%	0.30%	0.68%	0.54%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		0.40%	0.57%	0.52%	0.50%			
NASI Volatility Base Year= 2010	Q2.2025	Apr	May	Jun	Q2. Aver	Low (Indicative –		
		0.75%	0.42%	0.70%	0.62%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		0.38%	0.35%	0.53%	0.42%			

	Q4. 2025	Oct	Nov	Dec	Q4. Aver	Low < 1% Medium: >1% high; >10%)		disclosures, and macroeconomic shifts. In response, the NSE and CMA are enhancing trading systems, easing foreign investor barriers, and promoting investor education and product diversification to support market stability
		0.58%	0.32%	0.61%	0.50%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		0.43%	0.52%	0.49%	0.48%			
Equities Turnover Ratio	Q2.2025	Apr	May	Jun	Q2. Sum	Low (Indicative – annual: <8%- Low; >15% High)	The recorded turnover for Q2 2025 was 1.30% an Increase from 1.28% recorded in Q3. 2025.	The slight increase in equities turnover from 1.28% to 1.30% was driven by renewed investor interest, positive earnings, improved macroeconomic indicators, and increased foreign participation in blue- chip stocks.
		0.38%	0.42%	0.50%	1.30%			
	Q1. 2025	Jan	Feb	Mar	Q1. Sum			
		0.48%	0.41%	0.39%	1.28%			
	Q4. 2025	Oct	Nov	Dec	Q4. Sum			
		0.27%	0.35%	1.49%	2.11%			
	Q3. 2025	Jul	Aug	Sep	Q3.Aver			
		0.35%	0.40%	0.30%	1.05%			

								<p>Speculative trading, portfolio rebalancing, and corporate actions also supported the uptick.</p> <p>To sustain this momentum the NSE and CMA are enhancing market activity through liquidity support, easing foreign investor access, expanding investment products, and improving investor education</p>
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2.o Foreign Exposure Risk

Percentage (%) overall Foreign participation to Total Equity Turnover	Q2.2025	Apr	May	Jun	Q2. Aver	Low (Indicative – annual: <40%-Low; >90% High)	Foreign Investor Participation at the end of the Q2,2025, Averaged a t 46.68 % an increase	Compared to the outflow of KES 177 billion recorded in Q2 2025 and with only a slight reduction from Q1 2025 levels current outflows still remain
		59.51%	36.06%	44.47%	46.68%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		46.22%	37.46%	31.03%	38.24%			
	Q4. 2025	Oct	Nov	Dec	Q4. Aver			
		43.78%	52.21%	35.49%	43.83%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		39.29%	44.40%	42.51%	42.07%			

							From Q1 2025 at 38.24%	elevated, as any figure above KES 50 billion is considered high.
Net Foreign Portfolio Flow (KES Million)	Q2.2025	Apr	May	Jun	Q2.Sum	High (Indicative – annual: Less(outflow. <KESs (50billion) - High (outflow. >KESs. 50 billion High	In the quarter under review, the market recorded an outflow of 177 Billion compared to an outflow of 3,262 billion between Jan and Mar 2025	Persistent outflows continue to pose risks to market stability, highlighting the need for targeted measures to stimulate activity at the Nairobi Securities Exchange. Proposed interventions include the implementation of daily trading strategies and the removal of barriers to foreign investment.
		(851)	(146)	180	(177)			
	Q1. 2025	Jan	Feb	Mar	Q1. Sum			
		(1052)	(1284)	(926)	(3262)			
	Q4. 2025	Oct	Nov	Dec	Q4. Sum			
		(569.99)	(667.77)	(15,401.39)	(16,639.15)			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		(655)	(2)	(29)	(628)			

								These initiatives are aimed at improving market liquidity, attracting international capital, and fostering a more vibrant and resilient market environment.
3.0 Market Concentration Risk								
Market Concentration (Top 5 companies by market cap)	Q2.2025	Apr	May	Jun	Q2. Aver	High (Indicative – annual: >50% High Concentration)	Market concentration for the top 5 companies for the quarter ended June 2025 averaged at 64.51%.	Over the past year, there has been a continuous reduction in market concentration by five specific companies, indicating a growing openness among investors to explore opportunities beyond these select entities. Despite this positive trend, market concentration
		62.81%	64.73%	65.99%	64.51%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		62.88%	62.69%	63.06%	62.88%			
	Q4. 2025	Oct	Nov	Dec	Q4. Aver			
		65.20%	63.69%	63.84%	64.24%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		65.94%	64.04%	64.41%	64.80%			

							<p>remains a significant risk. Through the new Public Offers Listing and Disclosure Regulation the Authority has established more favourable listing requirements that attract a broader range of companies to list on the market, thereby providing investors with a wider variety of investment choices.</p> <p>Furthermore, the Authority is actively engaged in investor education efforts, emphasizing the importance of diversification and promoting long-term investing</p>
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							<p>strategies. By empowering investors with knowledge and information to make informed investment decisions, the aim is to reduce the inclination to concentrate investments in a limited number of dominant companies.</p> <p>Through these measures, the Authority seeks to foster a more diverse and dynamic market environment, ensuring investors have access to a broader range of investment opportunities and</p>
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Gross Notional Exposure (GNE)	Amount in KESs						High (indicative – annual: >50% High concentration)		The total value (Gross Exposure) of contracts traded during the quarter came up to KES 4.351million; a 85% decrease from Q1.2025
		Q1. Sum	Apr-25	May-25	Jun-25	Q2. Sum			
	ABSA	312,410	175,650	90,050	92,500	358,200			
	BATK	-	-	-	-	-			
	EABL	-	36,200	-	1,685,075	1,721,275			
	EQTY	1,534,850	48000	91,600	183,200	322,800			
	KCBG	20,379,340	-	506,160	48,700	554,860			
	N25I	-	-	-	-	-			
	SCOM	359,000	52,500	58,600	1,106,920	1,218,020			
	COOP	5,622,910		-	161,000	161,000			
	NCBA	901,400		-	-	-			
	IHMP	249,400		-	-	-			
	SCBK	504,805		-	-	-			
	25MN								
	10MN				14,920	14,920			
	Total	29,864,115	312,350	746,410	3,292,315	4,351,075	85%		

								Increased volumes of trade.
5.o Government Bond Market Exposure								
Treasury Bond Market turnover Concentration	Q2.2025	Apr	May	Jun	Q2. Aver	High (Indicative – annual: >50%High)	In Q2.2025, Treasury Bond market turnover was 100.00 %	Government activity in the bonds markets continues to dominate as the Government targets domestic market savings to fund various Government activities
		100%	100%	100%	100%			
	Q1. 2025	Jan	Feb	Mar	Q1. Aver			
		100%	100%	100%	100%			
	Q4. 2025	Oct	Nov	Dec	Q4. Aver			
		100%	100%	100%	100%			
	Q3. 2025	Jul	Aug	Sep	Q3. Aver			
		100%	100%	100%	100%			
6.o Investor Profile								
Corporate Bond Market ownership						High (Indicative – annual: >50% High concentration)	In the quarter under review Local investors constituted the greatest share in investment followed by foreign corporates with East Africa Investors	Kenya has been facing a period of reduced corporate bond activity in the last few years. The Authority through its investor education and market deepening function has profiled retail investors to increase
	Account Type		Number of Investors	Share Quantity	% By Share Quantity			
	EI	1	10000000	0.04				
	FC	3	131549607	0.58				
	FI	22	200200000	0.93				
	LC	591	20631284658	91.54				
	LI	756	1565106135	6.90				
	Total	1373	22538140400	100.00				

	Data computed as of 30 June 2025 Note: For every EAC, LI, and FI, the total calculated is a sum of both corporate and individual investors.						constituting the least Number of investors.	activity within the domestic corporate bond market.																																								
Equity Market	<table><tr><th>Account Type</th><th>Number of Investors</th><th>Share Quantity</th><th>% By</th></tr><tr><td>BR</td><td>6</td><td>13,234,298</td><td>0.01%</td></tr><tr><td>EC</td><td>267</td><td>1270067540</td><td>1.24</td></tr><tr><td>EI</td><td>7137</td><td>117,128,782</td><td>0.11%</td></tr><tr><td>FC</td><td>381</td><td>15,653,811,820</td><td>15.17%</td></tr><tr><td>FI</td><td>7997</td><td>594,671,736</td><td>0.57%</td></tr><tr><td>JR</td><td>198</td><td>1,388,811</td><td>0.001%</td></tr><tr><td>LC</td><td>40803</td><td>69,792,463,123</td><td>67.65%</td></tr><tr><td>LI</td><td>1,245,681</td><td>15,698,040,576</td><td>0.01%</td></tr><tr><td>Total</td><td>1,302,470</td><td>103,153,900,677</td><td>100%</td></tr></table> Data as of June 30, 2025					Account Type	Number of Investors	Share Quantity	% By	BR	6	13,234,298	0.01%	EC	267	1270067540	1.24	EI	7137	117,128,782	0.11%	FC	381	15,653,811,820	15.17%	FI	7997	594,671,736	0.57%	JR	198	1,388,811	0.001%	LC	40803	69,792,463,123	67.65%	LI	1,245,681	15,698,040,576	0.01%	Total	1,302,470	103,153,900,677	100%	High (Indicative – annual: >50% High concentration	In Q2. 2025 Local corporate investors constituted the majority in the investment in equity followed by foreign Investors	While the proportion of local investors is higher than foreign investors, the share quantity held by each investor on a per capita basis remains low.
Account Type	Number of Investors	Share Quantity	% By																																													
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Total	1,302,470	103,153,900,677	100%																																													
7. o Settlement Compensation Coverage																																																
Settlement Guarantee Fund	Q2. 2025	Apr 4.03	May 3.57	Jun 2.42	Q2. Aver 3.34	(Indicative– annual: >1 times, implies full coverage	The settlement Guarantee	Through Risk-Based supervision, the Authority has been monitoring the SGF																																								
	Q1. 2025	Jan 3.42	Feb 3.53	Mar 3.75	Q1. Aver 3.57																																											
	Q4. 2025	Oct	Nov	Dec	Q4. Aver																																											

		6.14	4.73	0.97	3.95		Fund (SGF) ratio	figures. The	
	Q3. 2025	Jul	Aug	Sep	Q3. Aver		for the	fund	
		5.52	4.81	6.02	5.45		quarter	remains adequate	
							under review	to guarantee	
							was 3.34	settlement	
								failure.	
8.o Asset Base of Fund Managers, Stockbrokers, Investment Bank									
Working Capital (Amount in KESs Millions) *						Medium (Indicative –the Higher the figure, the more stable is the market	The net assets base of fund Managers, Investment Adviser, Investment Banks, Online Forex, REITs For investment bank and stockbroker as of June was KESs 7,740M, 244M, 8,784M 1,786M, and 1,658M respectively	Capital markets licensees' net assets increased between April and June 2025 for Investment Adviser Online Forex brokers, Investment bank and stockbrokers and decreased for fund manager. Forex Brokers Manager and increased	
		Amount in KESMillions							
		Total Assets	Total Liabilities	Net Assets June 2025	Net Assets March 2025				% change
	Fund Mangers	10,446	2, 706	7,740	7,831				1.66
	Investment Advisers	410	166	244	240				1.66
	Investment Banks	13,803	5,019	8,784	8,120				8.17
	Online Forex Brockers	4,661	2,875	1,786	1,629				9.63
	REIT Manager	-	-	-	394				-
	Stockbrokers	3,679	2,021	1658	1,632				1.59

