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New Capital Markets Licensing Regulations

**The Capital (Licensing Requirements) (General)
Regulations, 2025**

Overview

The Capital Markets Authority (CMA) recently published the Capital Markets (Licensing Requirements) (General) Regulations, 2025 (the 2025 Regulations) marking a significant development in Kenya's capital markets framework that repealed the previous regime introduced in 2002.

The 2002 regime was developed for a market characterised by clearly delineated intermediaries, exchange-centric trading and limited technological intermediation. The 2025 Regulations respond to a fundamentally different market environment, including the growth of digital distribution channels, automated advisory models and alternative trading system

In this context, the 2025 Regulations shift both regulatory scope and supervision, expanding the perimeter to capture digital platforms and introducing a more intrusive, risk-based model. The result is a broader and more intensive framework, with implications for both existing licensees and newly captured fintech platforms and digital intermediaries.

KEY CHANGES UNDER THE 2025 REGULATIONS

Item	2002 Regulations	2025 Regulations	Implications
Expansion of regulatory perimeter (digital platforms & new intermediaries)	Regulations focused on traditional intermediaries (e.g. stockbrokers, dealers, fund managers).	Introduction of licensing regimes for intermediary service platform providers (ISPs) and broader categories of market intermediaries.	Represents a fundamental expansion of CMA oversight, capturing fintech platforms, digital distributors and aggregators previously outside the regime. This is the single most significant structural change and will bring new entrants into full regulatory compliance for the first time.
Licensing of Over the Counter (OTC) platforms	No licensing requirement for off-exchange trading systems.	Mandatory licensing of OTC platforms, including a requirement for any person operating an OTC platform to apply for a licence within a	Formalises regulation of alternative trading systems, imposing governance and reporting standards on platforms such as bilateral trading platforms and electronic matching systems. While increasing compliance

		year of the regulations coming into effect.	costs for operators, the regime enhances transparency, investor protection, and overall market integrity.
Regulation of algorithm-driven investment advice	Not addressed.	Express recognition and regulation of automated/algorithm-based advisory models.	Brings robo-advisory and digital wealth platforms within scope. Investment advisory firms offering digital services must implement formal and robust governance, risk management, data protection and client onboarding frameworks, materially increasing compliance expectations.
Shift to risk-based supervision and reporting	Periodic reporting without an explicit risk-based framework.	Mandatory monthly risk-based capital adequacy reporting and management accounts for investment advisors, broker dealers, stockbrokers, dealers, fund managers and trustees.	Marks a transition to continuous prudential supervision. Firms will need enhanced systems and internal controls to generate timely financial and risk data, increasing operational and compliance burdens.
Recalibration of capital requirements	<p>Higher thresholds for:</p> <ul style="list-style-type: none"> • Investment banks at KES 250 million. • Investment advisors at KES 10 million. <p>Lower thresholds for:</p> <ul style="list-style-type: none"> • Fund managers at KES 10 million. 	<p>Higher thresholds for:</p> <ul style="list-style-type: none"> • Fund managers at KES 20 million. <p>Lower thresholds for:</p> <ul style="list-style-type: none"> • Investment banks at KES 150 million. • Investment advisors no minimum; subject to adequate resources. 	Reflects a targeted rebalancing of entry barriers. While investment banking and investment advisory activities may become more accessible, asset managers face tighter prudential requirements, likely driving recapitalisation or consolidation.

	Unspecified threshold for securities exchanges.	<ul style="list-style-type: none"> Securities exchanges at KES 1 billion. 	
Licensing of Trustees	Licensing of trustees governed separately under the Collective Investment Schemes Regulations (for collective investment schemes (CISs)) and the REIT Regulations (for real estate investment trusts (REITs)).	<p>Licensing of trustees is now governed under a unified regime.</p> <p>Under the new regime, trustees to which the regulations apply are trustees of REITs and CISs.</p>	Creates consistency and reduces fragmentation by subjecting all trustees, whether of CISs or REITs, to a single licensing framework. While licensing provisions under the CIS Regulations and the REIT Regulations remain in place, full consolidation is anticipated in the future.
Enhanced fit and proper requirements	Narrow, largely integrity-based criteria.	Expanded criteria including expertise, experience, financial soundness and professional standing.	Signals a move towards substantive governance oversight. Firms must undertake more rigorous due diligence on key personnel and maintain ongoing compliance with strengthened suitability standards.

Conclusion

The 2025 Regulations represent a transition from a largely rules-based and entity-focused regime to a more activity-based and supervisory-led framework, consistent with broader global regulatory trends.

From a practical perspective, the impact is twofold:

- a. The expansion of the regulatory perimeter, particularly in relation to digital platforms, OTC systems and algorithm-driven services, will require certain market participants to obtain licences and implement compliance frameworks for the first time.
- b. For existing licensees, the introduction of risk-based supervision and enhanced governance expectations is likely to increase the intensity of regulatory engagement, requiring investment in systems, controls and internal processes capable of supporting continuous reporting and oversight.

More broadly, the recalibration of capital thresholds and governance standards is expected to drive a degree of market rationalisation, particularly among smaller or less well-capitalised firms.

The 2025 Regulations came into force on December 11, 2025. All licences issued under the 2002 regime remain valid, but where new requirements apply, licensees have twelve (12) months to comply. ISPs and OTCs, previously unregulated, must apply for licences within 12 months of the 2025 Regulations taking effect. Market participants should assess their business models, licensing status and operational readiness to identify and address any gaps under the revised regime.

ABOUT KN

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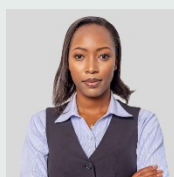
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