

Note on Proposed Changes to CMA Licensing Fees

Executive Summary:

The Capital Markets Authority (CMA) has [proposed](#) licensing regulations which would significantly alter the regulatory cost structure for Fund Managers in Kenya. Under the proposal, the current flat annual licensing fee of Kshs 150,000 would be replaced with a variable fee of 0.05% of Assets Under Management (AUM), subject to a minimum fee of Kshs 100,000 and a cap of Kshs 15.0 mn.

Note on Proposed Changes to CMA Licensing Fees

I. Overview of the Proposed Capital Markets Regulations 2025

Kenya's capital markets regulatory framework is undergoing a significant overhaul following the introduction of the Capital Markets [Regulations](#), 2025. The new regulations introduce wide-ranging reforms that affect licensing conditions, capital requirements, and regulatory obligations for market intermediaries operating under the oversight of the Capital Markets Authority (CMA). Among the notable changes introduced by the new framework are;

- i. Revised capital requirements for various licence categories, with several categories experiencing higher minimum capital thresholds intended to strengthen the financial resilience of licensed intermediaries. For instance, under the proposed framework, Fund Managers will be required to have paid up share capital of Kshs 20.0 mn, whereas in the current framework, they are required to have paid up capital of Kshs 10.0 mn and liquid capital of Kshs 5.0 mn or 8.0% of total liabilities, whichever is higher.
- ii. The framework introduces new licence categories to reflect evolving market structures and technological developments. These include licences for intermediary service platform providers and robo-advisory firms, recognizing the growing role of digital platforms in distributing investment products and providing automated investment advice. A new broker-dealer licence has also been created, allowing firms to combine brokerage and dealer activities and trade on their own account. In addition, over-the-counter platforms will now require CMA licensing, and new licensing provisions have been introduced for trustees and custodians, although some regulatory inconsistencies remain with existing collective investment scheme rules.
- iii. Expanded regulatory oversight, including additional compliance obligations and governance expectations for licensed entities.
- iv. Modernization of the regulatory framework, replacing elements of the older licensing structure that had been in place since 2002.
- v. Introduction of in-principle approvals where applicants who satisfy the majority of requirements may receive an in-principle approval valid for six months, during which they may establish systems but may not begin operations until full licensing is granted.
- vi. The 2025 regulations expand the permitted activities of investment banks by allowing them to operate as market makers. This formally introduces a role that was not explicitly recognized under the 2002 framework and is intended to improve market liquidity and price discovery in Kenya's capital markets.

These reforms are part of broader efforts by the CMA to modernize Kenya's capital markets regulatory environment, strengthen investor protection, and align the country's regulatory standards with evolving global financial market practices.

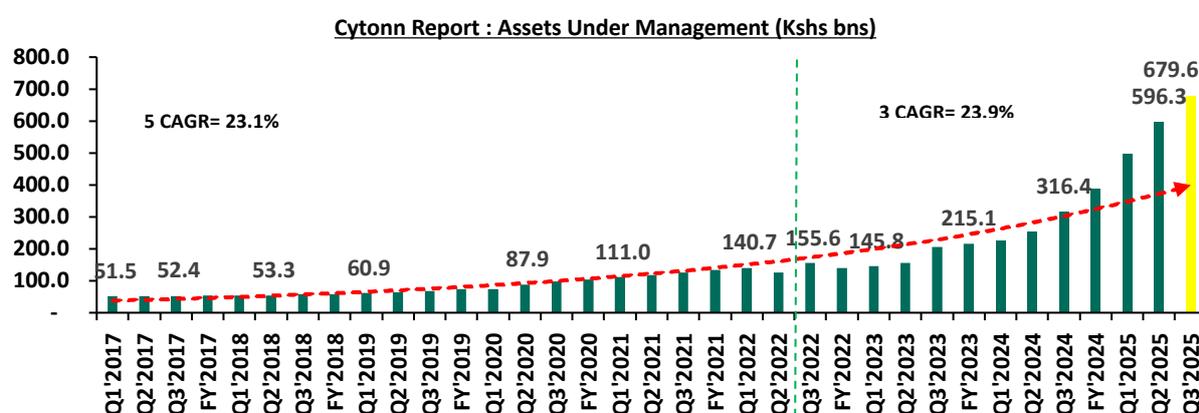
Within this broader regulatory overhaul, one of the most consequential proposals for the asset management industry is the revision of licensing fees for fund managers, which would move the industry away from a flat annual licensing fee toward a fee structure linked to assets under management (AUM).

Currently, fund managers pay a flat annual regulatory licensing fee of Kshs 150,000. The proposed changes would introduce a variable licensing model where fund managers pay 0.05% of AUM, subject to a minimum fee of Kshs 100,000 and a maximum cap of Kshs 15.0 mn.

While the broader regulatory reforms affect several market intermediaries, this note will focus specifically on the proposed licensing fee structure for fund managers and examines its potential implications for the growth of collective investment schemes, investor participation, and the development of Kenya’s capital markets.

II. Growth of Collective Investment Schemes in Kenya

Kenya’s CIS sector has expanded rapidly over the past few years, reflecting growing demand for professionally managed investment products among retail investors. Assets under management have increased significantly on a y/y basis by 114.8%, to Kshs 679.6 bn as of Q3’2025 from Kshs 316.4 bn in Q3’ 2024. Important to note, Assets under management of Unit Trust Funds have been an upward trajectory over the last eight years, growing at a 5-year CAGR of 23.1% to Kshs 155.6 bn in Q3’2022 from Kshs 52.4 bn recorded in Q3’2017 and accelerated further at a 3-year CAGR of 23.9% to Kshs 679.6 bn as of Q3’2025 highlighting the rapid expansion and increasing attractiveness of UTFs in Kenya. The chart below shows the growth in Unit Trust Funds’ AUM over the last 8 years:



Source: Capital Markets Authority

Investor participation has also surged. The number of investors in collective investment schemes rose by 127.7% to 3.0 mn in Q3’2025, from 1.3 mn in Q3’2024. Much of this growth has been driven by the popularity of money market funds, which provide relatively accessible and liquid investment options for retail savers. The growth of CIS reflects a broader shift in Kenya’s savings landscape, where individuals are increasingly seeking alternatives to traditional bank deposits. As participation rises, the industry is becoming a more important channel for mobilizing domestic savings and supporting capital market development.

III. Overview of the Proposed Fee Structure

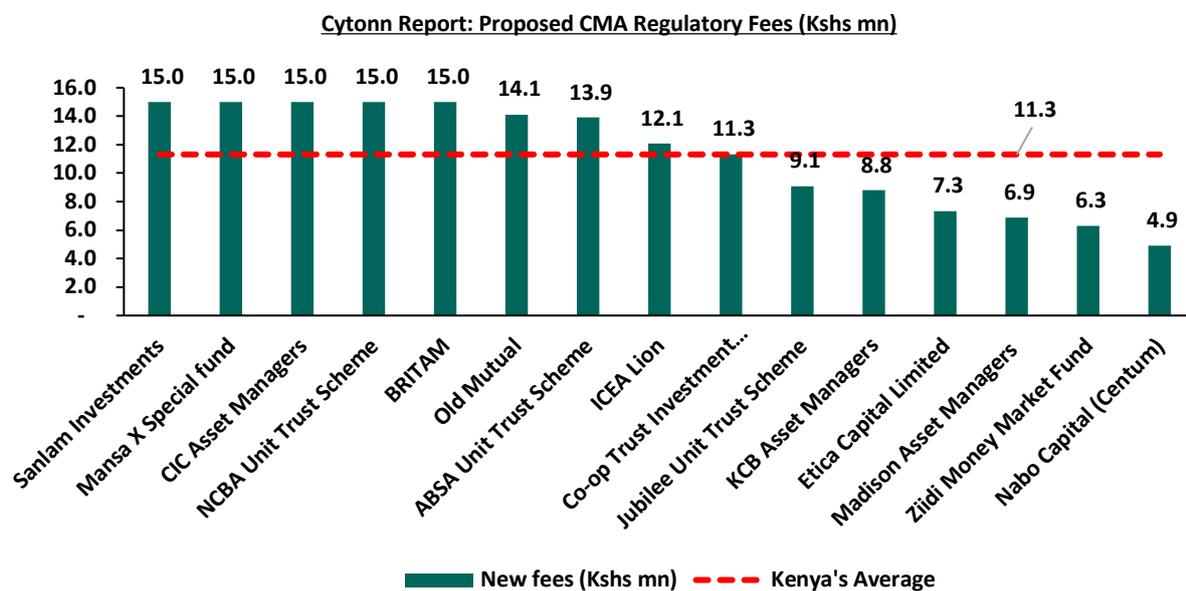
The proposed regulatory changes introduce an asset-based licensing fee model. Instead of a uniform annual payment, fund managers would pay 0.05% of AUM as an annual regulatory levy. The framework includes safeguards designed to balance the burden across different market participants. A minimum fee of Kshs 100,000 ensures that smaller firms contribute to regulatory funding, while a maximum cap of Kshs 15.0 million limits the cost exposure for the largest asset managers.

Under the proposal, the largest fund managers in the country could collectively pay hundreds of millions of shillings annually in regulatory fees. The shift therefore represents a substantial increase in regulatory contributions from larger firms compared to the current flat fee structure. The table below shows what the top 15 Fund Managers would have to pay in regulatory fees under the proposed framework:

Cytonn Report: Proposed Regulatory Fees of Top 15 Fund Managers			
	Fund Manager	AUM (Q3’2025) (Kshs bn)	New fees (Kshs mn)
1	Sanlam Investments	130.5	15.0
2	Mansa X Special fund	102.1	15.0
3	CIC Asset Managers	97.7	15.0

4	NCBA Unit Trust Scheme	54.2	15.0
5	BRITAM	48.1	15.0
6	Old Mutual	28.2	14.1
7	ABSA Unit Trust Scheme	27.8	13.9
8	ICEA Lion	24.1	12.1
9	Co-op Trust Investment Services Limited	22.7	11.3
10	Jubilee Unit Trust Scheme	18.2	9.1
11	KCB Asset Managers	17.6	8.8
12	Etica Capital Limited	14.7	7.3
13	Madison Asset Managers	13.8	6.9
14	Ziidi Money Market Fund	12.6	6.3
15	Nabo Capital (Centum)	9.8	4.9
Average		41.5	11.3

Source: CMA Q3'2025 CIS Report, Cytonn Research



Source: Cytonn Research

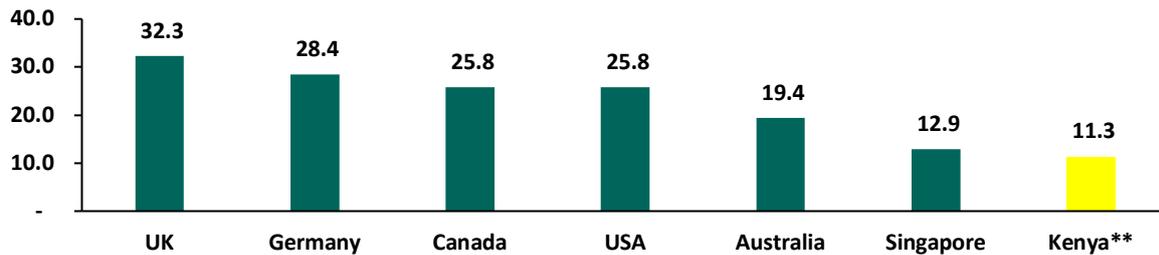
IV. Global Comparison of Regulatory Fee Models

Asset-based regulatory levies are widely used in global financial markets. Many regulators adopt proportional fee structures in which supervisory funding increases alongside the scale of financial institutions and the assets they manage.

In jurisdictions with large asset management industries such as the United States and Singapore, regulatory funding models often incorporate AUM-linked levies or tiered fee structures. These frameworks recognize that larger asset managers typically require more intensive supervision due to their market impact and operational complexity.

When benchmarked against such frameworks, Kenya's proposed fee structure does not appear unusually high on a global scale as illustrated by the chart below. In many international markets, regulatory contributions from large asset managers can run into several million dollars annually once various supervisory levies and filing costs are considered.

Cytonn Report: Comparison of Regulatory Fees between Countries (Kshs mn)



Source: SEC, FCA, BaFin, MAS, CMA, Kenya** - New Regulatory Framework

Nevertheless, global comparisons must also account for differences in market maturity, scale, and profitability. While the principle of proportional contributions may be common internationally, the relative impact of such fees can differ significantly depending on the size and depth of the underlying financial market.

V. Implications for Fund Managers and Investors

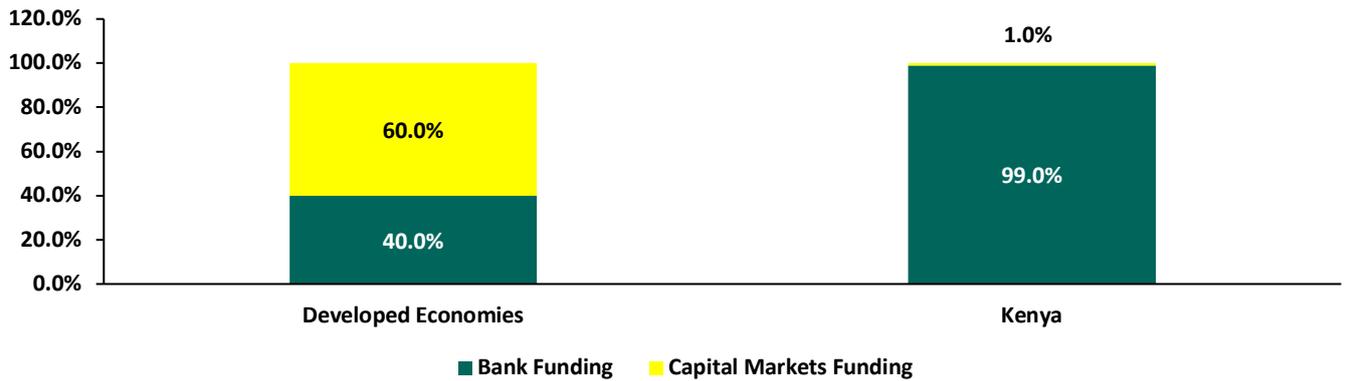
The immediate impact of the proposed fee structure would be an increase in regulatory costs for many fund managers, particularly those overseeing large portfolios. Collective investment schemes typically operate within defined management fee structures, meaning that additional regulatory costs may compress profit margins. In practice, some of these costs may be passed on to investors through higher management fees or reduced net returns. This is particularly relevant for money market funds, where competition is often driven by yield differentials and where small cost increases can meaningfully affect investor returns. Higher compliance costs may also pose challenges for smaller or emerging fund managers. While the minimum fee threshold limits the burden for smaller firms, the overall regulatory environment could still become more demanding, potentially affecting the pace of industry expansion and new market entry.

Beyond the immediate industry effects, the proposed regulatory changes may have broader implications for Kenya’s capital markets. A vibrant asset management industry plays an important role in mobilizing domestic savings and directing them toward productive investments. Collective investment schemes provide a channel through which retail investors can participate in capital markets, including investments in government securities, corporate bonds, and equities. As such, the continued growth of CIS can contribute to deeper and more liquid capital markets. If regulatory costs significantly increase the operational burden on fund managers, however, the growth trajectory of the industry could slow. This could limit the pace at which capital markets expand as an alternative financing channel within the broader financial system.

VI. Banks vs Capital Markets: Kenya’s Funding structure

In developed economies, the majority of businesses secure funding through capital markets, where capital market financing comprises 60.0%, while funding via banks stands at 40.0%. However, in Kenya, the situation is reversed, with capital markets contributing only 1.0%, while banks account for 99.0%. Beyond the statistical data, there is a perception that banks, rather than capital markets, dictate the economic agenda, leading to an imbalance in their respective roles in driving economic growth. This structure contrasts with more developed financial systems where capital markets and institutional investors play a larger role in financial intermediation. In such markets, asset managers often provide substantial long-term financing for infrastructure projects, corporate expansion, and government borrowing.

Cytonn Report: Bank And Capital Markets Funding in Kenya vs Developed Economies



Source: World Bank

Strengthening Kenya’s asset management industry is important given the significant imbalance in how the country’s economy is funded as illustrated by the chart above. Kenya remains largely bank-funded, with commercial banks providing most credit to households and businesses, while capital markets play a relatively small role in mobilizing savings. Banks typically focus on short- to medium-term lending, whereas capital markets are better suited to providing long-term funding for investments such as infrastructure, corporate expansion, and government securities. Expanding the asset management industry can therefore help increase the share of funding that flows through capital markets.

Regulatory frameworks that significantly increase operating costs for fund managers could have unintended consequences. While asset-based supervisory fees are common in mature markets, Kenya’s capital markets remain relatively small, meaning similar regulatory approaches could slow the growth of collective investment schemes and reinforce reliance on bank-based financing.

VII. Conclusion and Policy Considerations

The proposed changes to CMA licensing fees represent an important shift toward an asset-based regulatory funding model. Such frameworks are widely used internationally and can help ensure that regulatory capacity grows alongside the industries it supervises.

At the same time, policymakers will need to carefully balance regulatory funding requirements with the broader objective of promoting capital market development. Kenya’s CIS industry is still relatively young but expanding rapidly, and regulatory changes should ideally support rather than hinder this momentum.

Striking this balance will be important for ensuring that the country continues to build a deeper and more diversified financial system, one in which collective investment schemes complement the banking sector in mobilizing savings and financing economic growth.