AN ASSESSMENT OF THE EFFECTIVENESS OF THE CAPITAL MARKETS AUTHORITY (CMA) IN REGULATING THE STOCK BROKERAGE FIRMS IN KENYA.

BY

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ABSTRACT

The study assessed the effectiveness of the Capital Markets Authority (CMA) in regulating the stock brokerage firms in Kenya. Despite the fact that the stock market is a critical organ in mobilization of funds in the economy, activities that happen in the stock market continue to raise suspicion and negative publicity in the media thus affecting the investor confidence. The management of the Capital Markets Authority (CMA) has continued to improve its functions and regulatory structure to ensure that the delivery of its mandate is not compromised in any way. The main reason for carrying out this study was because of the fact that stock market has continued to experience challenges in the hands of rogue stock brokerage firms who have opted to take advantage of loopholes in the regulatory structures of the Capital Markets Authority (CMA). Investors have continued to lose their hard earned investment capital and investor confidence in the stock market continues to dwindle by the day. Despite continuous demonstrable efforts, to streamline its regulatory system and processes, there seem to be a gap in the regulatory framework that some stock brokers are exploiting and engaging in malpractices that continue to impact negatively on the stock market. Arthur Pigou's public interest theory of regulation holds that "*regulation is always availed when there is the need to correct the market inefficiencies as well as inequitable market practices*". It is therefore imperative that the Capital Markets are regulated to reduce market inefficiencies and malpractices.

The main objective of this study was to investigate how effective the Capital Markets Authority (CMA) has been in the enforcement and compliance of the regulations of the stock brokerage firms in Kenya. The study adopted a descriptive survey design. The population for the study consisted of 11 stock brokerage firms that operate in Kenya. The 11 stock brokerage firms also formed sample of the study. The study employed both primary data and secondary data. Primary data was collected using semi structured questionnaire. The questionnaires were hand delivered to the various offices which hosts the managers and the technical staff. A pilot study was done a few weeks before the main study. Secondary data on the other hand was obtained from existing Capital Markets Authority (CMA) publications and annual reports. Descriptive statistics was used mainly to summarize the data. These included percentages and frequencies. Analysis of the data obtained through the questionnaires was also done using bar graph and pie chart which provide an easy understanding of the results.

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