



Kenya National Multi Commodities Exchange Company Limited (KOMEX)



Republic Of Kenya

Being established by;

**STATE DEPARTMENT FOR TRADE
MINISTRY OF INDUSTRY
TRADE & CO-OPERATIVES**

**CONTACT
US**



**OFFICE OF THE PRINCIPLE SECRETARY
TELPOSTA TOWERS
KENYATTA AVENUE
P. O. Box 30430-00100
GPO NAIROBI - KENYA**



ps.trade@trade.go.ke,psfortrade@gmail.com



<http://www.trade.go.ke/>

Benefits of the Kenya Commodities Exchange

Common Benefits to all the Commodities Market Participants:-

- § Access to the National Electronic Commodities Market
- § No Counter Party risk (Central Counter-Party Model)
- § Guarantee of Settlement through banks and warehouses
- § Availability of grading and standardisation through professional agencies

Benefits to the Farmers:-

- § The best possible price on sale of agriculture produce
- § Increase in holding capacity due to easy access to warehouses
- § Direct sale to the users
- § Increase in the negotiating power
- § Reduced cost of handling and other activities
- § Availability of Warehouse Receipt Financing

Benefits to the Traders:-

- § Common platform for buying and selling commodities
- § Possibility of procurement and disposal in bulk
- § Business expansion to multiple commodities through

Kenya Commodities Exchange Company Limited

Agriculture and related activities are the main source of income and 60 percent of employment for over 80 percent of Kenyans. The sector accounts for more than half of the country's gross domestic product (GDP). The Government of Kenya (GoK) depends for about 45% of its revenue from this sector. Agriculture also makes up more than 50% of the country's export earnings. Accordingly, the GoK has placed a great deal of importance and due attention to the development of agriculture in Kenya.

To address the growth and development challenges of the sector, the GoK has expressed a strong policy commitment to supporting the establishment of a public-private sector-led National Commodities Exchange ("the Exchange"). The Exchange will materially impact on the livelihoods of millions of Kenya's smallholder producers and other actors, in both agricultural and non-agricultural commodity value chains, and the agricultural development led industrialization.

A transparent and efficient marketing system for key commodities in the country helped by the Exchange will have significant economic impact not only in terms of improving the export competitiveness of Kenyan commodities but also in stimulating domestic value addition and processing and other post-harvest activities. A marketing system that enables all actors to participate in a "level playing field" will further enable Kenya to achieve its goals of financial inclusion and support to less advantaged actors in the economy, particularly small-scale farmers and traders, largely operating in the informal economy.

A vibrant Exchange, powered by appropriate information and communications technology (ICT), will also strengthen the vision to place Kenya as an African, and potentially global, powerhouse in ICT. The Exchange shall be regulated by the Capital Markets Authority.

A further ambition would be to ensure that a commodity exchange, while initially and primarily serving the needs of the Kenyan economy, evolves to potentially become a regional and continent-wide hub for the structured trading of commodities.

The establishment of the Exchange in Kenya should finally be a private sector-led undertaking, with the concrete support and enabling environment provided by the public sector in various ways, such as policy and regulatory support, legal framework, and other measures.

The State Department of Trade, to lead the project for establishment of the Commodity Exchange in Kenya, has hired the Consultants to implement the framework of commodity exchange. A Task Force comprising representatives of relevant line ministries has been set up. It is thus envisaged that the Consultants will work on implementation of the Commodity Exchange in regular close interaction with the Taskforce.

Kenya Vision 2030 is the country's new development blueprint. It aims to transform Kenya into a new industrializing, "middle-income country providing a high quality life to all its citizens by the year 2030". The adoption of the Vision by Kenya comes after the successful implementation of the Economic Recovery Strategy for Wealth and Employment Creation (ERS) which has seen the country's economy back to rapid growth since 2002, when GDP grew from a low of 0.6% and rising gradually to 6.1% in 2006. The Vision 2030 is based on three "pillars": the economic, the social and the political.

The economic, social and political pillars of Kenya Vision 2030 are anchored on macro-economic stability; continuity in governance reforms; enhanced equity and wealth creation opportunities for the poor; infrastructure; energy; science, technology and innovation; land reform; human resource development; security as well as public sector reforms. The Commodities Exchange in Kenya can help achieving these objectives of the Kenya Vision 2030, to a great extent, by taking the following steps:

- 1) Good governance
- 2) Enhanced equity and wealth creation opportunities for the poor
- 3) State of art Technology
- 4) Infrastructure/Enabling environment
- 5) Human Resource Development
- 6) Secured market environment

The Exchange shall be established to achieve the objectives laid down by International Organisation of Securities Commission (IOSCO):

- (1) to ensure the market to remain fair, efficient and transparent,
- (2) to minimise the systemic risk and
- (3) to protect the interest of the participants.

Competitive Edge

n East Africa's first integrated Commodity spot exchange, derivatives exchange and central counterparty clearinghouse, outside South Africa;

n Africa's first exchange offering trade in agricultural produce, metals, minerals and energy products;

n Trading platforms offering multi-asset class and multi-instrument functionality;

n Integration of Kenya's fragmented markets whilst providing for local presence, profile, ownership and market needs;

n Exchange's ecosystem-approach that develops, not just an exchange, but also provides the tools and incentives for organising and upgrading the broader Kenyan commodity and financial sectors; and

n Exchange's advisory board, board of directors and management team comprising world-leading experts from African and international markets.

n Consultants' proven ability to move fast in establishing and developing exchanges, to get first mover advantage;

n Consultants' recognised expertise and a healthy track record in establishing liquid, high-growth exchange-traded spot and derivatives markets in various geographies; and

n End-to-end technology solutions to support exchange, clearing and brokerage activities.

What does Kenya stand to gain?

The Commodities Exchange will deliver the following gains for the market participants throughout the agricultural commodity ecosystem of the Republic of Kenya:

- a) Transparency: Pricing and market information that levels the playing field so that the market participants of the province have a better platform to realise improved pricing for their commodities;
- b) Price discovery: Bringing pricing closer to Kenyan commodity chains, ensuring prices reflect true demand-supply fundamentals and driving a more efficient allocation of capital in the economy, also helping the price monitoring for the customer protection;

c) Efficient physical trade: An integrated electronic platform for trading, delivery and procurement to stimulate low-cost, real-time, guaranteed transactions in a secure trading environment;

d) Rule-based trade and investment: Bringing significant reduction of asymmetries in market access, and virtual elimination of counterparty and systemic risk with the introduction of Commodities Exchange;

e) Increased access to finance: At reduced rates of interest for commodity actors, whether for small-scale lending or for larger structured transactions;

f) Integration with other countries: Ensuring market participants of Kenya can trade as efficiently with other countries of Africa;

g) Flagship financial centrepiece: Drawing in participation and investment from leading international institutions, stimulating the evolution of a sophisticated financial services industry, and putting in place several critical components of capital market infrastructure;

h) Training & Capacity Building: The exchange, an open and inclusive institution, provides tools that can empower all entities in the commodity chain to better invest in and market their commodities, supported by extensive education and training programmes run by the exchange; and

i) Significant job creation and infrastructure upgrade: As producer, processor, warehousing, grading, logistics, trading, banking, investment and brokerage operations respond to more efficient and structured markets.

Features of the Kenya Commodities Exchange

1. Demutualized Exchange
2. Strong Governance
3. Regulatory environment
4. Online Trading System
5. Robust Risk Management System
6. Efficient Clearing and Settlement System
7. Delivery Based Market
8. Warehouse Receipt System
9. Impartial Management
10. Relevant and Adaptable
11. Strong Rules and Regulations for Consistent Enforcement
12. Capital Adequacy Norms for the Member-Brokers
13. Transparency in Operations and Decision Making
14. Extensive Education and Capacity-Building
15. Dissemination of Real Time Price and Trade Information