Despite the introduction of the risk-based supervision (RBS) by the CMA to detect financial problems facing stock brokerage firms early enough, investors concern over the stability of several stockbrokers abounds. The placement of some of the brokerage firms under statutory management within the last ten years points to the challenges these firms and CMA face in a market that is at its lowest ebb. This collapse can therefore be taken as an evidence of horrible institutional and regulatory failure. This study set out to investigate the challenges facing stock brokerage firms' financial performance. It aimed at finding out the factors affecting the financial operations of the brokerage firms in Kenya and the causes of their failure. The study also aimed at finding out the effects of the CMA regulations on the stock brokerage firms' financial performance. The study employed descriptive survey study. The target population was 113 managers whereby 108 of them are from the 27-brokerage firms; other four managers are from NSE and one from CMA-surveillance department. Purposive sampling was used to select one manager from NSE and CMA each and stratified random sampling was used to select 34 managers from both operating and non-operating brokerage firms. The main research instruments used to collect data was questionnaires and interview schedules. These instruments were tested for validity and reliability before any data collection. Data capturing was done using Excel software and entered into computer using statistical program for social sciences (SPSS) for analysis and the output was expressed in form of frequency tables, graphs and pie charts for interpretation purposes. In this study, it was evident that most top management in the stock brokerage firms supported the CMA regulations and real time reporting of information although not all were involved especially on financial issues. Also the study indicates that the stock brokerage firms' top management encourages qualified personnel and development of human resource (HR) department. But they rarely discuss and implement the findings/observations made through internal supervision of the employees. It was also noted that some of these firms don't have research and development departments and those, which have, they are inadequately staffed. The findings also show that these firms don't have a strong senior functional management team to ensure full adherence of the laid down CMA legal framework. The adoption of the right practices by some of these firms as per the findings, implies that the financial performance has been favorable in some firms and those which have ignored the same like failure to have a research and development department, failure to discuss internal supervision results and lacked a strong senior functional management team might have threatened their going concern status or they might have been put under statutory management. Brokerage firms, therefore should ensure that a senior functional management team is in place, establish a research and development department adequately staffed and put efforts in ensuring that the observations made during internal supervision of employees in the organization is discussed and implemented immediately. This will enhance public confidence and the financial performance of the brokerage firms and hence improve the economic growth in general.