



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period April-June 2011

HIGHLIGHTS

- ▶ Regulatory Issues
- ▶ Market Development
- ▶ Public Education
- ▶ Regional and International Cooperation
- ▶ International News
- ▶ Human Capital Management
- ▶ Outlook
- ▶ Capital Markets in the Press

1.0 REGULATORY ISSUES

The following were the key regulatory issues during the period April to June 2011;

1.1 The President Assents to the Capital Markets Authority (Amendment) Bill 2010

On 24th June 2011, His Excellency the President of the Republic of Uganda assented to the Capital Markets Authority Amendment Bill 2010. The Bill amended the CMA Act, Cap.84 to insert a new part dealing with offering of securities to the public. The new part seeks to replace the provisions of the Companies Act relating to the issue of prospectuses. The amended Bill also makes a provision for CMA to impose and collect civil penalties by way of fines against licencees in breach of the Act. CMA is currently in the

process of identifying obligations on the part of licencees with a view to making proposals for monetized fines and penalties for any breach.

1.2 Consultations on Liberalization of the Pensions Industry

CMA participated in the consultative sessions that discussed the Bill on liberalization of the pensions industry in Uganda held on 1st, 8th and 29th of April 2011. The sessions were organised by the Ministry of Finance, Planning and Economic Development. The Bill proposes to end the monopoly of National Social Security Fund (NSSF), transform the existing public service pension scheme into a contributory scheme and to repeal the NSSF and Pensions Acts. The CMA Management submitted its comments on the said proposals.

1.3 Consultations on the takeovers and mergers regulations

The draft Capital Markets Authority (Takeovers and Mergers) Regulations 2011 were forwarded to different stakeholders for consultations. The forum for the stakeholders' discussions will be held at the beginning of July 2011.

The Capital Markets Authority (Takeovers and Mergers) Regulations 2011 aim at providing a transparent and efficient system of takeovers and mergers of listed companies and any matters that could arise as a result. The guidelines have at their core equal treatment of all shareholders of a listed company in the event of a takeover or merger.

2.0 MARKET DEVELOPMENT

2.1 Stanbic Bank and Centum Investment Company Bonus Issues.



Stanbic Bank Uganda had a bonus issue of one share for every share held. Books for the issue closed on 10th June 2011 at the USE. The bonus offer saw the bank issue 4.2 billion extra shares increasing paid up capital from Ush 6 billion to Ush 10.2 billion to comply with Bank of Uganda capital regulations as contained in the Financial Institutions Instrument No. 43 (Revision of Minimum Capital Requirements for Banks) of 2010. The instrument raised minimum paid-up capital requirements from Ushs 4 billion to Ushs 25 billion. Transitional provisions of the instrument allowed existing banks up to 1st March 2011 to build up the paid-up capital to Ushs 10 billion and up to 1st March 2013 to reach Ushs 25 billion.

Centum Investment Company Limited announced a bonus issue of one share for every ten held in line with its policy of zero dividends. This was after releasing financial results that indicated a 110% increase in profit for the financial year ending 31st March 2011. Centum Investment Company Limited is a Kenyan based quoted investment company listed on the Nairobi Stock Exchange and the Uganda Securities Exchange. The company currently has a portfolio valued at US \$ 140 million consisting of investments in private equity, listed equity and real estate.

3.0 PUBLIC EDUCATION

3.1 Banking Finance & Insurance Expo

The Public Education Unit participated in the three-day Banking, Finance and Insurance Expo from 14th to 16th April 2011 at Uganda Manufacturers Association Main Exhibition Hall in Lugogo. About 250 participants visited the CMA stall and received material on various aspects of capital markets. At the same expo, The Public Education Officer made a presentation to a group of 40 participants on "The Fundamentals of Capital Markets: The Need to Diversify Your Investments". CMA received an award for the Best Exhibitor in

the category of Education and Information Dissemination.

The Banking, Finance and Insurance expo is an annual event that brings together Uganda's financial institutions and professionals to show case financial products and exchange ideas. The expo also provides a platform for creating financial awareness, networking and an opportunity for financial service providers to interact with their clients.

3.2 Public Education Seminars

The Public Education Officer (PEO) participated in the Mama Tendo Foundation expectant mothers' seminar attended by 50 participants on 30th May 2011. The participants were trained on personal finance and investment opportunities available in the capital markets.

CMA also hosted a group of 13 students pursuing Bachelor of Business Administration from Mbarara University of Science and Technology (MUST) on 5th May 2011. The students were taken through the operations and functions of CMA and collective investment schemes.

3.3 Financial Journalists Breakfast Meeting

The CMA in partnership with the Association of Chartered Certified Accountants (ACCA) - Uganda held a breakfast meeting on Wednesday 18th May 2011 to launch the Technical Advisory Committee. The Advisory Committee is a technical team of high profile professionals in the financial sector who have volunteered to provide advice and support to financial journalists through an online discussion forum "The Press Room" and any other media. During the meeting, the committee members were introduced to the financial journalists present. To strengthen the initiative, a meeting of CEOs of various media houses and the Advisory Committee will be held on 2nd August 2011 to discuss how they can support the journalists to take full ad-

vantage of the program.

The main objective of the CMA-ACCA partnership is to establish ways of striking a rapport with the media in Uganda and training them on financial matters so as to enhance the understanding, interpretation and quality of reporting on financial sector issues.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 36th Annual Conference of IOSCO (International Organization of Securities Commissions) , 17th-21st April 2011 - Cape Town, South Africa

The CEO represented CMA at the 36th Annual Conference of IOSCO held in Cape Town, South Africa from 17th to 21st April 2011. The meeting was attended by representatives of member regulators from around the globe. The CEO was among panelists discussing consumer education under the theme "A National Necessity or an Unnecessary Irritation?". During the meeting, the CEO made a presentation on "The Role of the Regulator in Consumer Education: A Case Study of Uganda". Other issues discussed during the meeting included: the new strategic direction of IOSCO, the new funding structure and the approval of the applications of three new members.

IOSCO is an association of organisations that regulate the world's securities and futures markets. The main objective of the organization is to assist members promote high standards of regulation and act as a forum for national regulators to cooperate with each other and other international organisations.

4.2 East African Monetary Union Negotiations

The third meeting of the High Level Task Force (HLTF) negotiating the protocol for

the East African Monetary Union was held in Mwanza, Tanzania from 26th March to 30th April 2011. During the meeting, the EAC member states negotiated the preamble and Articles 1-5 in the draft protocol. Some Articles under Macro-Economic Policy Framework, Financial System, Payment and Settlement Systems, and the Statistical Framework were also considered during the negotiations. CMA was represented at the negotiations by the Senior Research Officer.

4.2 East African Community Pre-Budget Meetings

The annual EAC Pre-Budget meeting of the Ministers of Finance was held in Kampala from 4th to 7th May 2011. Issues related to customs and taxation were discussed during the meeting. Discussions on monetary and financial sector matters were deferred to future meetings. CMA was represented by the Director Legal and Compliance and the Senior Research Officer.

5.0 INTERNATIONAL NEWS

5.1 Bank of Kigali IPO Launched

The Bank of Kigali (BK) Initial Public Offering (IPO) was launched on 30th June in Kigali, Rwanda. The government of Rwanda is floating 45% of its shares to the public as part of a strategy to facilitate the development of capital markets and increase alternative sources of long-term capital for business entities. The IPO is expected to generate Rwf 37.5 billion (US \$ 62.5 million) from the sale of over 300 million shares for the Government of Rwanda. East Africans will be eligible to apply for 82 million shares while employees and Directors will be eligible to apply for 7.5 million shares. Rwandese institutional investors have 45 million shares reserved for them while foreign investors (non-East Africans) will be eligible to apply for shares under the international pool. The offer closes on 29th July 2011 with the announcement for allotment being made on 12th August 2011.

The shares will commence trading on 29th August 2011 on the Rwanda Stock Exchange.

(Source: New Times of Rwanda, 1st July, 2011).

6.0 HOME NEWS

6.1 Promotion

During the period under review, the CMA Board of Directors promoted two members of staff. Mr. Joseph Lutwama was promoted from Senior Research Officer (SRO) to Manager-Research and Policy Analysis while Mr. Patrick Kadema was promoted from Senior Finance and Planning Officer (SFPO) to Manager-Compliance. The promoted staff members are expected to take up new challenges that will enhance the institutional capacity of the Authority to fulfil its mandate with effect from 1st July 2011.

6.2 Recruitment of a Senior Finance and Planning Officer

CMA advertised the post of Senior Finance and Planning Officer (SFPO) in the

press. Applicants for the post were taken through a written and an oral interview. The successful applicant for the post has been notified and is expected to report on 1st August 2011.

7.0 OUTLOOK

CMA will be hosting the annual Kikonyogo Capital Markets Award (KCMA) on 14th July 2011. The Kikonyogo Capital Markets Award (KCMA) is an annual dinner event in Uganda's financial market, where nominees compete for the Award that recognizes their contribution towards the development of capital markets in the preceding year.

The 2011 KCMA Awards will focus on rewarding journalists who have excelled in the field of financial journalism. The Awards will focus on the stories on capital markets that will have been written in the period April 2010 to April 2011 as well as a feature story on a particular capital markets theme decided by the conveners of the Awards.

8.0 CAPITAL MARKETS IN THE PRESS

Expert Advice on Capital Markets

By Martin Luther Oketch

The Daily Monitor, May 24th, 2011

Kenya embarked on debt market reforms in 1996. The reforms saw the country introduce an auction system; listing of bonds on the Nairobi Stock Exchange; appointment of stock brokers as primary agents; establishment of a bond market leaders' forum; the ushering in of a strong regulatory system; introduction of electronic settlement; and trading and issuance of long-term infrastructure bonds.

Currently, Kenya has 63 government bonds, 5 infrastructure bonds and 10 corporate bonds with a total market capitalization of Ksh 569 billion (US \$ 6.69 billion). Mr Kabaki Wamwea, a Director at Dyer & Blair Investment Bank notes that the pre-requisites for an active government debt market include: a broad investor base; brokers as market catalysts and exchange trading; structural reforms; stable macroeconomic environment; broadening the range of instruments; mark to market practice; market transparency; an efficient clearing and settlement system; and existence of a trading culture and traders well-versed in fixed-income trading techniques.

South Africa initiated bond market reforms in 1989 and as a result, there are 9 Primary Dealers, 3 non bank Primary Dealers, 26 Brokers, 3 Inter-Dealer Brokers, 3 Name Give-up Brokers, 6 Bond Issuers, and 4 Asset Managers. The bond market has a total market capitalization of US \$ 200 billion. Mr Graham Smale (Director Interest Rate products, Johannesburg Stock Exchange) says that a primary prerequisite for bond market liquidity is a framework that balances the demand and supply side factors, arguing that a well-organized market infrastructure is often secondary. Mr Graham advises that as Uganda moves to open up and reform its debt market, policy makers should take note of the underlying basic principals which are important for debt market development. The principals include: inclusiveness in all deliberations; taking note of strong vested interests from various industry groups; and designing an appropriate model that suits the market without blindly following international best practice.

Mr Stephen Kaboyo (Director, Domestic Financial Market, Bank of Uganda) notes that the Bank of Uganda (BOU) is drawing up a strategy for implementing the new reforms. The strategy will include: developing liquidity depth and facilitating more accurate pricing through a benchmark yield curve; and development of securities through measures that take into account the features the market desire. Other measures proposed are: encouraging BOU and market partnership; encouraging over the counter trading as well as listing on the exchange; allowing foreign investors' participation and having in place the necessary market infrastructure. BOU is also expected to open up the bond market to allow non banks to become Primary Dealers (PDs) in government securities. Currently there are six primary dealers which are all banks.

QUOTES

"We were not taught financial literacy in school. It takes a lot of work and time to change your thinking and to become financially literate"

Robert Kiyosaki (Financial Author and Motivational speaker)

DISCLAIMER

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