



**Capital Markets Authority**  
Protecting Your Investments

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## INTRODUCTION

This Electronic Quarterly Review covers the period October–December 2011

## HIGHLIGHTS

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

### 1.0 REGULATORY ISSUES

The following were the key regulatory issues during the period October to December 2011;

#### 1.1 Licence Revocation

The Capital Markets Authority (CMA) in notices to the public announced the revocation of the Broker/Dealer licence of First Renaissance Securities Limited and the Investment Advisor Licence of Bullion Capital Limited.

Following an application by First Renaissance Securities Limited for the voluntary withdrawal of its Broker/Dealer licence, the Authority in accordance with the CMA Act, 1996, Section 44(2)(b) revoked the Broker/Dealer licence with effect from 30<sup>th</sup> November 2011. In addition to that, Part C of the Investment Advisor Licence that allowed the

company to provide fund management services was also struck off. The company however still holds an Investment Advisor licence (Parts A and B) that provides for offering of investment advisory services and undertaking research.

In the same breadth, CMA in accordance with the CMA Act Section 44 (2)(b)(v) revoked Bullion Capital Limited's Investment Advisor licence (Part A) with effect from 13<sup>th</sup> December 2011, following the company's cessation of business. Bullion Capital is thus prohibited from conducting any business related to the capital markets in Uganda.

#### 1.2 Inspection of Licensed entities

The Legal and Compliance Department commenced the inspection of the licensed entities from the 28<sup>th</sup> November 2011. The Department integrated some aspects of a risk based approach in addition to compliance based approach in the inspections. The inspections are expected to be concluded in the first quarter of 2012.

### 2.0 MARKET DEVELOPMENT

#### 2.1 Private Equity Round Table Meeting

Sango Capital Management in partnership with the National Social Security Fund (NSSF) held an equity round table meeting on 24<sup>th</sup> November 2011. CMA provided logistical support for the meeting. Capital markets globally have provided an exit mechanism for Private Equity companies, hence the importance of the event. The meeting was attended by participants drawn from Private Equity companies, private enterprises, the capital markets industry and public sector.



During the meeting the Chief Executive Officer of CMA gave a speech on "Promoting Access to Capital." The meeting focused on the following areas:

- i. Challenges of raising capital in Uganda;
- ii. The experience of companies with private equity partners;
- iii. Private equity practitioners perspectives; and
- iv. The role of NSSF in unlocking private equity capital.

CMA was represented at the meeting by the C.E.O, Manager Compliance, Manager Research and Policy and the Research Officer.

Sango Capital Management is an investment management firm focused on building investment vehicles that deliver Africa's investment opportunities to global institutional investors while NSSF is the national savings scheme mandated by the Government of Uganda through the National Social Security Fund Act, Cap 222 to provide social security services to employees in private companies in Uganda employing five or more employees.

## **2.2 Stanbic Bank Bonus shares**

Stanbic Bank of Uganda (SBU) officially listed its bonus shares on November 23<sup>rd</sup> 2011. Stanbic Bank listed an additional 5.11 billion shares bringing the company's total float at the Uganda Securities Exchange (USE) to 10.22 billion shares. The issue of bonus shares raised the bank's share capital to Ush 10 billion as per the Bank of Uganda minimum capital requirements.

SBU is Uganda's most profitable and largest bank in terms of assets and branch network. It is part of the South African based Standard Bank Group and listed its shares at USE in 2007.

## **2.3 Kenya Airways rights issue**

Kenya Airways shareholders on October 14<sup>th</sup> 2011 approved plans by the airline to raise funds for expansion through a rights issue. Following the approval, the Board of Directors formed a sub-committee that will formalize the process, determine the size and timing of the rights issue as well as seek regulatory approval in the jurisdictions where the airline is listed.

Kenya Airways is a major player in the regional, African and international aviation industry with its headquarters in Nairobi, Kenya. The company is listed at the Nairobi Stock Exchange (NSE) with cross-listings at the USE and Dar es Salaam Stock Exchange (DSE).

## **3.0 PUBLIC EDUCATION**

### **3.1 Association of Chartered Certified Accountants (ACCA)-CMA MOU**

The Association of Chartered Certified Accountants (ACCA) and CMA renewed a Memorandum of Understanding (MOU) signed in 2008 for an additional three years. Apart from the enhancement of financial journalism in the country as provided for in the first MOU, ACCA and CMA will also partner in the promotion of financial reporting among investment clubs in the country in the new MOU.

The ACCA-CMA MOU is an integral part of the public education campaign of CMA aimed at sensitizing the public on the capital markets issues by partnering with other organizations.

### **3.2 Public Education Seminars**

During the last quarter, the CMA Public Education Unit conducted several seminars targeting students and working professionals.

On 2<sup>nd</sup> November 2011, the SPEO attend-

ed a seminar organized by the Makerere University Economics and Management Society. During the seminar, two hundred students were sensitized on the role of the capital markets in the Ugandan economy and how to save and invest in the capital markets.

In the same breadth, the SPEO attended a seminar at Kawempe College. During the meeting, over forty students were educated on personal finance, saving and investing in the capital markets.

The Public Education department also held two seminars at Educate Uganda. The first seminar that targeted staff members was held on 24<sup>th</sup> November 2011. During the seminar, staff members were educated on personal finance and capital markets. The second seminar targeted Educate Alumni where 125 individuals received materials on investing in the capital markets.

Educate Uganda is a non-profit organization that helps orphaned children in Uganda with their school fees. Educate Uganda also works to improve the schools that these children attend.

#### **4.0 REGIONAL AND INTERNATIONAL CO-OPERATION**

##### **4.1 High Level Task Force Meetings on the Negotiation of the East African Monetary Union Protocol**

CMA continued to participate in the negotiations for the proposed East African Monetary Union as a member of the High Level Task Force. During the quarter, the fifth and sixth round of negotiations were held in Entebbe (Uganda) and Kisumu (Kenya) respectively.

The fifth round of the negotiations was held in Entebbe from 31<sup>st</sup> October - 9<sup>th</sup> November 2011. CMA was represented by the Manager Research and Policy, Mr. Joseph Lutwama. This round of negotia-

tions covered articles 16-33 that focused on the Macro-economic framework.

The sixth round was held from 5<sup>th</sup>-10<sup>th</sup> December 2011 in Kisumu, Kenya. It covered articles 34-39 that address issues related to financial sector integration, payments, clearance and settlement systems. CMA was represented by the Manager-Research and Policy; Mr. Joseph Lutwama and the Manager-Compliance; Ms. Miriam Ekirapa.

##### **1.2 Africa Bond Markets Conference, 7<sup>th</sup>-8<sup>th</sup> November, Nairobi Kenya**

The Africa Bond Markets Conference under the Efficient Securities Markets Institutional Development (ESMID) Initiative was held from November 7<sup>th</sup> to 8<sup>th</sup>, 2011, in Nairobi, Kenya. CMA was represented at the meeting by the Chief Executive Officer and the Director Legal and Compliance.

The meeting focused on: strategies for the development of the bond market in Africa; financing of infrastructure through bonds; regulation of bond issuance; sub-national bond financing in Africa; market infrastructure in Africa; credit ratings; and bond market investors.

ESMID is a joint initiative of the Swedish International Development Cooperation Agency (SIDA), the World Bank, and the International Finance Corporation (IFC) aimed at developing efficient bond markets to: ease business operations; attract private investment to Africa; mobilize domestic capital to finance key development areas; provide investment vehicles for social safety-net investors; diversify and deepen financial systems to improve their resilience against crises.

## 5.0 INTERNATIONAL NEWS

### 5.1 Draft Tough New Rules for Rating Firms

The European Union continued its regulatory crackdown with the unveiling of a draft law to rein in credit rating agencies. The bloc's financial services chief Michel Barnier unveiled measures to inject competition into the credit ratings sector dominated by Standard & Poor's, Moody's and Fitch Ratings. Many commentators have blamed these and other credit rating agencies for having created the 2008 global financial crisis by failing to evaluate the risk of US mortgage investments before the bubble burst.

The new proposals would enable EU states or investors to demand for damages before a civil court for losses liable to a credit rating agency. The proposals will also seek to whittle down the role of the agencies by urging banks and other financial institutions to do their own credit rating homework rather than systematically calling on the agencies. The proposals also would seek to reduce reliance on rating

agencies by demanding yearly rotation in contracts.

In response to the proposals, Moody's said that the measures would do nothing to help stabilize credit markets or strengthen investor confidence as they would harm the quality and independence of the ratings.

*Source: AFP News Agency, Tue Nov 15, 2011*

## 6.0 HOME NEWS

### 6.1 Appointment of a New Board

Following the expiry of the term of the CMA Board of Directors on 21st August 2011, the Minister of Finance, Planning and Economic Development appointed a new board on 10<sup>th</sup> October 2011 in accordance with the provisions of Section 4 (6) of the Capital Markets Authority Act (Cap 84.). The Board will serve for a three year term. The new Board, is constituted as follows

Name	Representation on the CMA Board
<b>Grace Jethro Kavuma</b>	Chairman
<b>Stephen Kaboyo</b>	The Governor Bank of Uganda
<b>Deo J. Kayemba</b>	Uganda Manufacturers Association (UMA)
<b>Harriet Lwabi</b>	The Solicitor General, Ministry of Justice and Constitutional Affairs
<b>Paul Patrick Mwanja</b>	The Permanent Secretary/Secretary to the Treasury Ministry of Finance, Planning and Economic Development
<b>Bisereko Kyomuhendo</b>	The Registrar General, Ministry of Justice & Constitutional Affairs
<b>Agnes Tibayeita Isharaza</b>	Uganda Bankers Association (UBA)
<b>Miriam Magala</b>	Insurance Institute of Uganda (IIU)
<b>Emmanuel Muwazi</b>	Institute of Certified Public Accountants of Uganda (ICPAU)
<b>John Fisher Kanyemibwa</b>	Uganda Law Society (ULS)
<b>Japheth Katto</b>	Capital Markets Authority (CMA)
<b>Mr. Awel Uwihanganye</b>	Uganda National Chamber of Commerce and Industry (UNCCI)

The new Board will continue with the implementation of the 3-Year CMA strategic plan. During its term, among other things, the Board will focus on enabling CMA

shift to Appendix A of the International Organization of Securities Commissions (IOSCO) Multi-Lateral Memorandum of Understanding.

## 7.0 OUTLOOK

CMA will be hosting a consultative meeting for stakeholders on the proposed

regulations for the issue of regional bonds. During the meeting that has been scheduled for 3<sup>rd</sup> February 2012, input will be obtained from interest groups on issues such as: eligibility of corporate entities to issue bonds; the minimum size of bond issues; and disclosure requirements to help regulators assess the financial position of issuers.

## 8.0 CAPITAL MARKETS IN THE PRESS

### CMA, ACCOUNTANTS TO HELP YOUNG INVESTORS

By Bernard Busuulwa

The East African, November 21-27, 2011

The Capital Markets Authority (CMA) and the Association for Chartered Certified Accountants (ACCA) renewed a Memorandum of Understanding (MOU) first signed in 2008 for an additional three years. The two bodies agreed to further their partnership in enhancing financial journalism in Uganda and promotion of financial reporting among investment clubs.

In the renewed MOU, CMA will provide professional accounting services from selected ACCA members to investment clubs with low financial reporting standards. The development came after seven years of financial literacy campaigns conducted by CMA in schools that have seen over 156,000 students sit entrepreneurship exams.

While public awareness about opportunities at the USE has improved over the last 6 years, growth of investment portfolios among investment clubs has been low owing to regulatory gaps and mistrust among members due to lack of transparency. The lack of transparency has manifest itself through poor financial records that lead to doubts on actual contributions, investment costs and fees paid to contracted agents.

The rise in the size of the middle class has led to the creation of more investment clubs in the past three years with limited financial management capacity. According to the C.E.O of CMA, Mr. Japheth Katto, the partnership between ACCA and CMA will mobilize a pool of qualified accountants to assist investment clubs improve their financial reporting standards. This is expected to raise members' confidence in the management of their funds, attract more members and boost growth in investment portfolios. There are currently about six active investment clubs based in local universities affiliated to CMA.

The initiative is also expected to enable ACCA expand its membership and provide job opportunities for unemployed accountants who will provide quality professional accounting services to the investment clubs.

## QUOTES

*"Most investors say "Don't take risks." The rich investor takes risk."*

**Richard Kiyosaki (American Author and Motivational Speaker)**

## DISCLAIMER

*While every care has been taken in the preparation of this publication, note that the opinions and materials in the CMA Quarterly Review do not necessarily reflect the official views of CMA. No representation, warranty or undertaking is given and no responsibility or liability is accepted by CMA as to the accuracy of the information contained herein.*

## LIST OF LICENCEES

This is a list of persons licensed by the Capital Markets Authority to offer various services related to the capital markets industry in Uganda as at 31<sup>st</sup> December 2011.

	LICENCEE	ADDRESS
1.	<b>Uganda Securities Exchange (USE)</b> Stock Exchange, Securities Central Depository	2nd Floor Northern Wing, Worker's House 1 Pilkington Road, P.O. Box 23552 Kampala, Uganda Tel: 0414 343 297, 342818, Fax: 041 340841 E-mail: info@use.or.ug Contact: Mr. Joseph Kitamirike Chief Executive Officer
2.	<b>African Alliance U Ltd</b> Fund Manager, Unit Trust Manager, Investment Advisor, Broker/Dealer and member of USE	6th Floor Workers House, Pilkington Road Kampala Tel: 0414 235577 Fax: 0414- 235575 E-mail: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko
3.	<b>Pine Bridge Investment Co Ltd</b> Fund Manager, Investment Advisor	1 Pilkington Road, Workers House, 7th Floor P O Box 9831, Kampala, Uganda Tel: 0414-340707/8 Fax: 0414-340750 E-mail: nicholas.malaki@pinebridge.com Contact: Mr. Nicholas Malaki
4.	<b>Baroda Capital Markets Ltd</b> Broker/Dealer Investment Advisor and member of USE	Plot 18 Kampala Road P.O. Box 7197 Kampala, Uganda Tel: 0414 -233 680/3 Fax: 0414- 258263 E-mail: mktg.uganda@bankofbaroda.com Contact: Mr. Rajesh Kumar
5.	<b>ICEA Investment Services Ltd</b> Fund Management	Rwenzori Courts, P. O. Box 33953, Kampala Tel: 0412-347535/ 0414-232337 E-mail: dennis.mugalya@africaonline.co.ug Contact: Mr. Dennis Mugalya
6.	<b>Crane Financial Services Ltd</b> Broker/Dealer Investment Advisor and member of USE	Crane Chambers, Plot 38 Kampala Road P.O. Box 22572 Kampala, Uganda Tel: 0414- 341414/345345 Fax: 041- 341414 E-mail: ajay@cranefinancialservices.com Contact: Mr. Vivek Sharmar
7.	<b>Crested Stocks and Securities Ltd</b> Broker/Dealer Investment Advisor and member of USE	6th Floor Impala House, Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: 0414- 230900 Fax: 0414- 230612 E-mail: info@crestedsecurities.com Contact: Mr. Robert Baldwin
8.	<b>Dero Capital Ltd</b> Investment Advisor	Ground Floor Course View Towers Plot 21 Yusuf Lule Road P. O. Box 5970 Kampala, Uganda Tel: 0712-638644, +0702-638644, Fax: 0414-220727 Email: info@derocapital.com Contact: Mr. David Ofungi
9	<b>Dyer and Blair U Ltd</b> Broker/ Dealer Investment Advisor and member of USE	Ground Floor Rwenzori House P.O. Box 36620 Kampala, Uganda Tel.0414 233 050/312 265 469 E-mail: pbwiso@dyerandblair.com Contact: Mr. Paul Bwiso



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10	<b>Equity Stock Brokers Ltd</b> Broker/Dealer Investment Advisor and member of USE	Plot 6/6A Orient Plaza P.O. Box 3972, Kampala, Uganda Tel: 0414 236012/3/4/5, Fax: 041 348039 E-mail: ruyonga.edward@orient-bank.com Contact: Mr. Edward Ruyonga
11	<b>Devere and Partners Ltd</b> Investment Advisor	B4 Adam House, Plot 11, Portal Avenue P. O. Box 21409 Kampala, Uganda Tel: 0414- 342411/ 340846/ 078 807079, Fax: 041- 342411 Email: helpdesk@devere-group.com Contact: Ms. Julie Crombie
12	<b>Deloitte Uganda limited</b> Investment Advisor	3 Floor Rwenzori House, 1 Lumumba Avenue P.O. Box 10314, Kampala, Uganda Tel: 256-414-343850, 256-752-740300 Email: gopiyo@deloitte.co.ug Contact: Mr. George Opiyo
13	<b>UAP Financial Services Ltd</b> Broker/Dealer, Fund Manager	Floor 1 Communications House P.O. Box 1610 Kampala, Uganda Tel: 0312- 370290 Fax: 0414-346449 Email: financialservices@uap.co.ug, info@uap.co.ug Contact: Mr. Kenneth Muchina
14	<b>PKF Consulting Ltd</b> Investment Advisor	Plot 37 Yusuf Lule Road P. O. Box 24544, Kampala, Uganda Tel: 0414 341523/5 Fax: 0414 251370, 341371 E-mail: mdalal@ug.pkfea.com
15	<b>PricewaterhouseCoopers Ltd</b> Investment Advisor	10 Floor Communications House 1 Colville Street, Kampala, Uganda Tel: 0414- 236018, 041- 233 743 Fax: 0414- 239153 E-mail: general@ug.pwc.com
16	<b>First Renaissance Ltd</b> Investment Advisor	Unit 3, Plot 15 Kitante Close P. O. Box 893 Kampala, Uganda Tel: 0414-340018/9 , 0312-264775/6 Fax :0414-340016 E-mail: enquiries@renaissance.co.ug Contact: Mr. Keith Kalyegira
17	<b>Stanbic Investment Management Services</b> Fund Manager/ Investment Advisor	4th Floor, Crested Towers (Short), 17 Hannington Road P.O. Box 7131 Kampala, Uganda Tel: 031-224322/600 Fax: 041-254697 E-mail: investorinfo2@stanbic.com Contact: Mr. Arnold Byarugaba
18	<b>DFCU Bank Ltd</b> Trustee, Collective Investment Schemes Impala House	13 Kimathi Avenue P.O. Box 70, Kampala, Uganda Tel: 0414-231784/256891/3, 0312-300300, Fax: 231687/344260 E-mail: official@dfcugroup.com Contact: Ms. Agnes Tibayeita
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