



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period October-December 2012.

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 was the key regulatory issue during the period October to December 2012;

1.1 Pension Sector Liberalization Update

The Capital Markets Authority (CMA) continued its participation in the activities of the Taskforce set up to guide the liberalization of the pension sector. During the period under review, the Taskforce completed its assignment and presented a report to the Ministry of Finance, Planning and Economic Development. The Report made recommendations for amendments to the Pensions Liberalization Bill.

The on-going reforms in the pensions industry

are expected to stimulate the development of Uganda's capital markets by: providing additional absorption capacity; encouraging product innovation among players; and encouraging high standards of disclosure and corporate governance among various parties in the industry.

2.0 MARKET DEVELOPMENT

2.1 UMEME Initial Public Offering

UMEME Limited offered shares to the public in an Initial Public Offering (IPO) that ran from 15th October-7th November 2012. The company sold 622 million shares at a price of Ush 275 (US \$ 0.10) that targeted raising Ush 171.15 Billion (US \$ 65 Million). The offer was over-subscribed by 35% and brought on board 6,464 new shareholders. The shares started trading at the Uganda Securities Exchange (USE) on 30th November 2012, while cross-listing at the Nairobi Securities Exchange (NSE) took place on 14th December 2012.

Umeme Ltd is a power distribution company that distributes power from the Uganda Electricity Distribution Company Limited (UEDCL) under a 20 year concession (that commenced in 2005) as part of the government program of restructuring the energy sector. The company was incorporated in the year 2004 and converted to a public Company in 2012.

2.2 National Insurance Corporation appoints Transactions Advisors for Proposed Rights Issue

The National Insurance Corporation (NIC) appointed Crested Stocks and Securities



Limited of Uganda and Standard Investment Bank Limited of Kenya as Transaction Advisors for its proposed rights issue. Crested Stocks and Securities Limited will also act as the sponsoring stockbroker for the transaction. During the annual General Meeting held on the 28th of September 2011, shareholders of NIC approved the increase in authorized share capital from Ush 3 Billion (US \$ 1.15 Million) to Ush 10 Billion (US \$ 3.84 Million) through the creation of 1.4 Billion new ordinary shares. The new shares to be created will be offered to existing shareholders of the company on a date that would be determined by the Board of Directors. The proposed rights issue is subject to NIC receiving the approval of CMA.

NIC was listed at the USE in March 2010 as part of the government divestiture program. The company is a provider of insurance and risk management services and has over 2,000 shareholders and a market capitalization of Ush 14.14 Billion (US\$ 5.43 Million) as at 31st December 2012.

2.3 Consultative Workshop on a Draft Feasibility Study Report for Issuance of a Diaspora Bond

The Bank of Uganda held a Consultative Workshop on a draft feasibility study report on issuance of an international diaspora bond on 30th November 2012 at the Grand Imperial Hotel. The workshop drew participants from both the public and private sectors. CMA was represented at the Consultative Workshop by the Research Officer.

The draft report provided insights into the readiness and ability of Ugandans in the diaspora to invest in an international diaspora bond providing information on the demographics of Ugandans abroad, the structure of their remittances and the savings mechanisms applied. The report also provided facts about the legal and economic prerequisites for the issuance of an international diaspora bond. The Consultant recommended the following four

options for the issuance of an international diaspora bond: a local currency bond; a Euro regional bond; a Euro bond private placement in international financial markets; and a Euro Bond under rule 144A/Reg S which provides for limited secondary trading and a wider institutional base. An implementation road map for the process was also presented.

3.0 PUBLIC EDUCATION

3.1 Public Education Seminars

The Public Education Unit (PEU) hosted several seminars targeting students in University and Secondary School during the period under review. The seminars were held for students of Seeta High School (on 8th October, 2012) and Kampala University (29th October and 13th November, 2012). The participants in both seminars were trained on personal finance and investment opportunities available in the capital markets. Through these outreach activities, a total of two hundred and eight (280) students were reached.

3.2 Investment Club Assessment

CMA has over the years encouraged the formation of investment clubs in Universities and other tertiary institutions as a means of enhancing awareness and participation of youth in the capital markets and the financial sector in general.

During the period under review, CMA in partnership with the Association of Chartered Certified Accountants (ACCA) conducted the final assessment for University investment clubs as part of the *Investment Club Challenge*. The assessment was conducted in preparation for the awards ceremony, where a model club will be selected. The clubs that were assessed included: Divine Youth Investment Club (Kyambogo University); Africa Youth Fund (Makerere University); The Female Investment Club (Islamic University in Uganda-Female Campus); KETAUS Investment Club (Kam-

pala International University); Gulu Youth Investment Club (Gulu University); Visionary Students Investment Club (Islamic University in Uganda- Mbale); and MUST Focus Investment Club (Mbarara University of Science and Technology).

During the assessment exercise, the investment clubs were evaluated based on: governance structures; sustainability of club activities; originality of ideas; and overall communication and marketing strategies.

CMA and ACCA plan to provide technical support to the investment clubs in areas such as record keeping and corporate governance as part of their renewed Memorandum of Understanding (MOU) signed in 2011 that has a provision for partnership in the promotion of financial reporting among investment clubs in the country.

The *Investment Club Challenge* aims at enhancing awareness and understanding of various pertinent capital markets and financial sector issues, among university students. The specific objectives of the Investment Club challenge are: to positively influence attitudes and perceptions towards the financial sector; enhance student participation in the capital markets; enhance establishment of investment clubs within universities in Uganda; and create awareness of the need for accounting and financial management skills.

3.3 Junior Achievement Uganda Awards

CMA continued with its collaborative efforts with Junior Achievement Uganda (JAU) that aim at promoting financial literacy and entrepreneurship among students in Uganda. During the period under review, CMA sponsored best Managing Director Award of JAU Awards which took place on 13th October, 2012 at the Uganda Manufacturers Association (UMA) Hall. During the event, a total of 250 people visited the CMA stall that had been set up in the UMA Hall where they received various materials on saving and investing in the

capital markets.

JAU is an organization dedicated to educating students and the youth about entrepreneurship, work readiness and financial literacy through experimental, hands-on programs. JAU prepares young people to succeed in the global economy by showing them how to generate and manage wealth, how to create jobs, and how to apply entrepreneurial thinking to the workplace.

3.4 CMA - ACCA "Candid Couch-Unpacking Financial Concepts Forum"

The second edition of the "Candid Couch" was held on 6th December 2012, with the theme of the discussion being "Uganda's Tax Reforms and Impact on Economic Development". Over fifteen journalists attended the event. The main presenter was Ms. Plaxeda Namirimu from PricewaterhouseCoopers who educated participants on Uganda's taxation system and the recently enacted reforms in the taxation policy of Uganda. The participants also heard about the personal experience on taxation in Uganda from Mr. Kigongo Edward Nakabale, the Chief Executive Officer of KEN Group and board member of the Kampala City Traders Association

CMA and ACCA, under their partnership aimed at enhancing the quality of financial journalism in Uganda, established the "The Candid Couch - Unpacking Financial Concepts" forum for discussion of pertinent financial issues. The "Candid Couch" takes the form of panel discussions by financial sector experts, guided by a moderator. The forum is part of the partnership's calendar of events.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 High Level Task Force (HLTF) Meeting on the East African Monetary Union, 22nd-27th Oc-

tober 2012, Arusha Tanzania

CMA continued participating in the on-going negotiations on the Draft Protocol for the East African Monetary Union (EAMU). CMA was represented by Mr. Joseph Lutwama (Manager-Research and Policy) who participated in a meeting that took place in Arusha from 22nd-27th October. This was the tenth round of the negotiations that commenced in January 2011.

All the articles in the Draft Protocol have been negotiated with the exception of a few unresolved matters such as the macroeconomic convergence criteria and the institutional arrangements within the proposed monetary union. However, expectations remain high that a compromise will be reached by the East African Community (EAC) member states before the Heads of State sign the Protocol, tentatively in 2013.

4.2 The 36th East African Securities Regulatory Authorities (EASRA) Consultative Meeting, 17th -19th October 2012, Dar-Es-Salaam, Tanzania

The Capital Markets and Securities Authority-Tanzania (CMSA-Tz) hosted the 36th EASRA Consultative Meeting in Dar es Salaam, Tanzania from 17th -19th October 2012. Key issues discussed and agreed upon include:

- i. The engagement of relevant stakeholders within the EAC capital markets to strategize on ways to address the challenge of trading of cross listed securities;
- ii. Continued implementation of the common standards on corporate governance for market intermediaries as well as work on the development of common standards on corporate governance for listed companies;
- iii. The creation of Supervisory Colleges that would administer joint

inspection programs and investigations of market intermediaries with regional operations, as well as coordinated surveillance for cross listed companies, where need arises;

- iv. Harmonization of the capital adequacy framework for capital market participants who will be operating in the regional market. Regulator will be seeking stakeholder views in their jurisdictions on the agreed harmonized framework before a final position is taken by EASRA.
- v. Provision of support to Burundi in its efforts to develop capital markets by offering technical assistance in terms of facilitating seminars, workshops, trainings and hosting study tours and attachments for Burundian officials.

CMA was represented at the meeting by Mr. Japheth Katto (Chief Executive Officer), Ms. Angela Kiryabwire (Director-Legal and Compliance), Mr. Joseph Lutwama (Manager- Research and Policy); Mr. Ronald Kasolo (Compliance Officer); and Dickson Ssembuya (Research Officer).

4.3 African Development Bank Pan-African Stakeholder Workshop, 22nd - 24th October, 2012, Tunisia

The Research and Policy Manager represented CMA at a Pan-African Stakeholder Workshop (from 22nd-24th October 2012, in Tunisia) organized by The African Financial Markets Initiative (AFMI), managed by the African Development Bank (AfDB). The meeting attracted participants from both the private and public sectors from 50 African countries. The Research and Policy Manager featured on a panel that tackled "Strengthening the Taxation and Accounting Systems and the Legal and Regulatory Framework of Bond Markets in Africa".

The workshop provided a forum for participants to share experiences and discuss the critical issues facing the development of local currency bond markets in Africa. Areas covered during the meeting included: the development of primary and secondary markets; the expansion and diversification of the investor base; and strengthening of domestic bond market infrastructure.

4.4 The 5th African Private Sector Forum, 5th - 8th November, Abidjan, Ivory Coast

The Research and Policy Manager represented the CEO at the 5th African Private Sector Forum which was organized under the theme *"The Role of Private Sector in Promoting Investment and Agro Industry in Africa"*. The meeting brought together high-level officials and experts from Governments, Stock Exchanges, Securities Regulators, the Private Sector and Researchers in Africa to exchange views on how to enhance private sector participation in promoting long-term investments for sustainable development in Africa. The Research and Policy Manager participated on panel that dealt with *"Capital Markets Development and Productive Investment: An African Perspective"*.

5.0 INTERNATIONAL NEWS

5.1 Nigeria Stock Exchange (NSE) to Suspend Trading of UBA Shares over Restructuring

The Nigeria Stock Exchange (NSE) is set to place a full trading suspension on the shares of United Bank for Africa (UBA) Plc at the stock market from January 2nd-4th 2013, to enable the bank conclude its restructuring process. Shareholders of the bank recently approved a new commercial banking structure in compliance with the Central Bank of Nigeria (CBN)'s regulation which repealed the universal banking model under which Nigerian banks hith-

erto operated.

The new structure would enable UBA to divest all non-commercial banking businesses of the Group which are now to be held separately from UBA Plc by the bank's shareholders. Under the new arrangement, the divested non-commercial banking businesses (except Africa Prudential Registrars and Afriland Properties that will be held directly by shareholders) will be consolidated within UBA Capital Plc. Besides UBA Plc, the restructuring will result in the emergence of four separate stand-alone companies namely: UBA Plc; UBA Capital Plc; African Prudential Registrars Plc; and African Properties Plc.

In order to conclude the restructuring process and deliver certificates to all shareholders, UBA Plc requested the NSE to place its shares on full suspension between January 2nd-4th. Normal trading in the shares of the bank is expected to resume on Monday, January 7th, 2013.

Source: This Day, Friday, December 28, 2012

6.0 HOME NEWS

6.1 STAFF DEPARTURE

During the period under review, CMA accepted the resignation of Mr. Ronald Kasolo (Compliance Officer). Mr. Kasolo had served the organization diligently for a period of two and a half years. The Authority would like to thank him for his invaluable service to the capital markets industry in Uganda and wish him all the best in his future endeavors.

7.0 OUTLOOK

The Capital Markets Authority, Metropol Corporation Limited and the East African Development Bank are in the process of organizing a workshop which will cover asset backed securities (ABS), credit rating and structured finance. The workshop

has been tentatively scheduled for February 2013. The objectives of the one day workshop include: exposing and explaining the provision of the Capital Markets (Asset Backed Securities) Regulations to vari-

ous stakeholders; providing information on ABS; and exposing the participants to credit rating agencies and their role in enhancing the issue of debt for raising funds.

8.0 CAPITAL MARKETS IN THE PRESS

East African Securities Regulators Consider Reforms to Improve Trading

By Faridah Kulabako

The Daily Monitor, 1st, November 2012

In recognising the increased regional activity by various capital markets participants in the East African Community (EAC), regional regulators under their umbrella body, East African Securities Regulatory Authorities Association (EASRA) agreed to amend their Memorandum of Understanding (MoU) to allow for the creation of Supervisory Colleges that would administer: joint inspection programs where need arises; joint investigations of regional operators in the capital markets industry; and co-ordinate surveillance for cross-listed companies where need arose.

The regulators reached the agreement during the 36th EASRA Consultative Meeting held on Friday 19th October 2012. During the meeting, the regulators also reiterated their focus on the development of EAC Council directives to support the road map to legal framework convergence and harmonization in the region.

While addressing the meeting, Mr. Japheth Katto, the EASRA chairman and chief executive officer Capital Markets Authority - Uganda, noted that owing to the lack of a common trading, clearing, settlement and depository infrastructure, there had been minimal trading in cross listed securities. He emphasized that there was need to address the matter urgently if investors were to benefit from regionalization of capital markets.

According to Mr. Amish Gupta, an Associate Director at Kenyan based Standard Investment Bank, low trading of cross-listed counters is due to the lack of linkage of trading infrastructure. The existence of structural differences between regional markets is also partly responsible for the low trading activity of cross-listed securities in the region. The Uganda Securities Exchange has seven counters cross-listed from Kenya with these counters rarely recording any activity for months.

The acting Chief Executive Officer of the Capital Markets Authority- Kenya, Mr Paul Muthaura, in an earlier interview with the Daily Monitor said that regulators had to develop plans that would ensure that the payment, clearing and settlement systems are linked to promote free movement of capital across borders.

QUOTES

“Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised.”

Warren Buffet (American business magnate, investor and philanthropist)

DISCLAIMER

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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 31st December 2012.

	LICENCEE	ADDRESS
1.	Uganda Securities Exchange (USE) Stock Exchange, Securities Central Depository	Prism Building, Plot 71/73 Kampala Road (opposite Bi-plous) P.O. Box 23552, Kampala, Uganda Tel: 0414 343 297/ 342818 Fax: 0414 340841 E-mail: info@use.or.ug Contact: Mr. Joseph Kitamirike Chief Executive Officer
2.	African Alliance U Ltd Fund Manager, Unit Trust Manager, Investment Advisor, Broker/ Dealer and member of USE	6th Floor Workers House, Pilkington Road Kampala Tel: +256-414-235577 Fax: +256-414-235575 E-mail: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko
3.	Pine Bridge Investment Co Ltd Fund Manager, Investment Advisor	1 Pilkington Road, Workers House, 7th Floor P O Box 9831, Kampala, Uganda Tel: +256-414-340707/8 Fax: +256-414-340750 E-mail: nicholas.malaki@pinebridge.com Contact: Mr. Nicholas Malaki
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8.	Crested Stocks and Securities Ltd Broker/Dealer Investment Advisor and member of USE	6th Floor Impala House, Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: +256-414-230900 Fax: +256-414-230612 E-mail: info@crestedsecurities.com Contact: Mr. Robert Baldwin
9.	Dero Capital Ltd Investment Advisor	Ground Floor Course View Towers Plot 21 Yusuf Lule Road P. O. Box 5970 Kampala, Uganda Tel: +256-712-638644, +256-702-638644, Fax: +256-414-220727 Email: info@derocapital.com Contact: Mr. David Ofungi
10.	Dyer and Blair U Ltd Broker/ Dealer Investment Advisor and member of USE	Ground Floor Rwenzori House P.O. Box 36620 Kampala, Uganda Tel. +256-414-233050/+256-312-265469 E-mail: pbwiso@dyerandblair.com Contact: Mr. Paul Bwiso
11.	Equity Stock Brokers Ltd Broker/Dealer Investment Advisor and member of USE	Plot 6/6A Orient Plaza P.O. Box 3972, Kampala, Uganda Tel: +256-414-236012/3/4/5, Fax: +256-414-348039 E-mail: ruyonga.edward@orient-bank.com Contact: Mr. Edward Ruyonga

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