



**Capital Markets Authority**  
Protecting Your Investments

## CAPITAL MARKETS QUARTERLY REVIEW

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### HIGHLIGHTS

- Regulatory Issues
- Developments in the Market
- Public Education
- Regional and International Co-operation
- International News
- Outlook
- Capital Markets in the Press

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## 1.0 LEGAL AND REGULATORY ISSUES

### 1.1 Stakeholders Consultative Workshops

CMA held three stakeholders consultative workshops during the reporting period. The consultative workshops covered: the draft EAC directives for securities markets; the draft capital markets authority amendment Bill; and fees and book building regulations.

The first workshop was held on 5th June with discussions focusing on the proposed regulatory fees and book building regulations. The Authority heard from various stakeholders on the proposed regulatory fees that aim at putting CMA on the path to financial sustainability in future. Additionally during the same workshop, stakeholders shared their views on the draft book building

regulations that aim at ensuring an efficient and transparent book building process.

The second workshop was held on 24th July 2014 with deliberations focusing on the draft CMA Amendment Bill, 2014. Stakeholder views were taken for the Bill that aims at: addressing new developments in both the domestic and international markets; ensuring compliance with the International Organization of Securities Commissions (IOSCO) Multi-lateral Memorandum of Understanding; and ensuring compliance with the East African Common Markets Protocol.

Finally, a workshop was held on 14th August to receive input from stakeholders on 10 council directives on securities markets covering: anti-money laundering; the investor compensation fund; investor protection; takeovers and mergers; disaster recovery and business continuity; conduct of business; central securities depository; corporate governance for listed companies; self-regulatory organizations; and securities exchanges. The Directives will provide the framework for harmonization of securities laws across the EAC region.

## 2.0 MARKET DEVELOPMENT

### 2.1 Actis Sales Stake in Umeme Limited

Private equity firm, Actis, sold its stake in Umeme Limited. The sale was done in two tranches with the first tranche raising US \$ 83 million from institutional investors. The second tranche raised US \$ 7 million from retail investors, the management and Directors of Umeme Limited. At the end

of the secondary offer, the stake of Actis in Umeme Limited dropped from 60.08% to 14.30%.

Umeme Ltd is a power distribution company that distributes power from the Uganda Electricity Distribution Company Limited (UEDCL) under a 20 year concession (that com-

menced in 2005) as part of the government program of restructuring the energy sector. The company was incorporated in the year 2004 and listed at the Uganda Securities Exchange in November 2012.

*"CMA will be hosting similar symposium targeting potential issuers of debt and equity in order to raise the level of awareness on the fund raising opportunities available in the capital markets industry".*

## 2.2 Symposium for Equity and Debt Issuers

To drive growth as espoused in the CMA strategic plan for the financial years 2013/14-2015/16, CMA hosted a symposium for potential issuers of debt and equity. The event brought together capital markets industry practitioners and potential issuers of debt and equity to explore the opportunities available to the public and private sectors in Uganda's Capital Markets Industry.

The key note address was delivered by Mr. Pradeep Paurana (the C.E.O of ARM Cement Ltd). He made a presentation that provided a brief background to ARM, advice on preparing for an IPO, benefits of a being a listed company, obligations and post listing issues. A panel of eminent personalities drawn from the banking industry, manufacturing industry, accounting profession and legal fraternity

discussed the presentation.

CMA will be hosting similar symposium targeting potential issuers of debt and equity in order to raise the level of awareness on the fund raising opportunities available in the capital markets industry. This is expected to stimulate the issuance of capital markets instruments to raise funds hence stoke up the supply of securities.

## 2.3 Corporate Bond Breakfast Round Table Meeting

CMA in partnership with Efficient Securities Markets Institutional Development (ESMID) that falls under the International Finance Corporation (IFC) held a Corporate Bond Roundtable Breakfast meeting for potential issuers of the debt instruments at the Serena Hotel on Thursday 31st July 2014. The event brought together players from the construction and banking in-

dustries to explore the long term fund raising opportunities for growth available in the corporate bond market as well as to candidly discuss the challenges faced in accessing the corporate bond market.

A total of six (6) participants attended which was in line with the format of having a small group for

maximum interaction during the session. Two companies that participated in the meeting expressed strong interest in issuing corporate bonds in the near future. CMA and IFC/ESMID are planning to have similar engagements every quarter to highlight the financing opportunities available to the private sector in the corporate bond arena.

# 3.0 PUBLIC EDUCATION

## 3.1 Public Education Strategy Shift

CMA in a bid to drive growth through increased investor activity adopted a new public education strategy marking a shift in public sensitization efforts. In order to reach a target of 10,000 potential investors, CMA recruited 25 resource persons who will

supplement internal efforts. The resource persons are expected to traverse the country educating the public on how to save and invest in the capital markets.

The new strategy of using external resources is an

indication of the commitment of CMA to raise awareness level among the public on investment opportunities available in the capital markets. This is projected to translate into increased trading activity in the capital markets hence lead to growth.

### 3.2 CMA Social Media Platforms

The number of people having access to CMA through social media has continued to rise. Currently, CMA has access to over 2,100 individuals through tweeter and facebook. Through the social media platforms, CMA has continued to

interact with members of the public discussing issues pertinent to investor protection and market development.

Social media platforms are being adopted globally to facilitate real time engagement with the

public and calibrate messages in an effective manner to reach the target audiences. In seeking to sensitize the public on capital markets, CMA has fully embraced social media to disseminate critical relevant information as well as provide a forum for debate on matters relevant to the industry.

## 4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

### 4.1 East Africa GCR Summit

Thomson Reuters Accelus, in association with the Capital Markets Authority of Kenya on 13th May 2014 held the inaugural East Africa Governance, Risk and Compliance (GRC) Summit in Nairobi, Kenya. The summit drew participants from the public and private sector across the EAC region.

With the continued increase in

international and local regulatory changes, the summit provided a platform for regulators and the East African GRC community to share knowledge about recent changes and trends in governance and risks. The CEO of CMA-Uganda made a presentation focusing on “The New Rules, Regulations, Supervisory & Development Initiatives in the EAC Region”.

Thomson Reuters Accelus helps organizations understand and comply with the increasing regulations they are subject to. The company offers market-leading solutions for enterprise governance, risk and compliance management, enterprise risk management, policy management, audit management, global regulatory intelligence, financial crime, anti-bribery and corruption, supply chain

### 4.2 IOSCO Growth and Emerging Markets (GEM) Committee Annual Meeting and Conference

The Financial Services Commission (FSC) of Mauritius hosted the annual meeting of the International Organization of Securities Commissions (IOSCO) Growth and Emerging Markets (GEM) Committee from 23<sup>rd</sup> to 25<sup>th</sup> April 2014. The meeting drew participants from 39 jurisdictions in Latin America, North America, Europe, Asia and Africa.

The meeting discussed a number of issues pertinent to the growth of emerging markets. Key among them included: demutualisation and its impact on stock exchange regulation and supervision; improving financial access and capacity through investor

education; and long-term financing through Capital Markets. CMA was represented at the meeting by the C.E.O and the Acting Communication and Investor Education Manager.

IOSCO is the global standard setting body for securities regulation, and groups more than 95% of the world's securities market regulators from more than 115 jurisdictions. The Growth and Emerging Markets Committee is the largest Committee within IOSCO, representing 75% of the IOSCO membership. The Committee endeavours to promote the development and greater efficiency of emerging markets securities and futures markets as well as provides training programs and technical assistance to its members.

***“The meeting discussed a number of issues pertinent to the growth of emerging markets”***

## 5.0 INTERNATIONAL NEWS

### 5.1 Kenya Successfully Raises US \$ 2 Billion from a Eurobond

On 16th June 2014, Kenya successfully issued two tranches of a maiden Eurobond to support infrastructural development in roads, railway and healthcare. The Government of Kenya issued a tranche of US \$ 500 million at a yield of 5.875% due in 2019 and a second one of US \$ 1.5 billion at a yield of 6.875% due in 2024.

There was a strong participa-

tion by global investors in the maiden Eurobond, with an oversubscription rate of about 340% reflecting strong confidence in the economy despite increased threat to national security and signs of heightened political tensions. Initial indication was that the bond would be offered at a higher yield of 8.80% in light of: insecurity; political tension; weak economic fundamentals; a large current account deficit; a large fiscal

deficit; modest foreign exchange reserves; and increased volatility of the Kenya shilling against most major currencies.

Kenya joins a handful of African states that have issued Eurobonds successfully in the past 24 months. They include: Zambia, Rwanda, Nigeria and Ghana alongside other countries such as Angola and Tanzania that have recently issued private placements.

## 6.0 OUTLOOK

With a change in the public education strategy, CMA will be rolling out a comprehensive public education campaign that will involve the deployment of internal resources as well as the ex-

ternal resource persons. Through this initiative, a total of 10,000 investors are expected to be reached.

Additionally engagements with

potential issuers of debt and equity securities are expected to intensify so as to encourage the tapping of capital markets for long term capital by the private sector as well as the public sector.

## 7.0 CAPITAL MARKETS IN THE PRESS

### ACTIS SELLS AN EXTRA 6.7% IN UMEME

By Martin Dorothy Nakaweesi, The Daily Monitor, 19<sup>th</sup>, June 2014

Private Equity firm Actis, successfully concluded the sale of its 45.7 % holding of Ugandan electricity distribution company, Umeme Ltd for Ush 259 billion. The sale of shares totaling 6.7% of the company and worth about Ush 33.8 billion to Ugandan retail investors and Umeme management and directors was the final step in the transaction.

The transaction was led by Stanbic as Lead Transaction Adviser and book runner with Renaissance Capital also acting as a Joint Book-runner. In communique issued by a partner at Actis (Mr David Grylls) at the end of

transaction, he said that the firm had been delighted by the strong take-up of Umeme shares, first by heavyweight institutional investors, retail investors and Umeme management and directors. He noted that this was not only indicative of a healthy appetite for solid Ugandan companies, but also a sign that Ugandans are embracing capital markets as an investment avenue.

The lead transaction adviser at Stanbic Bank, Mr Patrick Mweheire said that the accelerated book building for Actis' sale of a stake in Umeme was highly successful and the first of its kind. Mr Mweheire added that the transaction signaled sig-

nificant appetite from both institutional African investors and international investors who are keen to tap into the opportunity presented by the growth prospects of the energy sector in Uganda. "This was evident in the strong demand seen across all investor classes (including retail and management) for the transaction," Mr Mweheire noted.

In May 2014, Actis sold a substantial stake in Umeme Ltd, for \$85.5 million. Actis' had said that it was selling 45.1 per cent out of the 60.08 per cent stake it owned in the utility company with plans to hold the remaining minority stake for at least two years.

#### QUOTE

*"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful "*  
**Warren Buffet (American business magnate, investor and philanthropist)**

## 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 30<sup>th</sup> June 2014.

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1.	<b>Uganda Securities Exchange (USE)</b> <i>Stock Exchange, Securities Central Depository</i>	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: <a href="mailto:info@use.or.ug">info@use.or.ug</a> Contact: Mr. Innocent Dankaine <i>Ag. Chief Executive Officer</i>
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