

**REMARKS BY MR. KEITH KALYRGIRA, CEO, CAPITAL MARLETS AUTHORITY AT
THE LAUNCH OF ALTX EAST AFRICA LIMITED**

13th JULY, 2016, GOLF COURSE HOTEL, KAMPALA

- The Chief Guest, Hon. Matia Kasaija, Minister of Finance, Planning and Economic Development;
- The Board Chairman, Capital Markets Authority, Mr. Grace Kavuma;
- Chairman, Altx East Africa and Chairman, Altx Clearing and your fellow directors;
- Invited guests, ladies and gentlemen;

It is a pleasure to be given the opportunity to speak at this event formally launching Altx. A lot has been said about the process but I would like to restrict myself to three or four issues I consider important to the growth of Uganda's capital markets.

One of the things we do as Capital Markets Authority (CMA) is approving the rules that govern the capital markets. Essentially, our role is to maintain law and order in the capital markets. I have to admit that the process of approving the Altx rules really stretched the Authority.

It is unfortunate that only 25,000 Ugandans have ever invested in the equity capital markets. The number of Ugandans who have participated in the debt capital markets is even lower at only 3,000. The largest lender to Government by way of investing in Government bonds, are the banks, who use the deposits of Ugandans to invest in Government securities. They do not seem to have an incentive to encourage Ugandan savers to invest in Government bonds because they are happy to pay depositors 3-4% interest and lend to Government at much higher rates. I was pleased to learn that there are reforms of the primary dealership system underway to correct some of these anomalies. We hope we will be able to see 50-100,000 Ugandans invest in Government securities.

It is also disappointing to note that many businesses borrow short term to invest in long term projects. The capital markets are a source of patient capital – equity has been described as a permanent loan. We are seeing many businesses collapse because the entrepreneurs do not want to subject themselves to the probity and corporate governance requirements that the CMA insists on prior to raising capital. This is costing big businesses in the long run.

Uganda's contractual savings, currently UGX 7 trillion, are growing at 30% per annum. In 5-6 years, this level of savings is expected to be about UGX 22 trillion. Unfortunately the level of investment products is not growing as fast, hence the reason we would like to see more public

sector and private sector players issuing securities through the capital markets. It is for this reason, Hon. Minister that I would also like to speak to the Government as a potential issuer of securities. Two large power plants and other revenue generating infrastructure projects will soon be commissioned. Government could release their equity in these assets in order to raise funds to invest in its other socio-economic activities.

CMA will soon be having REIT regulations approved which should facilitate owners of commercial properties to release equity for development of new properties or other ventures. This will give our pension funds exposure to the real estate asset class without getting involved in construction.

Hon. Minister, in conclusion, we are aware that a commodity exchange is under development by the Ministry of Trade and Industry. Hon. Minister, as the Chairman of Altx said regarding derivatives, there are currency, interest rate and commodity derivatives. The bulk of a commodity exchange is the derivatives market, not the spot market. I humbly request that you encourage your colleague, the Hon. Minister of Trade and Industry, to speak with Altx in order for Altx to house the commodity exchange. There is no reason we should have another exchange. I am also saying this for selfish reasons – because there is no need for the CMA to go through another extensive rules approval process when Altx has all the necessary rules in place.

I could have said a lot more, but in the interest of time, allow me to end my remarks at this point.

I thank you.