

REGULATORY NOTICE No. 1/2011

Date: 16th November 2011

To: All Licensed Persons

CONTINUOUS REPORTING OBLIGATIONS OF BROKER / DEALERS

Background

It has come to our notice that the monthly submissions of Net Capital statements are accompanied by differing supporting documents. The Capital Markets Authority (CMA) with effect from the date of this regulatory notice hereby standardizes the required accompanying documents.

Law Applicable

Regulation 16 (1) of the Capital Markets (Licensing) Regulations, provides that a broker /dealer shall have and shall at all times provide and maintain in his or her business as a broker/dealer, a Net Capital of not less than UGX 15,000,000 (Uganda shillings fifteen million shillings)

The Capital Markets (Financial and Accounting Requirements) Regulations, Regulation 5 provides that a Broker/Dealer, Exempt dealer and Investment adviser shall at least once every month, reconcile the balance on each customer account as recorded by it with the balance of that account as set out on the statement issued by the bank.

The Capital Markets (Financial and Accounting Requirements) Regulations, Regulation 12 (1) provides that the auditor's report shall be addressed to the Authority and shall state whether the annual financial statements of a broker or dealer or exempt dealer have been audited in accordance with approved auditing standards.

The provisions of Regulation 12 (2) (a-h) and Regulation 13 (1) (2) (3) of The Capital Markets (Financial and Accounting Requirements) Regulations

Regulatory Requirement

In fulfillment of the above regulations, the CMA requires that, the monthly submissions of the statements of Net Capital should be accompanied by the following;

1. Up-to-date statement of financial position;
2. Up-to-date statement of comprehensive income;
3. The statement of cash flows;
4. Statement of changes in equity;
5. Accounting system generated trial balance;
6. Supporting schedules for all lead figures including:
 - a) reconciliation of client payables with the client trust account,
 - b) Reconciliation of settlement account and the amounts due to and from brokers;

7. Bank statements for all the accounts operated by the entity;

In addition, the Broker or Dealer shall ensure that the auditors comply with the stipulations of Regulation 12 and 13 of the The Capital Markets (Financial and Accounting Requirements) Regulations.

For the avoidance of doubt Broker/dealers should take note of the following matters:

- I. The initial broker/dealer deposit of UGX 5 million and the USE Guarantee Fund of UGX 100 million should be categorized as non-current assets and deducted in the calculation of Net Capital;
- II. All subordinated loans for Net Capital purposes should be approved by CMA as provided for in the licencing regulations before recognition;
- III. In arriving at Net Capital, deductions should be made in respect to amounts owing by related parties and Client deficits(receivables);
- IV. In relation to The Capital Markets (Licencing) Regulations, Regulation 16 (3),unsecured loans granted to directors and associates (related parties) should be restricted to UGX 400,000;
- V. Net Capital statements should be submitted to CMA not later than the 15th day of the month following the one being reported on.

This notice is effective 16th November 2011.

Chief Executive Officer