

April – June 2008 Volume 10, Number 2**INTRODUCTION**

This Electronic Quarterly Review covers the period April – June 2008

Capital Markets Authority, 14 Parliament Avenue,
Jubilee Insurance Centre 8th Floor, P. O. Box 24565, Kampala,
Tel: (256) 414 342788/791, (256) 772 589997, (256) 312 264950/1,
Fax: (256) 414 342803.
Email: info@cmauganda.co.ug, Website: www.cmauganda.co.ug

REGULATORY ISSUES

During the period April to June 2008, CMA was engaged in the following key legal matters;

NEW LICENSEES

On 30th May 2008 CMA approved the license applications of Deloitte (U) Ltd and Insurance Company of East Africa (ICEA) Investment Services (U) Ltd as outlined below:

- i) Deloitte (U) Ltd, a limited liability company applied for Investment Advisor's license (a) and (b) which authorizes it to give investment advice and publish market research reports
- ii) Insurance Company of East Africa (ICEA) Investment Services (U) Ltd a limited liability company applied for Investment Advisor's license (a), (b), and (c) which authorizes it to conduct the business of fund management in addition to giving investment advice and publishing market reports

SECURITIES CENTRAL DEPOSITORY LAW

The Securities Central Depositories Bill, 2008 was tabled by Hon. Dr. Ezra Suruma, Minister of Finance, Planning and Economic Development on 8 May 2008 for the first reading in parliament. It was then sent to the parliamentary committee on Finance, Planning and Economic Development (PCFPED) for consideration before the second reading on the floor of parliament where it would be debated by parliament.

In preparation for the debate on the bill in parliament and also to guide the members of the PCFPED as they deliberate on the bill, CMA management organised a Consultative Workshop for the PCFPED on various aspects of the Securities Central Depositories Bill.

UGANDA CLAYS LTD (UCL) RIGHTS ISSUE

On 24 April 2008 trading of the new shares in UCL commenced on the Uganda Securities Exchange. The Rights Issue, which was

intended to raise capital for the construction of a new tiles and bricks factory in Kamukoli, Mbale resulted in the issuance of 4 million new ordinary shares worth Ushs 10.6 billion. The Rights Issue was 10% oversubscribed.

NEW VISION**PRINTING AND PUBLISHING COMPANY LIMITED (NVPPL) RIGHTS ISSUE**

On 18th June 2008 CMA approved an application for a rights issue by NVPPL. NVPPL intends to issue 25,500,000 new ordinary shares to be offered at a ratio of 1 share for every 2 shares held at a price of UGX 1,100 per new ordinary share. The proceeds from the Rights Issue will be used to fund the company's printing capacity expansion, build a new warehouse, factory and office block and further invest in NVPPL's radio and TV stations. The Rights Issue opened on 10th July 2008 and will run for four weeks and close on 18th August 2008.

MARKET DEVELOPMENT**SAFARICOM INITIAL PUBLIC OFFER (IPO)**

The Safaricom IPO closed on 23 April 2008. This IPO was four times oversubscribed. On the first day of trading (9th June 2008) the share price rose by 50 per cent closing at a share price of KShs. 7.5 and adding Ksh100 billion of new wealth in one of Africa's richest IPO debuts that now values the company at KShs.300 billion.

In the first 20 minutes of trading, the Nairobi Stock Exchange (NSE) transacted business worth KShs.1 billion, in what is now a historical

HIGHLIGHTS

- REGULATORY ISSUES
- MARKET DEVELOPMENT
- PUBLIC EDUCATION
- REGIONAL AND INTERNATIONAL COOPERATION
- INTERNATIONAL NEWS
- CAPITAL MARKETS IN THE PRESS



breakthrough that has pushed the value of all shares listed on the exchange, also known as market capitalization to Sh1.2 trillion, which is equivalent to three quarters of Kenya's formal economy.

A STUDY ON PRIVATE SECTOR LONG-TERM FINANCING IN UGANDA'S CAPITAL MARKETS

CMA is currently carrying out a study on private sector access to long-term finance through the capital markets in Uganda. This study is a follow-up on two studies CMA carried out in 1999 and 2002 respectively with support from the GTZ/Sida Financial Sector Deepening (FSD) Project on "Private Sector Opinions on Listing", and "A Statistical Profile of the Securities Market". CMA contracted a private consultancy firm UMACIS whose sole responsibility is primary data collection (including sampling design) and preliminary data analysis. The Research and Market Development Department will be responsible for the in-depth analysis and report writing.

Compilation of secondary data by the Research and Market Development Department is already in progress. The consultancy firm has already submitted its Inception Report and dispatched research assistants to the field to conduct interviews with top executives and senior managers in unlisted private sector companies.

EFFICIENT SECURITIES MARKETS INSTITUTIONAL DEVELOPMENT (ESMID) INITIATIVE HIGH LEVEL STAKEHOLDERS' WORKSHOP ON ASSET BACKED SECURITIES

On Tuesday, 17th June 2008 CMA held a half-day high level stakeholders' workshop on Asset Backed Securities. A total of 9 high profile participants from both the public and private sectors attended the workshop.

The workshop primarily focused on how Asset Backed Securities can be used to finance long-term projects in Uganda like housing, roads, and power plants and how public and private institutions can effectively and efficiently issue Asset Backed Securities. It also tackled cross-cutting issues pertinent to asset backed securities like taxation and regulatory requirements.

The workshop was facilitated by Ms. Kerry Adbey a securitization expert who is currently looking at the optimum mechanism for creating securitized debt instruments including the laws, regulations and structure of the products in the East African region. Ms. Patricia Mackean, who is working on the component of the ESMID Project concerned with the costs of bond issuance in the East African Region, also participated in the workshop. The two consultants were also able to meet a host of other stakeholders in the financial sector critical to securitisation and bond issuance in Uganda.

PUBLIC EDUCATION

KIKONYOGO CAPITAL MARKETS AWARD (KCMA) 2008

CMA hosted a very successful Kikonyogo Capital Markets Award Ceremony on 17th April 2008. The Minister of State for Finance

(General Duties) Hon. Fred Omach was Guest of Honour. Mr Patterson Timba, Group CEO Renaissance Financial Holdings, Zimbabwe provided an exceptional key note address on re-inventing and regenerating wealth in Africa. This year's KCMA recognised journalists who have consistently and accurately covered capital markets issues in the media; as well entities and an individual who have continually conducted public education on capital markets. There were two awards up for grabs; the KCMA Financial Journalism Award and the KCMA Investor Education Award which were won by Mr. Jeff Mbanga from The Weekly Observer and Crested Stocks & Securities Ltd respectively.

CAPITAL MARKETS SECONDARY SCHOOLS CHALLENGE – 2008

During the period under review, the Capital Markets Authority (CMA) organised the Capital Markets Secondary Schools Challenge with sponsorship from GTZ/Sida FSD Programme. This has been done for the 6th year in a row. Capital Markets Secondary Schools Challenge is a two-stage competition comprising of an essay competition and a quiz competition. Essays were received from 37 schools in 13 districts, more than half coming from upcountry schools. The essays were graded by a team of 2 professional teachers from non-participating schools, and a CMA staff member.

This year's essay question was: 'HOW CAN THE GOVERNMENT, LISTED COMPANIES AND INDIVIDUALS BENEFIT FROM THE CAPITAL MARKETS INDUSTRY?'

Much as all the submissions exhibited a commendable understanding of capital markets issues, only the best 21 teams were chosen to compete in the quiz competition. Kings College Budo emerged the winners in the essay competition. The quiz competition, which tests the students' knowledge of capital markets and other aspects of the financial sector, took place on Thursday 19th and Friday 20th June 2008 at Hotel Africana, Kampala. Green Hill Academy was the winner in the quiz competition and the overall winners of the Capital Markets Secondary Schools Challenge.

The Grand Prize of the Challenge is an all expenses paid trip to the Kenyan capital markets industry, for the winning team and its patron teacher. In addition, funds for the purchase of shares in a listed company were given to the top three teams and the winners of the essay competition. The winners were hosted by the Capital Markets Authority (Kenya) from 30th June 2008 to 1st July 2008.

EXHIBITIONS AND SEMINARS

During the period under review, CMA participated in the Western Regional Trade Fair organized by the Uganda Manufacturers Association, in Kakyeka Stadium in Mbarara, from 29th – 4th May 2008. To optimise their time in western Uganda the CMA team held seminars with 5 secondary schools, including 2 in Masaka, the Mbarara University Investment Club, the Mbarara media fraternity and the Rotary Club of Mbarara. We also had 4 radio talk shows on two radio stations, and held one-on-one education sessions with various visitors to the CMA stall. In total, we educated over 1,700



people, excluding those reached through the radio talk shows. The bulk of the public education focused on CMA's investor protection role, and the greater details of the capital markets, since a greater number of the people the CMA public education team talked to had at least a basic understanding of the stock market.

The Authority also continues to hold seminars with various educational institutions, as part of its public education strategy. This quarter, we held a seminar with the Kampala University Investment Club, during which we talked to over 40 students and administrators on 'Investing wisely'.

If you would like CMA to hold an educational seminar/ make a presentation at your office or school, on any aspect of capital markets, please send us an email at; research@cmauganda.co.ug or call to speak to The Coordinator, Capital Markets Seminars, on 0312 264950/1 OR 0414 342788/91.

CAPITAL MARKETS PUBLIC EDUCATION STRATEGY

Work on the revision and update of the Capital Markets Public Education and Communication Strategy is under way. The previous strategy had been developed for a 3 year period from 2003 to 2006. The aim of designing a new public education strategy is to keep pace with the new developments in both the capital markets industry and the economy at large. Field work in Kampala, Mbarara, Mbale, Gulu and Fort Portal started on Tuesday 10th June 2008 and ended on Saturday 14th June 2008. A stakeholder workshop with the various key stakeholders in the capital markets industry is expected to be held before compilation of the final public education strategic document.

REGIONAL AND INTERNATIONAL CO-OPERATION

EAST AFRICAN COMMUNITY (EAC)/PRE-BUDGET CONSULTATION MEETINGS OF MINISTERS OF FINANCE

The technical officials from the Capital Markets Development Committee, the Fiscal Affairs Committee and the Monetary Affairs Committee met in Nairobi on 19th and 20th May 2008. The purpose of the meeting was to consolidate their input into the respective EAC budgets as the five East African countries seek to harmonise the East African financial sector. The Minister's, Permanent Secretaries, CEO's and Governors meetings also took place in Nairobi, Kenya on from 2nd-3rd June 2008 to consider the Report of Senior Officials' meeting. Two senior officials from CMA and the CEO attended these meetings.

33RD IOSCO ANNUAL CONFERENCE

The 33rd Annual Conference of the International Organisation of Securities Commissions (IOSCO) was hosted by France's securities regulator - Autorité des Marchés Financiers (AMF) in Paris, France

at the Palais des Congrès Conference Centre from Sunday, 25 to Thursday, 29 May 2008. This year's conference attracted more than 750 delegates from around the world including representatives from more than 100 countries.

The CEO represented CMA. In addition to the technical and regional committees, there were also panel discussions on the following topics:

- i) Accounting issues;
- ii) Securitisation and financial innovation
- iii) Analysis of the subprime mortgage crisis;
- iv) Hedge funds and sovereign investment funds: new shareholders;
- v) Derivative markets and cash markets.

COMMITTEE FOR INSURANCE SECURITIES AND NON BANK FINANCIAL AUTHORITIES (CISNA) OF THE SOUTHERN AFRICA DEVELOPMENT COMMITTEE (SADC)

In the period under review the Director Research & Market Development represented CMA at the CISNA meeting which was held in Gaborone, Botswana from 24th to 25th August 2008 as an observer. The meeting discussed a wide range of issues affecting the insurance and non-bank financial regulators in the SADC region and particularly focused on how financial markets regulators can effectively combat market abuse. There was consensus at the meeting that international cooperation is a key factor in combating market abuse and financial crime as it has become increasingly easier to transfer funds from one jurisdiction to another.

At this meeting it was also reported that the Financial Sector Reform Strengthening (FIRST) Steering Committee had approved funds for a framework for a capacity building programme for non-bank financial institution regulators in SADC and East Africa regions, as well as a training program for market players. It was agreed that a steering committee be constituted to review the proposed regulators training programme and advise the other members and the secretariat on the suitability of the proposals, the proposed implementing strategy and all other aspects of the training program.

INTERNATIONAL NEWS

'CRISIS' FORCES AIG CHIEF OUT

The US credit crunch has claimed another CEO scalp. AIG ousted Chief Martin Sullivan, replacing him with former Citi Group Operating Chief Robert Willumstad. Willumstad, who has been AIG's chairman since 2006, will take over immediately. The move comes after the America's biggest insurer posted two straight record quarterly losses, prompting AIG's biggest shareholder - disaffected former CEO Hank Greenberg - to say the company was in "crisis." AIG said in a statement Sunday evening that it expects Willumstad to stop the bleeding caused by AIG's exposure to the mortgage mess.

OUTLOOK

US TREASURY FORUM

The CEO of CMA has been invited to present a paper on the Regulatory Framework for Bond Issues in Uganda at a US Treasury Forum in Washington, D.C. This is a high profile event that will be attended by US Secretary of State, Condoleezza Rice; US Secretary to the Treasury and Central Bank Governors from Sub-Saharan Africa. The US Treasury has played a major role in the development of capital markets in Uganda especially the promotion of private sector listings in Uganda through the Capital Markets Project (CMP) which wound up in 2006. The primary objective of the CMP was to increase the number of companies listed on the Uganda Securities Exchange (USE) to include both debt and equity listings. Secondary objectives included participation in the sensitisation and awareness campaigns to both private sector enterprises and the investing public.

EAST AFRICAN SECURITIES REGULATORY AUTHORITIES (EASRA) MEETING (11TH -14TH AUGUST 2008)

The East African Securities Regulatory Authorities under their umbrella body EASRA will be meeting in Kigali Rwanda from 11th -14th August 2008 for their second quarterly meeting to discuss various regulatory and market development issues affecting the East African capital markets.

QUOTES

"As margins shrank in traditional businesses like underwriting and brokerage, Wall Street looked for new places to make money" says a former banker. "In the process, the firms took imprudent risks to make big profits"

Shawn Tully, on the sub-prime crisis, in the article "What's wrong with Wall Street and How to fix it" Fortune magazine 21st April 2008

"Bankers fell victim to their love of risk, leverage, and high pay. But after the government moves in to clean up the sub-prime mortgage mess, things will be different-for a while"

Shawn Tully, on the sub-prime crisis, in the article "What's wrong with Wall Street and How to fix it" Fortune magazine 21st April 2008

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.

"AIG is fortunate to have a world-class financial services executive on its Board who can immediately step into the CEO role and successfully lead AIG at this critical juncture," said Stephen Bollenbach, who was named lead independent director. "The Board has great confidence in Bob Willumstad's leadership and his ability to restore AIG to its historic levels of performance."

But for now, the question remains whether AIG shareholders are looking at further losses tied to the company's massive mortgage and derivatives books. Analysts at Citi last said month they believe the company may yet need to raise more capital, even beyond the \$20 billion AIG brought in during a May sale of common stock and hybrid securities. Sullivan may be gone, but it's too early to say AIG's crisis is over.

Daily Briefing by Colin Barr from
[www. Dailybriefing.blogs.fortune.cnn.com](http://www.Dailybriefing.blogs.fortune.cnn.com)
16th June 2008

CAPITAL MARKETS IN THE PRESS

UGANDA IN NEED OF VENTURE CAPITALISTS

Editor's Letter Daily Monitor Business Power
6th May 2008

News that Bee Natural Products has been placed under receivership for failure to re-pay Barclays Bank loan serves to show the predicament of many Ugandan Small and Medium scale enterprises, most of which do not live to celebrate their second birthday. Uganda's SMEs continue to buckle under the yoke of bank loans. While SME experts blame business owners for lack of strong work ethic, the present credit environment should shoulder the bigger blame.

With interest rates hovering between 20 and 25 per cent, borrowing to finance start-ups is a short-cut to business failure. However, many entrepreneurs with great business ideas lack the necessary capital to turn great ideas into sustainable enterprises.

That is where venture capitalists come in. Venture capitalists often buy equity into start-ups so as to finance their operations while looking at long-term prospects of the company. In countries such as the United States, venture capitalists are often on the look out for great business ideas that need equity funding. By so doing, they give start-ups the much needed boost lessening the burden of borrowing from financial institutions. Because of this, multi-national corporations such as google, facebook, myspace have sprung from university dormitories to become multi-national corporations. That is why venture capital is necessary for Uganda's ailing SME sector.



LIST OF LICENSEES

AS AT 30TH JUNE 2008, THE FOLLOWING WERE THE STOCK EXCHANGES, CIS TRUSTEES, BROKER/DEALERS, INVESTMENT ADVISORS AND FUND MANAGERS LICENSED AND REGULATED BY CMA

<p>Uganda Securities Exchange (USE) Stock Exchange 2nd Floor Northern Wing - Worker's House 1 Pilkington Road, P.O.Box 23552 Kampala Tel: 0414 343 297, 342818, Fax: 0414 340841, E-mail: info@use.or.ug Contact: Mr. Simon Rutega (Chief Executive)</p>	<p>Baroda Capital Markets Ltd * Broker/Dealer Investment Advisor and member of USE Plot 18 Kampala Road, P.O. Box 7197, Kampala Tel: 0414 233 680/3, Fax: 0414 258263 E-mail: bob10@calva.com Contact: Mr. Rajesh Khanna</p>	<p>Crane Financial Services Ltd * Broker/Dealer Investment Advisor and member of USE Crane Chambers, Plot 38 Kampala Road, P.O. Box 22572 Kampala, Tel: 0414 341414/345345, Fax: 0414 341414 E-mail: cfs@cranefinancialservices.com Contact: Mr. Hiren Busch</p>
<p>Dyer and Blair Uganda Ltd * Broker/ Dealer Investment Advisor and member of USE P.O.Box 36620 Ground Floor Rwenzori House E-mail: shares@dyerandblair.com Tel: 0414 233050, Fax: 0414 231813 Contact: Mr. Njoroge Ng'ang'a</p>	<p>Equity Stock Brokers Ltd * Broker/Dealer Investment Advisor and member of USE Plot 6/6a Orient Plaza P.O. Box 3072, Kampala Tel: 0414 236012/3/4/5, Fax: 0414 348039 E-mail: equity@orient-bank.com Contact: Mr. Mark Horwood</p>	<p>MBEA Brokerage Services Ltd * Broker/Dealer Investment Advisor and member of USE 44 Lumumba Avenue P. O. Box 24613, Kampala Tel: 0414 231960, Fax: 0414 342045 E-mail: info@mbea.net Contact: Mr. Andrew Owin</p>
<p>Crested Stocks and Securities Ltd Broker/Dealer Investment Advisor 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</p>	<p>Inter Alliance International (Uganda) Ltd Investment Advisor B4 Adam House Plot 11, Portal Avenue P. O. Box 21409, Kampala Tel: 0414 342411, 340846, 078 807079 Fax: 0414 342411 E-mail: jatin.ghughu@ia-int.com Contact: Mr. Jatin Ghughu</p>	<p>Made in Africa IB (EA) Ltd. Investment Advisor Floor 1 Communications House P.O. Box 1610 Kampala Tel: 0414 233843, 343222,343269 Fax: 0414 343277 E-mail: pacego2000@yahoo.com Contact: Mr. Geoffrey Onegi-Obel</p>
<p>Iroko Securities Investment Advisor C/o Mungereza and Kariisa Consultant Ltd 35 Yusuf Lule Road P. O. Box 6565, Kampala Tel: 0414 341474, Fax: +44 2076188086 E-mail: c.ekam-dick@irokosecurities.com Contact: Mr. Francois Ekam-Dick</p>	<p>PKF Consulting Ltd Investment Advisor Plot 37 Yusuf Lule Road P. O. Box 24544, Kampala Tel: 0414 341523/5 Fax: 0414 251370, 341371 E-mail: pkfkam@ug.pkfea.com Contact: Mr. Murtuza Dalal</p>	<p>Mr. Andrew Franklin Investment Advisor C/o Equity Stock Brokers Ltd, Plot 6/6a Orient Plaza P.O. Box 3072, Kampala Tel: 0414 236012/3/4/5 254 20 444 1123/2285 Fax: 254 20 444 1832 E-mail: franklin@wananchi.com Contact: Mr. Andrew Franklin</p>
<p>PricewaterhouseCoopers (Ltd) Investment Advisor 10 Floor Communications House 1 Colville Street, Kampala Tel: 0414 236018, 041 233 743, Fax: 0414 239153 E-mail: general@ug.pwc.com Contact: Mr. Francis Kamulegeya</p>	<p>Dero Capital Uganda Limited Investment Advisor Plot 1001, Kyadondo Block 243 Ofungi Rise, Mutungo P. O. Box 5970, Kampala Tel: +256-712-638644, +256-751-638644 Fax: +256-414-378918 Contact: David Ofungi</p>	<p>Bullion Capital Limited Investment Advisor Office No. 2, Jocassa House, Nakasero Road P. O. Box 34580, Kampala Tel: +256-414-348281/2, +256-414-348282 Email: info@bullioncapital.com Contact: Mr. George Ndirangu</p>
<p>African Alliance (Uganda) Ltd * Fund Manager, Unit Trust Manager, Investment Advisor Broker/Dealer and member of USE 1st & 6th Floor, Workers House Pilkington Road, Kampala Tel: 0414 235577, Fax: 0414 235575 E-mail: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko</p>	<p>ReNnaissance Capital (U) Ltd* Fund Manager, Investment Advisor Broker/Dealer and member of USE Plot 13, Kololo Hill Drive P.O.Box 893, Kampala Tel: 0782 800494, 0312 264 775/6, Fax: 0414 340016 E-mail: rnyabadza@renaissance.co.ug Contact: Mr. Rumbidzayi Nyabadza</p>	<p>Stanbic Investment Management Services Fund Manager Investment Advisor 11th Floor Crested Towers P. O. Box 7131, Kampala Tel: 031 224322/600, Fax: 0414 254697 E-mail: owiny@stanbic.com Contact: Mr. Martin Owin</p>
<p>AIG Global Investment Company (East Africa) Ltd Fund Manager, Investment Advisor Workers' House, 1 Pilkington Road, 7th Floor P O Box 9831, Kampala, Uganda Tel: 0414-340707/8, Fax: 0414-340750 E-mail: patrick.mutimba@aig.com Contact: Patrick Mutimba</p>		<p>DFCU Bank Ltd Trustee Collective Investment Schemes Impala House - 13 Kimathi Avenue P.O. Box 70, Kampala Tel: 0414 231784/256891/3, 031 300300 Fax: 0414 231687/344260 E-mail: official@dfcugroup.com Contact: Mr. Juma Kisaame</p>

*Please note that only members of USE are allowed to transact business on the Stock Exchange