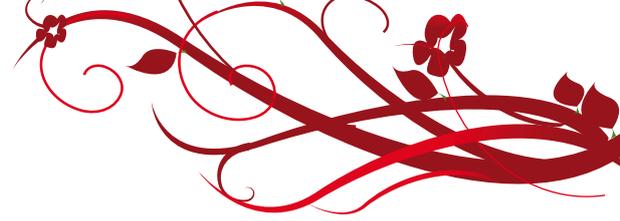




Capital Markets Authority
Protecting Your Investments



The Quarterly Review

April - June 2009 Vol II No. 2

INTRODUCTION

This Electronic Quarterly Review covers the period April – June 2009

HIGHLIGHTS

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

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
www.cmauganda.co.ug

CAPITAL MARKETS AUTHORITY PUBLIC NOTICE

Suspension of ReNnaissance Capital Ltd

The Capital Markets Authority (CMA) was set up by the Capital Markets Authority Act, Cap 84 of the Laws of Uganda. The CMA is a statutory body with the primary responsibility to regulate an orderly, fair, and efficient capital market in Uganda. In line with its statutory obligations, the Authority hereby publishes this Suspension Notice.

The public is hereby informed that the Authority has suspended the licenses of ReNnaissance Capital Ltd as a Fund Manager, Investment Advisor and Broker/Dealer for a period of two (2) months with effect from 2nd July 2009 to enable the entity rectify compliance breaches including failure to meet their statutory requirements of Capital Adequacy and Record Keeping. The public is further informed that during the period of suspension, ReNnaissance Capital Ltd will not be allowed to transact business. The public is also informed that the parent company ReNnaissance Financial Holdings Ltd of Zimbabwe has undertaken to recapitalise the entity and meet all its obligations.

For More Information

1. Mr. Godfrey Wavamunno
ReNnaissance Capital Ltd
Plot 13, Kololo Hill Drive
P.O. Box 893 Kampala
Tel: 0312 264 775/6, 0414 340018/9
Fax: 0414 340016
E-mail: godfreyw@renaissance.co.ug
inequiries@renaissance.co.ug

2. The Chief Executive Officer
Capital Markets Authority
14 Parliament Avenue, Jubilee Insurance Centre, 8th Floor
P. O. Box 24565, Kampala, Uganda
Tel +256 414 342788 / 0312 264950/1
Fax +256 414 342803
Email info@cmauganda.co.ug



BBM Securities, Request for Withdrawal

BBM Securities Ltd requested the CMA to withdraw its approval for a broker or dealer license which was granted to them in July 2008. The withdrawal of the license was due to inability to commence business operations. The CMA Board revoked the license of BBM Securities without prejudice.

CMA Amendment Bill 2009

The CMA Amendment Bill 2009 will soon be presented to Parliament for enactment. The Bill contains provisions that were formerly in the Companies Act that relate to the raising of capital through issuance of prospectuses and public offerings.

The Uganda Retirement Benefits Authority Bill 2009

The Uganda Retirement Benefits Authority Bill 2009 will soon be presented to Parliament for enactment. The Bill seeks to establish a regulator for the retirement benefits sector in Uganda. It also provides for licensing of various market players, retirement benefit schemes and other related purposes.

SCD Regulations

The Securities Central Depository (SCD) Regulations 2009 were drafted by the CMA. On the 12th of June the CMA and the Uganda Securities Exchange (USE) held a consultative workshop on the Securities Central Depository regulations, rules and procedures 2009, at the USE. The workshop attracted representatives from broker/dealer firms, custodians, the CEO and staff of the USE, CMA legal and Compliance Staff, Ministry of Justice and Constitutional Affairs. The meeting discussed provisions of the draft laws and gave comments. These comments are being considered by the USE and the CMA. The SCD regulations will soon be approved by the CMA Board and published.

Approval of Law Chambers

On the 31st of March, 2009, the Law Council approved the application of Capital Markets Authority for the approval of Law Chambers. The Chambers were approved in exercise of the powers conferred upon the Law Council under section II (1) of the Advocates Act Cap 267.

Capital Markets Amendment Bill

In order to improve the business climate the Minister of Finance, in the 2009/2010 budget speech announced the enactment of the Capital Markets Amendment Bill. The Bill seeks to transfer the provision relating to raising capital by companies from the Companies Act to the CMA Act. The enactment of this law will place CMA in a better position to comply with the international best practices in securities regulation as enshrined in the 30 International Organization of Securities Commissions (IOSCO) principles of securities regulation.

Market Development

Seminar on Regulation and Liberalization of the Pension Sector

The Ministry of Finance Planning and Economic Development and the Capital Markets Authority hosted a conference on the regulation and liberalization of the pension sector in Kampala on the 22nd and 23rd of June 2009. The conference audience included members of the Uganda Parliament, members of the East African legislative Assembly, Government ministries and private sector institutions. The conference drew resource persons from Kenya, Uganda and South Africa. It offered an opportunity to policy makers and professionals to share their experiences on approaches adopted by different countries in developing their pension systems. It also discussed global standards for pension supervision and pension fund governance.



National Insurance Corporation IPO

The Divestiture and Reform Implementation Committee (DRIC) approved the completion of the National Insurance Corporation Limited (NICL) Initial Public Offer. NICL will offer the Government of Uganda's 40% stake in NICL comprising 403,880,000 shares to the public at a price of US\$ 45 per share. 4% of these shares will be reserved for the NICL Employee Share Ownership Scheme. The issue will be 100% underwritten by the National Social Security Fund.

Equity Bank Cross Listing

Equity Bank Ltd, a public limited liability company incorporated in Kenya was cross listed on the Main Investments Market segment of the Uganda Securities Exchange on June 18th 2009. The cross listing of Equity Bank is a major step in the development of capital markets in Uganda. It is the 5th company to be cross listed on the USE. Other cross listed companies are Kenya Airways, East African Breweries Ltd, Kenya Commercial Bank and Jubilee Holdings Limited.

Public Education

Capital Markets Teachers Training Seminar

One of the ways in which CMA fulfills its function of public education and awareness is working with the youth in secondary schools and tertiary institutions. In this regard, CMA partnered with the National Curriculum Development Centre (NCDC) to include capital markets, savings and investments in the Entrepreneurship subject that is being taught in secondary schools across the country.

A few secondary schools had been earmarked to pilot the teaching of capital markets in the entrepreneurship subject following the first phase of incorporating capital markets in the secondary schools curriculum. To enable this learning in more schools CMA initiated teachers training seminars to enrich and enhance their knowledge on the capital markets content of the materials to guide them passing this knowledge to their students. The first seminar was held in Mukono in October 2008 for teachers in the central region, and the second one was held in Mbarara in June 2009 for the western region. The sensitization exposed the teachers to detailed aspects of capital markets, corporate governance, money management, saving and investments. In addition, CMA availed teachers training manuals and students training material to the various schools.

The Capital Markets University Challenge 2009

The Capital Markets University Challenge was initiated three years ago as an education tool for university students on financial matters. The University Challenge is a competition targeting students from various universities in Uganda. The competition primarily focuses on testing the participants' knowledge and understanding of capital markets and financial issues.

Targeting university students is a strategy aimed at increasing awareness at this level. It is expected to create a pool of potential investors and private sector practitioners with time. Students will also be in position to transfer knowledge and information to their parents and local communities.

The 2009 university challenge was a three stage competition involving an essay writing competition as the first stage, production of public education messages through music, dance and drama as the second stage and establishment of investment clubs as the third stage. 276 essays were received for the essay competitions from 15 universities. Six universities qualified for the second stage which tested the ability of the students to apply their knowledge on capital markets to producing public education messages through music, dance and drama. These are:

1. Kampala International University
2. Kyambogo University
3. Ndejje University
4. Mbarara University of Science and Technology
5. Gulu University
6. Islamic University in Uganda

To ensure equal opportunities, each of the participating universities was coached in the techniques of acting, developing messages and presentation by Mr. Phillip Luswata, a reknown artist with Theatre Factory. The students were judged on their use of talent and skill to communicate to the public about capital markets. Kampala International University emerged winners of the Challenge and won an all expenses paid trip to the South African capital market where they will enrich their understanding from a perspective of more advanced market.

CMA recognizes that enhancing public education and awareness about securities is an important part of its mandate. It also believes that investor education is one of the most effective regulatory tools. The CMA has therefore developed and will continue to develop mass education programs whose ultimate goal is to have all Ugandans understand and benefit from capital markets.

Kikonyongo Capital Markets Award (KCMA)

For the past seven years CMA has held the Kikonyogo Capital Markets Award (KCMA) in recognition of the invaluable support of the late Bank of Uganda Governor, Mr. Charles N. Kikonyogo, towards the development of the capital markets industry in Uganda. The KCMA seeks to recognize individuals/ firms that have emulated the example of the late Governor, in promoting the development of capital markets.

This year's KCMA had two categories; the Kikonyogo Capital Markets Award for Financial Journalism and the Kikonyogo Capital Markets Award for Investor Education. The Award for Financial Journalism seeks to recognise the role of the media in promoting the development of the capital markets industry especially as a medium for public education and policy advocacy. The Award for Investor Education on the other hand is cognisant of the important role that public education plays in the development of the capital markets industry in Uganda and therefore recognises an individual or an organisation that has made considerable effort to this end. The following were declared winners in the respective categories;

- a. *Investor Education* - Akamai Global
- b. *Financial Journalist, print category* - Martin Luther Oketch of The Monitor
- c. *Financial Journalism, broadcast category* - Irene Birungi Mugisha of UBCTV

The Monitor emerged winner under the media house category.

This year's guest speaker was Dr. James Mwangi, the Managing Director and Chief Executive of Equity Bank (Kenya) who made a presentation on **'Banking the Unbanked; Equity Bank's Experience**. While presenting his keynote speech at the ceremony, Dr. Mwangi alerted the audience to the enormous potential demand for financial products in Uganda, banking in particular. Emphasizing the need for creativity and innovation, 'Banks need to reinvent themselves to be demand driven,' he said, in order to facilitate access to banking and financial services. Such innovation has enabled Equity Bank to hold 51% of all the bank accounts in Kenya.

Eastern Regional Trade Fair 2009

CMA participated in this year's Eastern Regional Trade Fair in Mbale district, from 28th May to 4th June 2009. During the trade fair, CMA interacted with close to 800 people who included; business persons, students, office workers and members of the general public. CMA's participation comprised;

- One-on-one discussions with visitors to the CMA stall;
- Two school seminars; Kimaluli High School and Semei Kakungulu Secondary School
- Two radio talk shows on Open Gate FM and Signal FM
- Three office seminars; Stanbic Bank, Mbale, Eastern Private Sector Development Company and Mbale Young Workers Fellowship

Whereas the general level of public awareness has increased over time, the general sentiment expressed was the need for market players to establish offices upcountry to boost public participation in capital markets.

University and School Seminars

During the period under review, CMA also held seminars with over 280 students of Kyambogo University Economics and Statistics Society, the Faculty of Economics and Management, Makerere University and Mbogo Mixed Secondary School

In addition, CMA hosted a group of 24 students ranging from 10 to 18 years, who were taking lessons on money management, saving and investing at Akamai Global, the winners of the Kikonyogo Investor Education Award. CMA has observed that students are increasingly showing interest in capital markets as personal savings options in addition to participating through investment clubs.

Regional and International Co-operation

The Securities Certification program has been instituted under the auspices of the Securities Industry Training Institute. The East African Securities Regulatory Authorities (EASRA) and the East African Stock Exchanges Association (EASEA) have agreed to a 5 person committee, the East African Securities Certification Committee (EASCC) which will oversee the body of knowledge and the examination content and process. The EASCC will include a lawyer, an accountant, a financial expert, an economist and a market practitioner. EASRA will be the appointing Authority. The certification program was developed under the auspices of the IFC/ESMID Program whose first round of funding/technical assistance has now been completed.

Home News

Information Technology Officer

CMA recruited Ms. Sophia Kununka as the new Information Technology Officer. Ms Kununka has joined the Authority at a critical time when the securities market prepares to migrate paper share certificates to the Securities Central Depository (SCD) where securities will be held in an electronic format. This will pave way for electronic trading.

Senior Research Officer Sabbatical

The CMA Board approved a 3 month sabbatical for the Senior Research Officer, Mr. Joseph Lutwama, in line with the human resource policy. An employee may take a sabbatical leave without pay once every three years for a period not exceeding twelve months. Mr Lutwama is working with the East African Community in Arusha as a short term Capital Markets Expert. His assignment is in part, to effect the recommendations of the recently concluded capital markets regionalization study that was conducted under the auspices of the International Finance Corporation (IFC) Efficient Securities Markets Institutional Development (ESMID) program.

Prequalification of bidders for the 2009/10 – 2011/12

In accordance with the Public Procurement and Disposal of Public Assets (PPDA) Act, all public entities are required to prequalify suppliers of goods, works and services. CMA has just concluded this exercise which delivered 132 successful applicants in various categories. 68 applicants were not successful. A full list of the prequalified list of suppliers will be made available on the CMA website.

Outlook

EASRA Meeting

The next East African Securities Regulatory Authorities (EASRA) meeting is scheduled to take place in the 3rd Quarter of 2009. The meeting will discuss the technical assistance that has been provided by IOSCO for the IOSCO principles assessment.





Capital Markets in the Press

It has not been an easy ride for Uganda's capital market and the Uganda Securities Exchange since Safaricom completed its Initial Public Offer. First, Safaricom failed to live up to the bill it promised. Instead, it turned out to be a bleak signpost of how equities can run amok and be risky business. And for Ugandans who took bank loans to buy Safaricom, the loss could double or triple depending on the cost of loan one took.

Second, was the banning of National Social Security Fund from carrying out any investments in stocks by the Ministry of Finance after allegations of mismanagement and insider trading. The current lack of activity on the bourse shows the bourse's over dependence on big money invested by NSSF.

Then, came the chaos in the US financial sector that watered down US securities market sparked off by the collapse of the US housing industry. The rest of what happened is now a well-known story. However, the impact of tiny securities market such as Uganda's has been more intense. Several eagle-eyed off shore investors have withdrawn their holdings and preferred to place them in 'more secure' places outside Uganda. The result has been an unstable foreign exchange regime and an abrupt dryness of the market leaving behind a small and weak collection of domestic investors who are mostly risk averse, run away every time the market turns bearish and prefer government bonds.

Although the USE, for example, is just over a decade old, its growth has been phenomenal. But that growth has in the last few months been brought to a halt by a cloudy investment atmosphere in which the market fears a repeat of Safaricom.

The general trend has been a slowdown in activity with only one or two counters hobbling through the market. The market can do any or all of the following to adapt to the current winds

Wait for the market to react. The open market has a self corrective dynamic and weary investors can choose to stay put and see what happens next. It is unfortunate that the Uganda market has 'allowed' itself to depend so much on the mood swings of the NSSF. This has made market trend dangerously predictable. And for those who are in the 'inside' it makes it easy to spot when the next turn is likely to take place - again not a fair game for those on the 'outside'.

Ultimately it is the retail investor who suffers whenever the market turns bearish. A cross-section of commentators have urged the government to fast track reforms in the pensions industry so that NSSF is stripped of the right of monopoly and therefore encourage more institutional investors to compete. And while this is taking place, we should continuously take lessons from what happened next door-Kenyan capital markets. The Capital Markets Authority in Kenya has pushed for more stringent laws and regulations to reign in on bogus brokers/dealers involved in defrauding investors. It is important for the regulator to keep a closer watch on 'advisers' who look out for regulatory loopholes to exploit investors.

Although there is optimism that the stimulus packages being offered by western countries to their corporations to resuscitate their economies will slowly trickle to developing countries like Uganda, it is unlikely that capital markets will immediately recover. Uganda's economy is expected to slow down tremendously next financial year as the country experiences an unexpected revenue collection shortfall and a reduction in donor funding for government programmes and projects. The spoken word from the Ministry of Finance officials claim that market normalisation may only be seen in the third quarter of next financial year. That makes capital markets a jittery area to venture but nonetheless the best option for long term investment.

QUOTES

'I am always of the view that Japan lives with the world. As Japan gets bigger and bigger, we must share the prosperity. We benefit because the world is prosperous'
yusuks kashiwagi, bank of tokyo

'The experience of the last decade [1923-1933] including years of so-called prosperity and very real adversity, does not teach any important new lessons. It merely teaches the same lessons that experience had taught in this and every other civilized country ever since the industrial era began. Increased wealth and incomes are produced by the exertions of the people themselves, not by paternalism in government'

THE RAILWAY AGE

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.

As at 30th June 2009, the following were the Broker/Dealers, Investment Advisors and Fund Managers licensed and regulated by CMA

<p>Uganda Securities Exchange (USE) <i>Stock Exchange</i> 2nd Floor Northern Wing Worker's House 1 Pilkington Road, P.O.Box 23552 Kampala Tel: 0414 343 297, 342818 Fax: 041 340841</p>	
<p>E-mail: info@use.or.ug Contact: Mr. Simon Rutega</p>	
<p>Baroda Capital Markets Ltd * <i>Broker/Dealer</i> Investment Advisor and member of USE Plot 18 Kampala Road P.O. Box 7197 Kampala Tel: 0414 233 680/3 Fax: 041 258263 E-mail: bob10@calva.com Contact: Mr. Rajesh Khanna</p>	<p>Crane Financial Services Ltd * <i>Broker/Dealer</i> Investment Advisor and member of USE Crane Chambers Plot 38 Kampala Road P.O. Box 22572 Kampala Tel: 0414 341414/345345 Fax: 041 341414 E-mail: cfs@cranefinancialservices.com Contact: Mr. Satish Kumar</p>
<p>Dyer and Blair Uganda Ltd * <i>Broker/ Dealer</i> Investment Advisor and member of USE General Manager Dyer and Blair P.O.Box 36620 Ground Floor Rwenzori House E-mail: shares@dyerandblair.com Contact: Mr. Samuel Njirwa</p>	<p>Equity Stock Brokers Ltd * <i>Broker/Dealer</i> Investment Advisor and member of USE Plot 6/6a Orient Plaza P.O. Box 3072, Kampala Tel: 0414 236012/3/4/5 Fax: 041 348039 E-mail: equity@orient-bank.com Contact: Mr. Edward Ruyonga</p>
<p>Crested Stocks and Securities Ltd * <i>Broker/Dealer</i> Investment Advisor 6th Floor Impala House Plot 13/15 Kimathi Avenue P.O. Box 31736, Kampala Tel: 0414 230900 Fax: 041 230612 E-mail: info@crestedsecurities.com Contact: Mr. Robert Baldwin</p>	<p>Fidelity Capital Management Limited <i>Broker/ Dealer</i> Investment Advisor 1 Floor Colline House Plot 4 Pilkington Road, P.O.Box 21091, Kampala Tel: 256 414 340497, 256 0312 101774 Contact: Ms. Robinah Atim</p>
<p>PKF Consulting Ltd <i>Investment Advisor</i> Plot 37 Yusuf Lule Road P.O. Box 24544, Kampala Tel: 0414 341523/5 Fax: 041 251370, 341371 E-mail: pkfkam@ug.pkfea.com Contact: Mr. Murtuza Dalal</p>	<p>MBEA Brokerage Services Limited * <i>Broker/Dealer</i> Investment Advisor and member of USE 44 Lumumba Avenue P.O. Box 24613 Kampala Tel: 0414 231960 Fax: 041 342045 E-mail: info@mbea.net Contact: Mr. Andrew Owiny</p>

<p>Dero Capital Uganda Limited <i>Investment Advisor</i> 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 Person: Mr. David Ofungi</p>	<p>PricewaterhouseCoopers Limited <i>Investment Advisor</i> 10 Floor Communications House 1 Colville Street Kampala Tel: 0414 236018, 041 233 743 Fax: 041 239153 E-mail: general@ug.pwc.com Contact: Mr. Francis Kamulegeya</p>
<p>African Alliance (Uganda) Limited * <i>Fund Manager, Unit Trust Manager, Investment Advisor</i> Broker/Dealer and member of USE 6th Floor Workers House Pilkington Road Kampala Tel: 0414 235577 Fax: 041 235575 E-mail: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko</p>	<p>Stanbic Investment Management Services (EA) Limited <i>Fund Manager, Investment Advisor</i> 11th Floor Crested Towers P. O. Box 7131, Kampala Tel: 031 224322/600 Fax: : 041 254697 E-mail: owinym@stanbic.com Contact: Mr. Martin Owiny</p>
<p>AIG Global Investment Company (EA) Limited <i>Fund Manager, Investment Advisor</i> Workers' House, 1 Pilkington Road, 7th Floor P O Box 9831, Kampala, Uganda Tel: 0414-340707/8 Fax: 0414-340750 E-mail: nicholas.malaki@aig.com Contact : Mr. Nicholas Malaki</p>	<p>ICEA Investment Services Limited <i>Fund Manager, Investment Advisor</i> Rwenzori Courts P. O. Box 33953 Kampala Tel: 256 412 347535 256 414 232337 E-mail: icea@africaonline.co.ug Contact: Mr. Gary Corbit</p>
<p>Deloitte Uganda Limited <i>Investment Advisor</i> 3 Floor Rwenzori House 1 Lumumba Avenue P.O. Box 10314 Kampala Tel: 256-414-343850 Tel: 256-752-740300 Contact: Mr. George Opiyo</p>	<p>Inter Alliance International (Uganda) Ltd <i>Investment Advisor</i> B4 Adam House Plot 11, Portal Avenue P. O. Box 21409 Kampala Tel: 0414 342411, 340846, 078 807079 Fax: 041 342411 E-mail: jatin.ghughu@ia-int.com Contact: Mr. Jatin Ghughu</p>
<p>Made in Africa IB (EA) Ltd. <i>Investment Advisor</i> Floor 1 Communications House P.O. Box 1610 Kampala Tel: 0414 233843, 343222,343269 Fax: 041 343277 E-mail: abumayanja@miaibe.net Contact: Mr. Abubaker Mayanja</p>	<p>The Profin Group Uganda Limited <i>Investment Advisor</i> Plot 10 School Lane Naguru, Kampala P O Box 36697, Kampala Tel: +256-414-533261/2 Fax: +256-414-533261 Email: Uganda@theprofinugroup.com Contact: Mr. Eric Du Plessis</p>
<p style="text-align: center;">DFCU Bank Ltd Trustee Collective Investment Schemes Impala House 13 Kimathi Avenue P.O. Box 70, Kampala Tel: 041 231784/256891/3, 031 300300 Fax: 231687/344260 E-mail: official@dfcugroup.com Contact: Ms. Agnes Tibayeita</p>	
<p style="text-align: center;">*Please note that only members of USE are allowed to transact business on the Stock Exchange</p>	