



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period October–December 2010

HIGHLIGHTS

- ▶ Regulatory Issues
- ▶ Market Development
- ▶ Public Education
- ▶ Regional and International Cooperation
- ▶ International News
- ▶ Human Capital Management
- ▶ Outlook
- ▶ Capital Markets in the Press

1.0 REGULATORY ISSUES

The following were the key regulatory issues during the period October to December 2010;

1.1 The Capital Markets Authority (Amendment) Bill 2010

The Capital Markets Authority (Amendment) Bill 2010 went through the first reading in parliament and was thereafter submitted to the Committee on Finance, Planning and Economic Development for consideration. Members of the committee, the C.E.O and the Legal and Compliance Manager of CMA visited Nairobi (Kenya) for a tour of CMA-Kenya and the Nairobi Stock Exchange (NSE) owing to the similarities of the Kenyan jurisdiction to Uganda. The delegation was able to witness firsthand the developments in the

capital markets hence get more insights into the capital markets.

1.2 Election to ICGU Council

CMA was nominated and elected to the Council of the Institute of Corporate Governance of Uganda (ICGU). By being on the Council, CMA will be involved in determining the policies and projects that will enhance corporate governance in Uganda for effective regulation. Florence Nviri (Director Finance and Planning) will represent CMA at the Council and Miriam Musaali, (Legal and Compliance Manager) will be the alternate.

2.0 MARKET DEVELOPMENT

2.1 Standard Chartered Bank Uganda Limited (SCBUL) Bond

The Standard Chartered Bank Uganda Limited (SCBUL) issued subordinated fixed rate notes of Ush 40 billion on 2nd December 2010. The offer closed on 3rd December 2010. All the notes issued were taken up through a private placement.

2.2 Nation Media Group Cross-Lists at Uganda Securities Exchange

Nation Media Group (NMG) became the 13th Company to be listed on the Uganda Securities Exchange (USE) and the 6th to be cross-listed from the Nairobi Stock Exchange (NSE) on 19th October 2010. NMG, which has majority shareholding in Monitor publications, NTV Uganda, KFM, and Nation Courier Services, brought over 157 million shares on issue in Kenya, closer to Ugandans. About 1,000 shares worth Ush 4.62 million were traded at the NMG counter on its first trading day at Ush 4,620/- per share.



3.0 PUBLIC EDUCATION

3.1 Monitor Publications Limited (MPL) Office Seminar

As part of the strategic objective to sensitize and empower the public to invest in the capital markets, CMA held an office seminar at Monitor Publications Limited (MPL), a subsidiary of the Nation Media Group (NMG). During the seminar, the C.E.O of CMA, Mr. Japheth Katto made a presentation to about 100 staff members of MPL. The presentation focused on the nature, operations and regulation of the capital markets in Uganda. The seminar empowered staff members of MPL with information on the various aspects of the capital markets.

3.2 Kampala University Seminar

The Research and market development department hosted a group of students from Kampala University on an educational tour. The visit was part of an industry tour for the students of Business and Accounting who study capital markets as part of their course units. The students also visited the Uganda Securities Exchange (USE) and learnt about the importance of the stock market to the economy of Uganda. As the capital markets in Uganda grow, educational institutions are increasingly interested in having their students learn more about the markets. To meet this need, CMA plans to work with the National Council for Higher Education and development partners to incorporate capital markets into various university courses.

3.3 CMA-ACCA Financial Journalists Training Seminar

CMA and the Association of Chartered Certified Accountants (ACCA)-Uganda organized a training seminar for financial journalists from 2nd - 3rd December 2010 at Imperial Botanical Beach Hotel. The workshop is part of the partnership between CMA and ACCA-Uganda to promote the quality of financial journalism in

Uganda. The training seminar was attended by 28 participants from broadcast and print media. The seminar covered the following topics: investigative journalism, the securities central depository (SCD), financial management and demystifying financial markets.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 Thirty Second (32nd) EASRA Meeting

The 32nd East African Securities Regulatory Authorities (EASRA) Consultative Meeting was hosted by CMA Kenya in Mombasa from 24th - 26th November 2010. Key issues that were discussed include:

- i. The need for members to intensify efforts geared towards harmonizing capital markets legislation;
- ii. The regional certification program for market players in the capital markets industry across the region;
- iii. Initiatives taken by various members to incorporate capital markets topics in schools and universities curriculum;
- iv. The need for harmonization of capital adequacy requirements for regional capital markets players; and
- v. The launch of the proposed East African Capital Markets Journal.

4.2 The Financial Services Authority (FSA) Annual International Seminar 2010 (30th November - 2nd December 2010)

The Financial Services Authority held its annual seminar under the theme "Supporting Financial Stability." The seminar brought together representatives of regulatory authorities from around the world who

deliberated on issues such as enforcement, financial stability, cross border supervision, recent international developments and their potential impact on regulators. CMA was represented at the seminar by Mrs. Miriam Ekirapa Musaali (Legal & Compliance Manager).

4.3 Regional Conference on EAC Integrated Payment and Settlement System(8th - 10th December)

The East Africa Community (EAC), held a conference to discuss the integration of regional payment systems, one of the enablers of the proposed East African Monetary Union (EAMU). The conference was held in Kigali, Rwanda from 8th - 10th December 2010. The theme of the conference was "Payment and Settlement Systems Development and Integration in the East African Community." The meeting focused on the actions that can be taken by governments, central banks and regulators to support innovation, development and integration of the payment and settlement system in the region. The conference addressed critical components of payment and settlement systems such as infrastructure, regulatory frameworks and institutions, markets, and emerging issues, such as technological influences on payments and settlements systems. Other issues discussed include linking national payment, clearing and settlement systems, and the integration of capital markets systems. CMA was represented by Anne Mpendo (Director, Research and Market Development) and Sophia Kununka (IT Officer).

5.0 INTERNATIONAL NEWS

5.1 Bralirwa IPO Opens in Rwanda

The share offer of Bralirwa opened on 23rd November and closed on 17th December 2010. The government of Rwanda was offering 25% of its stake in the manufacturing company to the public through an

IPO. The 128.6 million shares on offer are expected to raise US \$ 29.5 million. Bralirwa whose full name in French is *Brasseries et Limonaderies du Rwanda* has been the market leader in the beverage industry in the country since 1959. With over 50 years in the market, Bralirwa brands have become synonymous with Rwandan society. The Bralirwa share offer is part of the Government's privatization programme, and serves to help develop and promote a savings and investment culture amongst Rwandans by broadening citizens' shareholding of public enterprises. The IPO, the first of any local company presented an opportunity for Rwandans and East Africans to invest in one of the largest and profitable corporate companies in Rwanda.

(Source: THE INDEPENDENT, 7TH DECEMBER, 2010).

6.0 HUMAN CAPITAL MANAGEMENT

6.1 Staff Recruitment

The Compliance Officer (Legal) and Driver recruited by CMA reported in November 2010. The Compliance Officer (Legal) is expected to boost the capacity of CMA to regulate the capital markets in Uganda. On the other hand, the driver will strengthen the transport unit to better support the operations of the organization.

7.0 OUTLOOK

7.1 EASRA Meeting

Uganda will host the 33rd East African Securities Regulatory Authorities (EASRA) meeting from the 16th - 18th of March, 2011 in Kampala. The meeting will deliberate on the progress that has been made towards the regionalization of financial markets within the East African region.

EASRA is a forum that was established in 1997 to bring together capital markets

regulators from the member states of the East African Community with the goal of facilitating the harmonization of securities

laws, promotion of information sharing and cooperation among the members.

8.0 CAPITAL MARKETS IN THE PRESS

Parliament Asked to Pass Pending Financial Bills

By Walter Wafula

Daily Monitor, December 13th, 2010.

Uganda's parliament has been urged to pass the pending financial bills by Mr Japheth Katto, the chief executive officer, Capital Markets Authority (CMA). He said that over six financial laws that could bolster Uganda's financial sector are yet to be debated and passed by parliament. The laws include: the Uganda Retirements Benefits Authority Bill (URBA), the Capital Markets Authority (CMA) amendment bill, the Insurance amendment bill, the company, Insolvency, and Anti-Money Laundering bills among others. Finance Minister, Syda Bbumba recently said that some of the bills cannot be passed into law because of the current political mood as the country gears up for a general election.

"All these bills affect our industry and they are ready. If the current parliament passed these bills, they would actually make strong history because this can transform the way the business is run in Uganda," Mr Katto said. He was speaking to guests as PineBridge Investments, an asset and fund management company, celebrated attaining US \$ 1 billion (Ush 2.2 trillion) worth of assets and pension funds under management in Kenya and Uganda. About Ush 120 billion is managed in Uganda while the rest is in Kenya.

Mr Katto noted that the local fund management industry is growing very fast, necessitating the need for laws to develop and govern it well. By the end of September, pension funds under management by private companies in Uganda had reached Ush 375 billion, growing by 12% annually. "Ush 375 billion is not pocket change considering that these Pension funds are outside NSSF (National Social Security Fund)," he said. NSSF, the national pension fund, has up to Ush 1.8 trillion under management. Going by the current status and growth of the industry, Mr Katto noted that Uganda's pension fund industry has a huge growth potential. He emphasized that it was important for the laws governing the industry to be in place.

Mr Nicholas Malaki, the country manager Pinebridge Investments said that an increase in pension funds will provide a good source of finance for long term projects in the economy. Mr Joseph Kitamirike, the Chief executive officer Uganda Securities Exchange, pledged to provide a conducive environment for pension funds to thrive. "My challenge to Pine-Bridge is to use their scale and size to encourage innovation and promote ethical business practices," he said.

QUOTES

"The number one problem in today's generation and economy is the lack of financial literacy."

Alan Greenspan

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.

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 31st December 2010

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