



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period July–September 2011

HIGHLIGHTS

- ▶ Regulatory Issues
- ▶ 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 July to September 2011;

1.1 Suspension of National Insurance Corporation from the Uganda Securities Exchange

On 15th July 2011, National Insurance Corporation (NIC) was suspended from the bourse by USE for failure to meet continuous listing obligations namely the failure to publish audited financial accounts and failure to convene an annual general meeting. Although NIC published its audited accounts for the financial year ending 2010 and issued a notice for the annual general meeting (that was held on 28th September 2011), the suspension was extended pending the publication its half year results by end of September 2011. The suspension was lifted with the publication of the half year results and the counter resumed

trading at the bourse on 7th September 2011.

NIC was listed at the USE in March 2010 as part of the government divestiture program. The company is a provider of insurance and risk management services. The company has over 2,000 shareholders and a market capitalization of Ush 18.17 billion (US\$ 6.37 million) as at the end of the third quarter of 2011.

1.2 Publication of List of Licensed Persons & License Revocation

CMA published a list of persons that are licensed to conduct securities business in Uganda in two local daily newspapers (The New Vision and The Monitor) on 2nd August 2011. The Public Notice also included the revocation of the license of MBEA Brokerage Services Ltd.

Notable new entrants on the list of licensed entities include: Pearl Capital Partners issued with a fund manager and investment advisory licence; CFC Stanbic Financial Services issued with a broker/dealer licence; and Standard Chartered Bank issued with an investment advisory licence.

1.3 Approval of Publication of Regulations

The outgoing CMA Board of Directors approved the forwarding of several regulations to the Ministry of Justice and Constitutional Affairs for publication. They include: The draft Capital Markets Authority (Takeovers and Mergers) Regulations; Asset Backed Securities Regulations; and the statement of principles and the CMA Conduct of Business (Amendment) Regulations.

The Capital Markets Authority (Takeovers and Mergers) Regulations 2011 aim at providing a transparent and efficient system of takeovers



and mergers of listed companies while the Asset Backed Securities Regulations will apply to all offers of asset backed securities to the public by both private and public sectors.

Finally, the statement of principles and the CMA Conduct of Business (Amendment) Regulations aim at regulating the licencees conduct in their day to day business and provide for among other things: the requirement for a procedures manual for licencees; guidelines on staffing in licensed organizations; guidelines on dealing with CMA on the part of licencees; and the deletion of the Collective Investment Schemes conduct of business regulations that are catered for in the CIS Act.

1.4 Draft Regulations on Regional Fixed Income Securities

The outgoing CMA Board of Directors gave the go-ahead for consultations with stakeholders on the draft regulations for the issuance of regional fixed income securities in the East African Community (EAC) agreed upon during the 33rd East African Securities Regulatory Authorities (EASRA) meeting held in Entebbe (Uganda) in March 2011. The consultations are part of the country level discussions and approval process for the proposed regulations to ensure input from all stakeholders. The consultative meeting has been scheduled for the 25th November 2011.

The issuance of regional fixed income securities is expected to deepen and integrate capital markets in the EAC which is in line with advancing the provisions of the East African Common Market Protocol that provide for free movement of capital in the region. The move is also expected to create an opportunity for issuers to tap into the regional debt capital market to meet their funding needs.

2.0 PUBLIC EDUCATION

2.1 Public Education Seminars

As part of regional and international co-operation, CMA hosted a 10 member delegation from the Tanzanian Ministry of Finance that was in the country to study Ugandan capital markets on 31st August 2011. The visiting delegation was taken through operations of the capital markets in Uganda and cross-border trading providing them with insights into the Ugandan experience.

The Public Education Unit (PEU) held two seminars at East High school on 1st and 5th July 2011. Students from S5 and S6 were taught about personal finance, saving and investing. A total of 850 students were reached during the seminars.

In another effort to reach the public, the PEU held a seminar for the Young Overcomers (a youth empowerment group) on 29th July 2011. A total of 30 participants were educated on savings and investing in the capital markets.

The PEU in partnership with The Private Education Development Network (a Non-Profit Organisation promoting youth empowerment through the establishment of entrepreneurship and business skills programs) held a Youth Entrepreneurship Conference (YEC) that targeted secondary school students and non school-going youth, themed 'Financial Inclusion and Integration among the Youth'. The event was held at Kololo S.S.S in Kampala on Friday 19th August 2011 and Saturday 20th August 2011. CMA staff were at hand to provide information on personal finance, investing in the capital markets and formation of investment clubs. A total of seventy students participated while twenty teachers and members of the public were also reached.

2.2 Financial Literacy Initiatives

The PEU participated in two financial literacy initiatives organized by the Fin Lit Foundation. The first initiative was a re-

gional financial literacy clinic held in Mbale from 21st to 22nd July 2011. During the two day clinic, 250 participants visited the CMA stall where the Public Education Officer (PEO) sensitized them on various aspects of the capital markets. The PEO also made a presentation on the 'Basics of Capital Markets' to about 300 members of the public in Mbale.

The second initiative was the Financial Literacy week that was held from the 28th to 30th September 2011 at Lugogo Show Ground. A total of 200 members of the public were educated on investing in the capital markets.

FinLit Foundation is a concerted membership effort of financial sector players including Capital Markets Authority, Insurance Regulatory Authority, Uganda Insurers Association, Uganda Insurance Brokers Association, Uganda Bankers Association, and Association of Microfinance Institutions in Uganda (AMFIU). The Central Bank of Uganda has an MOU with the foundation. The main objectives of the Foundation include: increasing public participation in savings and investments in financial markets; influencing public attitude towards positive participation in financial markets; increasing public awareness to enhance consumer protection; and increasing public knowledge about financial institutions, services and instruments.

2.3 Uganda International Trade Fair

The PEU participated in the Uganda international Trade Fair at Lugogo Show Ground from 4th-11th October 2011. During the event, 300 members of the public visited the CMA stall and were provided information on personal finance, saving and investing the capital markets.

The Uganda International Trade Fair is an annual event that brings together exhibitors from various sectors of the Ugandan economy to showcase their products, interact with their clients and network with other businesses as a way of growing their

businesses.

2.4 Kikonyogo Capital Markets Award (KCMA) 2011

CMA hosted the annual Kikonyogo Capital Markets Award (KCMA) on 14th July 2011. Hon Mr. Justice Geoffrey Kiryabwire, Head of the Uganda Commercial Court gave the key note address on "Business Ethics in Uganda: Time to walk the talk" during the award ceremony. The event was graced by a total of 150 guests drawn from the private and public sector as well as the capital markets industry. Mr. Andrew Arinaitwe of Channel-44 emerged the overall winner and the winner in the TV Broadcast category, while Mr. Bernard Busulwa of the East African newspaper emerged the winner in the print category. The winners in each of the category were given promissory notes worth Ushs 1 million to invest in shares of companies listed on the Uganda Securities Exchange or units in collective investment schemes. The overall winner also attended a fully paid study trip to the South African capital markets from 22nd to 26th August 2011.

The Kikonyogo Capital Markets Award (KCMA) is an annual dinner event in Uganda's financial market, where nominees compete for the Award that recognizes their contribution to the development of capital markets in the preceding year. The 2011 KCMA Awards focused on rewarding journalists and media houses that had excelled in the financial journalism through stories on capital markets written in the period April 2010 to April 2011.

3.1 REGIONAL AND INTERNATIONAL CO-OPERATION

3.1 Burundi Joins EASRA

The Central Bank of Burundi ((Banque de la Republique du Burundi) joined the East African Securities Regulatory Authorities

(EASRA) on 11th August 2011 in Nairobi, Kenya. The ceremony to welcome Burundi was witnessed by the capital market regulators from the region including; Capital Markets Authority-Kenya Chief Executive, Mrs. Stella Kilonzo; Capital Markets Authority-Rwanda Executive Director, Mr. Robert Mathu (also current EASRA Chair); Capital Markets Authority-Uganda Director Legal and Compliance, Ms. Angela Kiryabwire; and Capital Markets and Securities Authority-Tanzania Chief Executive Officer, Dr. Fratern Mboya.

The admission of Burundi is a major milestone in the efforts to deepen and promote co-operation amongst the regulators in the East African region. The Central Bank of Burundi is the institution that oversees the development of capital markets in Burundi. Burundi joins Tanzania, Rwanda, Uganda, and Kenya in the growing EASRA membership.

EASRA was established in 1997 to promote integration of the capital markets in the East African region. It provides a consultative forum where regulatory authorities discuss matters of mutual interest that have a bearing on their operations.

3.2 Meeting for East Africa Finance Ministers

The meeting of EAC Finance Ministers was held on 12th August 2011 in accordance with the recommendations of the Pre-budget consultative meeting of the Finance Ministers held in Kampala from 4th to 7th May 2011. CMA was represented by the Director Legal and Compliance and the Manager Research and Policy.

During the meeting, discussions were held on the progress that had been made on the establishment of a monetary union in the region with the focus being on the implementation of the Custom's Union protocol; harmonization of: monetary and exchange rate policy, banking supervision, payment systems, financial markets and information technology, regional monetary and finan-

cial statistics. The meeting also discussed the harmonization of the insurance and the pensions industry within the region.

3.3 Sectoral Council on the EAC Monetary Union

The first meeting of the sectoral council on the EAC monetary union was held from 31st August to 1st September in Nairobi, Kenya. CMA was represented at the meeting by the Director Legal and Compliance and the Manager Research and Policy. During the meeting, discussions were held on the report of the meeting of Ministers for Finance that had been held on 12th August in Nairobi. The progress of the various sectoral committees on matters related to the East African monetary union (EAMU) was also discussed. The four sectoral committees are: Committee on fiscal affairs; Committee on Monetary Affairs; Committee on Capital Markets, Insurance and Pensions; and committee on Statistics. The meeting also focused on the progress being made by the high level task force negotiating the East African Monetary Union.

4. INTERNATIONAL NEWS

4.1. Standard & Poor's Downgrades US Debt

Standard & Poor's (S & P) downgraded the US long term sovereign credit rating by one notch from triple A (AAA) to double A plus (AA+) in a contentious and historic move that highlighted the weakened fiscal stature of wealthiest nation on earth. S&P said that the long-term outlook for the US remained negative and it could lower the rating further to double A (AA) within two years if there is less spending reduction than that agreed under the debt ceiling deal, interest rates rise in the US or the US debt climbs.

The US Federal Reserve quickly moved to reassure banks after the S&P announcement, saying that it will continue to accept Treasuries as collateral as usual and

that banks will suffer no capital penalty for holding US government debt. The rating downgrade could impact US mortgage rates which are pegged to the price at which the US government borrows money.

(Source: Financial Times, London, 6th August 2011).

5.0 HOME NEWS

5.1 Recruitment of a Senior Finance and Planning Officer

CMA recruited Mr. Nicholas Mbagu as the Senior Finance and Planning Officer (SFPO). He reported for work on 1st August 2011. Mr. Mbagu holds a Bachelors Degree in Business Administration from Makerere University and is a member of the Association of Chartered Certified Accountants (ACCA) and the Institute of Certified Public Accountants of Uganda (ICPAU). He brings to CMA a wealth of experience spanning over seven years in the field of accounting.

5.2 Sabbatical Leave for Compliance Officer (Legal)

The outgoing CMA Board of Directors approved a sabbatical leave for the Compliance Officer (Legal) Ms. Nusula Nassuna. She proceeded to the United Kingdom where

she is pursuing a Masters Degree in Law at the University of Manchester.

5.3 End of the CMA Board of Directors Term

The term of the CMA Board of Directors came to an end on 21st August 2011 after a 3 year period of sterling service. The Minister of Finance is expected to appoint a new Board drawn from nominees of various stakeholders and interest groups. CMA takes this opportunity to appreciate the devotion and diligence of the outgoing board in ensuring that the Authority effectively executes its mandate of promoting, developing and regulating the capital markets industry in Uganda.

6. OUTLOOK

CMA will be hosting a consultative meeting with different stakeholders on the proposed regulations for the issue of regional bonds. During the meeting that has been scheduled for 25th November, input will be obtained from interest groups on issues such as: eligibility for the corporate to issue bonds; the minimum size of bond issues; and disclosure requirements to help regulators assess the financial position of issuers.

7. CAPITAL MARKETS IN THE PRESS

Umeme Yet to Apply for Formal Share Float

By Faridah Kulabako

Daily monitor, September 13th, 2011

The Capital Markets Authority (CMA) and the Uganda Securities Exchange (USE) indicated that they are yet to receive a formal application from power utility company Umeme for the floatation of shares on the local bourse dampening the hopes of investors who had hoped to own a part of the company. Mr Japheth Katto, CMA Chief Executive Officer, was quoted saying that CMA was aware of plans by the power company to float shares from informal discussions but no formal application had been lodged yet. The USE Executive Director, Joseph Kitamirike was also quoted saying that Umeme had not approached the bourse yet.

Umeme Managing Director Charles Chapman was cited by a section of the Kenyan press saying that the company plans to sell its shares through an Initial Public Offering (IPO) on the USE and the Nairobi Stock Exchange (NSE) by March 2012. The press reports however, indicated that the company was yet to get approvals from the respective capital markets regulators. Mr Chapman was further quoted saying that Actis, a UK-based private equity fund that currently owns Umeme, would make the ultimate decision on when Umeme will go public, and whether to list it in both Kampala and Nairobi.

Efforts to get a comment from Umeme were futile as calls to the known company numbers went unanswered. If it floats shares, the Umeme IPO would become the second Ugandan share sale to be opened up to Kenyan investors after the Stanbic Uganda offer in 2007 that generated huge interest from Kenyans. The company would be the eighth firm to float shares on both the USE and the NSE and will offer domestic investors more alternatives on the local bourse. With a 9 % penetration rate, Uganda has the lowest electricity connectivity rates in the region compared to Kenya's 16% connectivity rate and Tanzania's 14%, according to a report by South African based firm, Goodson Capital Partners.

QUOTES

"Don't gamble; take all your savings and buy some good stock and hold it till it goes up, then sell it. If it does not go up, don't buy it."

Will Rodgers (American Social and Economic Commentator during the great depression)

DISCLAIMER

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<p><i>*Please note that only members of USE are allowed to transact business on the Stock Exchange</i></p>	