



**Capital Markets Authority**  
Protecting Your Investments

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## INTRODUCTION

This Electronic Quarterly Review covers the period April-June 2012

## HIGHLIGHTS

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

### 1.0 REGULATORY ISSUES

The following were the key regulatory issues during the period April-June 2012;

#### 1.1 Principles to the Proposed Capital Markets Authority Amendment Act

The Principles to the proposed amendments of the Capital Markets Authority (CMA) Act were approved by the Board of Directors of CMA. Following the Board's approval, the Principles were forwarded to the Ministry of Finance, Planning and Economic Development with the Minister for Finance expected to table them before the cabinet for consideration. The principles provide background information as well as the rationale behind the proposed amendments to the CMA Act.

The proposed amendments to the CMA Act are expected to enable the CMA to sign the International Organization of Securities Commissions (IOSCO) Multilateral Memorandum of Understanding (MMOU). The IOSCO MMOU is a global information-sharing agreement among securities regulators. The MMOU sets a benchmark for cross-border co-operation critical to combating violations of securities and derivatives laws.

### 2.0 MARKET DEVELOPMENT

#### 2.1 Bonus Issues

The CMA Board of Directors on 26<sup>th</sup> June 2012 approved the issue of bonus shares by Jubilee Holdings Limited and Stanbic Bank Uganda Limited.

Shareholders of Jubilee Holdings Limited (JHL) at an Annual General Meeting held on 23<sup>rd</sup> May 2012 passed a resolution allowing for the bonus issue. The approval by the CMA Board of Directors will enable the insurance firm to issue and list an additional 5.4 million ordinary shares in the ratio of one (1) new ordinary share for every ten (10) ordinary shares held.

At the same time, Stanbic Bank Uganda Limited (SBU) will also be issuing bonus shares following the passing of a resolution by shareholders at the Annual General Meeting held on the 21<sup>st</sup> May 2012. The bonus shares will see the bank raise Ush 4.2 Billion aimed at boosting its paid up share capital from Ush 6 Billion to Ush 10.2 Billion.

JHL is a life and non-life insurance company cross-listed from the Nairobi Securities Exchange (NSE) with subsidiaries operating in all



the 5 member states of the East African Community, while SBU is Uganda's most profitable and largest bank in terms of as-sets and branch network. It is part of the South African based Standard Bank Group and listed its shares at USE in 2007.

## **2.2 African Development Bank to Issue Bond**

African Development Bank has submitted an application to CMA seeking to raise Ush 50 billion through the issue of a bond. The application is currently under consideration by the Authority. The Bond issue is expected to allow the multi-lateral lender flexibility to issue bonds in tranches enabling the bank to meet its clients' local currency funding requirements.

The African Development Bank is a multi-lateral lender established in 1963 to spur sustainable economic development and social progress in its member countries by mobilizing and allocating resources for investment in member states; and providing policy advice and technical assistance to support development efforts. Its members include 53 African countries and 24 non-African countries.

## **3.0 PUBLIC EDUCATION**

### **3.1 CMA - ACCA Journalist Training**

CMA in partnership with the Association of Chartered Certified Accountants (ACCA), held a training seminar for journalists drawn from various media houses in the country from 21<sup>st</sup> to 22<sup>nd</sup> June 2012. During the seminar various speakers took the journalists through a wide range of topics such as: the new pension law and its implications; the repercussions of the proposed East African Community Monetary Union; personal financial management; and financial news reporting.

The CMA-ACCA partnership is a capacity

building program for financial journalists in Uganda. The main objective of the program is to establish ways of striking a rapport with the media in Uganda and training them on financial matters to enhance the understanding, interpretation and quality of reporting on financial sector issues.

### **3.2 Office to Office Seminars**

The Public Education Unit (PEU) conducted two Office to Office Seminars at Bank of Uganda and the Inspectorate of Government. During the seminars, participants were educated on personal finance, saving and investing in the capital markets. Several publications of CMA were also distributed to the participants. A total of 296 participants were reached during both seminars.

### **3.3 Uganda Manufacturers Association (UMA) Western Uganda Trade Fair**

The PEU participated in the Uganda Manufacturers Association (UMA) Western Uganda trade fair from 28<sup>th</sup> May to 4<sup>th</sup> June 2012. The trade fair drew participants from a wide cross-section of the public. During the trade fair, information was disseminated on issues pertaining to the capital markets such as: the role of CMA, personal financing, saving and investing in the capital markets. A total of 240 members of the public were reached at the trade fair.

During the same period of the trade fair, the PEU met separately with teachers and students from Mbarara High School, Ntare School and Mary Hill. A total of 311 teachers and students were sensitized on issues pertaining to saving and investing in the capital markets.

### **3.4 Investment Clubs Initiative**

CMA in partnership with the Association of Chartered Certified Accountants (ACCA) held an assessment exercise for 8 investment clubs at Universities in Uganda set up through the CMA's public educa-

tion outreach program. During the assessment exercise, the investment clubs were evaluated based on: their governance structures; sustainability; and their overall communication strategies. A total of 6 investment clubs progressed to the final phase slated for September 2012 that will see one of the investment clubs crowned a model club.

CMA has over the years encouraged the formation of investment clubs as a means of enhancing awareness and participation of youth in the capital markets and the financial sector in general. CMA and ACCA plan to provide technical support to the investment clubs in areas such as record keeping and corporate governance as part of their renewed Memorandum of Understanding (MOU) signed in 2011 that has a provision for partnership in the promotion of financial reporting among investment clubs in the country.

#### **4.0 REGIONAL AND INTERNATIONAL CO-OPERATION**

##### **4.1 The East African Community Sectoral Council on Finance and Economic Affairs, 14<sup>th</sup> -18<sup>th</sup> May 2012, Kampala Uganda.**

The East African Community (EAC) Sectoral Council on Finance and Economic Affairs meeting was held in Kampala from 14<sup>th</sup> -18<sup>th</sup> May 2012. The EAC Sectoral Council was preceded by the EAC Capital Markets Insurance and Pensions Committee (CMIPC) meeting held between 8<sup>th</sup> and 10<sup>th</sup> May 2012. CMA was represented at the CMIPC meeting by the Chief Executive Officer, the Manager-Public Education and Manager-Research and Policy, while the Research & Policy Manager together with the Director Legal and Compliance attended the Sectoral Council meeting on Finance and Economic Affairs.

Key resolutions passed during both meetings with respect to capital markets de-

velopment was the adoption of the Regional Directives Framework as the basis for the legal and regulatory framework for the EAC regional capital markets. The regional directives will lay out principles for cross border activities which will be domesticated into the national capital markets laws of the EAC Partner States. A task force was established to commence work on the development of regional directives. This task force held its first meeting from 4<sup>th</sup> -8<sup>th</sup> June 2012 in Dar-es-Salaam, Tanzania with CMA being represented by the Manager-Legal Affairs.

The EAC Sectoral Council on Finance and Economic Affairs brings together Ministers of Finance from EAC member states to issue directives, take decisions, make recommendations on finance and economic issues within the region in accordance with the provisions of the Treaty establishing the EAC. On the other hand the EAC CMIPC is mandated to enhance cooperation in the EAC financial sector through harmonization of policies on capital markets, insurance and pensions.

##### **4.2 The 37th International Organization of Securities Commissions Annual Conference, 13<sup>th</sup> -17<sup>th</sup> May 2012, Beijing, China**

The International Organization of Securities Commissions (IOSCO) held its 37<sup>th</sup> Annual Conference in Beijing from 13<sup>th</sup> -17<sup>th</sup> May 2012 with the China Securities Regulatory Commission (CSRC) being the host.

Critical areas discussed during the meeting include: the new financial architecture and international standards setting in the post-crisis era; financial market infrastructure, Over The Counter (OTC) derivatives, and market integrity; capital markets development and regulatory trends in Emerging Markets; and regulation of commodity futures and financial derivatives. CMA was represented at the meeting by the Chief Executive Officer.

The International Organization of Securities Commissions (IOSCO) is an association of organizations that regulate the world's securities and futures markets. IOSCO's role is to assist members promote high standards of regulation and act as a forum for national regulators to cooperate with each other and other international securities regulators.

## 5.0 INTERNATIONAL NEWS

### 5.1 Moody's Cuts Ratings of 15 Banks with Global Capital Markets Operations

Ratings agency, Moody's downgraded 15 of the world's biggest banks on 21<sup>st</sup> June 2012, lowering credit ratings by one to three notches to reflect the risk of losses they face from volatile capital markets activities. However in swift rejoinders, most of the downgraded banks criticized the move. Morgan Stanley, one of the most closely watched firms in the much anticipated review, had its long-term debt rating lowered by two notches, one level less than expected. The downgrade left Morgan Stanley highly rated than Bank of America Corporation and Citigroup, but a step below Goldman Sachs Group. Credit Suisse, which had earlier been warned about weak capital levels by Switzerland's Central Bank, was the only bank in the group to suffer a three-notch downgrade.

Financial markets have been bracing for the downgrades since February this year, when Moody's Investors Service said that it had launched a review of 17 banks with global capital markets operations. These companies faced diminished profitability and growth prospects due to difficult operating conditions and increased regulation. The long-term debt ratings cuts could increase funding costs for Morgan Stanley and other banks, and trading partners may ask for more collateral.

Besides Morgan Stanley, two other banks fared better than expected. UBS could have been downgraded by three notches but was only bumped down two spots. Hong-kong and Shanghai Banking Corporation (HSBC) could have fallen by two, but dropped only one notch. Other banks downgraded by two notches were: Barclays, BNP Paribas, Royal Bank of Canada, Citigroup, Goldman Sachs Group, JPMorgan Chase, *Credit Agricole*, and Deutsche Bank. Along with HSBC, ratings for Bank of America, Royal Bank of Scotland and *Societe Generale* were also cut by one notch. Nomura and Macquarie were included in an original list of global banks under review, but had already been downgraded.

**Source:** Reuters News Agency, Thursday 21, 2012

## 6.0 HOME NEWS

### 6.1 Staff Resignation

During the period under review, CMA accepted the resignation of Mr. Patrick Kadema (Manager-Compliance) and Hope Ejang (Senior Public Education Officer). They had both served the organization diligently for a period of 6 years. The Authority would like to thank them for their invaluable services to the capital markets industry in Uganda and wish them all the best in their future endeavors.

## 7.0 OUTLOOK

CMA will be hosting the annual Kikonyogo Capital Markets Awards (KCMA) tentatively in September 2012. The 2012 KCMA will be the tenth edition of the Award and CMA intends to mark this milestone by holding a bigger event different from the previous editions. A CMA taskforce has been working tirelessly in preparation for this signature event.

KCMA is an annual dinner event in Uganda's financial market, where nominees compete

for the Award that recognizes their contribution towards the development of capital markets in the preceding year.

## 8.0 CAPITAL MARKETS IN THE PRESS

### AFRICAN DEVELOPMENT BANK GETS APPROVAL TO ISSUE BONDS IN UGANDA'S CAPITAL MARKETS

By Dorothy Nakaweesi

The Daily Monitor, May 7, 2012

The African Development Bank (AfDB) has received approval from the Government of Uganda to apply for the issue of Uganda shillings denominated bonds in the local capital markets. According to Mr. Pierre Van Peteghem, the treasurer of the AfDB Group, the multilateral lender has filed the necessary Bond application documents with the Capital Markets Authority to obtain the regulatory approval to launch the Bond Program.

The Bond Program is expected to allow the bank flexibility to issue bonds on a routine basis, in tranches, rather than as a standalone transaction. The Note Program will also put the Bank in a position to expeditiously meet its clients' local currency funding requirements.

Ms Olivier Eweck, the manager, African Currencies Funding in the bank's treasury department, indicated that the bond will be structured to suit the funding requirements and repayment profiles of underlying project loans. African Alliance Uganda is the lead sponsoring broker for the Bond Program.

Commenting about the development, Mr. Japheth Katto, the Capital Markets Authority Chief Executive Officer, said the move comes at the right time when businesses are looking for financiers of long-term projects. "There has been a short supply of funds for Uganda's long-term projects and we think AfDB's gesture will go along away in providing finances for infrastructure development," Mr Katto said.

As part of its local currency initiative, the AfDB has since 2005 issued a series of bonds in local currencies including the Botswana Pula, Ghana Cedi, Kenya Shilling, Tanzania Shilling, Uganda Shilling, Zambian Kwacha and the Nigerian Naira.

## QUOTES

*"An investor without investment objectives is like a traveller without a destination"*

**Ralph Seger (Co-founder and Chairman Emeritus of Seger-Elvekrog)**

## DISCLAIMER

*While every care has been taken in the preparation of this publication, CMA provides no guarantee with regard to the content and completeness of figures and information in the publication and does not accept any liability which might arise from making use of this information.*

## LIST OF LICENCEES

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 30<sup>th</sup> June 2012.

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8.	<b>Dero Capital Ltd</b> Investment Advisor	Ground Floor Course View Towers Plot 21 Yusuf Lule Road P. O. Box 5970 Kampala, Uganda Tel: +256-712-638644, +256-702-638644, Fax: +256-414-220727 Email: info@derocapital.com Contact: Mr. David Ofungi
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