



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period January–March 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 January to March 2012;

1.1 Regulations on Regional Fixed Income Securities

Following the 35th Consultative Meeting of The East African Member States Securities Regulatory Authorities (EASRA) held in Burundi on 15th March 2012, regulations for regional bonds were approved. The approval came after members had conducted country level discussions that saw them collect views on the proposed regulations. The views collected regionally were compiled into the final regulations. All EASRA member states are now expected to domesticate these regulations into their national legal frameworks.

Regional bonds are expected to provide re-

gional opportunities for companies seeking to raise long term capital as well as contribute to the deepening and integration of capital markets in the East African Community. This is in line with provisions of the East African Common Market Protocol that provides for free movement of capital in the region

1.2 Inspection of Market Intermediaries

The Legal and Compliance Department of the Capital Markets Authority (CMA) completed the inspection of various market intermediaries licensed by CMA during the quarter. The inspections, which commenced on 28th November 2011 combined aspects of a risk based approach in addition to compliance based approach.

The Security Central Depository (SCD) at the Uganda Securities Exchange (USE) was also inspected between 9th-11th January 2012 with CMA engaging Mr. Vipin Mahabirsingh (A consultant and Managing Director of the Central Depository & Settlement Co. Ltd Mauritius) to provide technical support.

2.0 MARKET DEVELOPMENT

2.1 Annual Directors and Company Secretaries Conference

CMA in partnership with the New Vision Group and the Institute of Chartered Secretaries and Administrators (ICSA) held the first annual conference for Directors and Company Secretaries on 8th February 2012. The event brought together participants from the private sector as well as the public sector. The main focus of the meeting was the enhancement of corporate governance practices in Ugandan companies.



The New Vision Group is a leading media house in Uganda with print and broadcast units. It is also listed on the Uganda Securities Exchange (USE). ICSA is the international qualifying and membership body for the Chartered Secretary profession. ICSA offers professional qualification covering business, company law and corporate governance. It also provides training in management, finance and accounting, administration and company secretarial studies.

3.0 PUBLIC EDUCATION

3.1 CMA - ACCA "Candid Couch- Unpacking Financial Concepts Forum"

CMA and the Association of Chartered Certified Accountants (ACCA), under their partnership aimed at enhancing the quality of financial journalism in Uganda, established a forum for discussion of pertinent financial issues dubbed 'The Candid Couch - Unpacking Financial Concepts'. The Candid Couch will take the form of panel discussions by financial sector experts, guided by a moderator. This forum has been incorporated in the partnership calendar of events.

The first ever Candid Couch was held on Monday 12th March 2012, with the theme of the discussion being 'Uganda's Economic Downturn; Causes, Effects and Remedies'. During the discussion, Mr. Jared Osoro (The Chief Economist at the East African Development Bank) provided an analysis of the challenges and effects of the current economic situation in the country to over 20 journalists in attendance.

3.2 School Seminars

The Public Education Unit (PEU) conducted a seminar for exchange students from the School of International Training (SIT). The seminar focused on the history of the capital markets in Uganda, achievements and challenges faced by the industry. SIT is an

organization that provides education, exchange, and development programs that cultivate leadership and social innovation needed in a globalized world. The institution has programs that offer American high school and undergraduate students a chance to have immersive, life-transforming experiences in more than 70 countries.

The Public Education Unit also held two office to office seminars at Smile Telecom and the National Planning Authority. During the seminars, a total of 78 people were educated on personal finance, saving and investing in the capital markets.

Smile Telecom is a South African-based low cost telecoms firm that provides affordable communications to the poor. On the other hand, the National Planning Authority is the principal statutory agency responsible for coordination of national and decentralized development planning and management processes and production of comprehensive integrated National Development Plans (NDP) for Uganda.

3.3 Trainer of Trainers for Secondary School Teachers

The Public Education Unit participated in the National Curriculum Development Center (NCDC) entrepreneurship training programs in Mbarara and Gulu in January 2012. The training program targeted secondary school teachers of the entrepreneurship subject. The exercise was part of a program by the NCDC aimed at boosting the capacity of secondary school teachers to roll out the revised "A" Level entrepreneurship curriculum that includes aspects of the capital markets.

The Manager-Public Education and Senior Public Education Officer (SPEO) participated in the exercise as facilitators that saw over 300 teachers being sensitized on capital markets and other financial literacy matters.

3.4 Exhibitions

The Public Education Unit participated in two exhibitions; the Banking, Finance and Insurance (BFI) expo from 22nd - 24th April and the Private Sector Foundation Uganda SME Event from 29th-31st April 2012. The two exhibitions enabled CMA to interact with a total of about 295 people from all walks of life including teachers, business owners, and farmers.

H.E Edward Ssekandi, the Vice President and Hon. Amama Mbabazi, the Prime Minister of the Republic of Uganda both visited the CMA stall during the BFI and PSFU events respectively. Key areas of interest for the majority of visitors to the capital markets stall were the cost and process of investing in the stock and bond markets.

3.5 Investment Clubs Workshop

The Public Education Unit facilitated a workshop for 22 members of the public, dubbed the 'Great Minds Workshop'. The meeting was organised by a team of working professionals, and business persons interested in forming an investment club, and was held on 31st March 2012 at Yovani Hotel. The meeting was a reflection of the growing public interest in collective investment and the Public Education Unit plans to continue providing capital markets information to such audiences, with the ultimate objective of enhancing public participation in Uganda's capital market.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 35th East African Member States Securities Regulatory Authorities (EASRA) Meeting, 13th-15th March 2012, Bujumbura, Burundi.

The 35th East African Member States Securities Regulatory Authority (EASRA) meeting was held between 13th-15th March

2012 in Bujumbura, Burundi. CMA was represented at the meeting by the Chief Executive Officer (CEO), Director Legal and Compliance, Manager Compliance and Manager Research and Policy.

During the meeting, the regional certification program under the Securities Industry Training Institute (SITI) was approved. The certification program aims at developing professional regional market intermediaries in the capital markets. The meeting also adopted the regional regulations for fixed income securities and requested members to work towards domestication in their respective legal frameworks. The regulations will provide a wide pool for regional companies to raise funds. At the same times, member states were also urged to domesticate regional corporate governance regulations for market intermediaries.

EASRA is a forum for East African capital markets regulators established in 1997 by the signing of a memorandum of understanding between Tanzania, Kenya and Uganda. Rwanda joined the forum in March 2008 while Burundi was admitted in August 2011. The main objectives of EASRA are; information sharing among the members; mutual assistance and cooperation between members; and advancing the integration of the East African capital markets. Members of EASRA meet three times a year to discuss, deliberate and make decisions on a number of capital markets regulation and development issues within the region.

4.2 Financial Sector Conference, 27th -28th February 2012, Arusha, Tanzania.

The CEO and Manager Research and Policy attended a regional conference on the East African financial markets organized by the East African Community (EAC) Secretariat, the International Monetary Fund (IMF) and the Canadian International Development Agency (CIDA).

The theme of the conference was "The East African Community after 10 Years: Deepening EAC Integration". The meeting was attended by over 100 regional and international experts and policy makers including EAC Ministers of Finance, Central Bank Governors and Permanent Secretaries. The meeting focused on EAC's accomplishments, the benefits of regional integration, relevant international experience, and the macroeconomic policy challenges going forward.

The CEO was one of the discussants of a paper entitled "Promoting EAC Regional Financial Integration" presented by the Governor of the Central Bank of Rwanda. This session discussed developments in EAC financial markets over the past decade, including progress toward greater capital market integration. It further assessed the constraints to further regional integration and the remaining policy priorities.

4.3 28th Africa and Middle East Regional Committee-International Organisation of Securities Commissions Meeting, 22nd-24th February 2012, Mombasa, Kenya

The Capital Markets Authority (Kenya) hosted the 28th Africa and Middle East Regional Committee (AMERC) conference of the International Organisation of Securities Commissions (IOSCO).

The two-day meeting theme was 'Regional Co-operation for Capital Markets Stability: Harmonisation of Regulatory and Policy Frameworks'. The conference was a platform to share insights of regional co-operation strategies for enhancing capital markets stability and crosscutting capital markets issues. The CEO of CMA-Uganda chaired a session on integration of EAC capital markets.

Africa/Middle East Regional Committee (AMERC) is one of four (4) regional committees of the International Organiza-

tion of Securities Commissions (IOSCO). AMERC is currently chaired by the Director General of the Securities and Exchange Commission Nigeria, Arunma Oteh. The International Organisation of Securities Commissions (IOSCO) is an association of organisations that regulate the world's securities and futures markets. The organisations role is to assist members to promote high standards of regulation and act as a forum for national regulators to cooperate with each other and other international organisations.

4.4 World Bank Financial Literacy Dialogue, 13th February 2012, Nairobi, Kenya

CMA was represented at the Dialogue on Financial Literacy and Capability in Nairobi that was organised by the World Bank on 13th February 2012. CMA was invited due to its successful public education programs, particularly the school-based financial literacy programs that had caught the attention of the organizers. The dialogue aimed at bringing together regional players in financial literacy and seeking ways of strengthening financial capability within the East African region. CMA was represented by the Public Education Manager during the event.

5.0 INTERNATIONAL NEWS

5.1 Facebook Files Initial Public Offer Registration Documents

Social networking company, Facebook, filed Initial Public Offer (IPO) registration documents on 1st February 2012 with the Securities and Exchange Commission that regulates capital markets in America. The company aims at raising US \$5 billion from the IPO with the amount projected to reach US \$10 billion, depending on investor demand. The IPO will be the largest by an internet company in history.

Facebook currently trades at a valuation of US \$89.4 billion on *Sharespost*, a pri-

vate market, with the value expected to exceed US \$100 billion after the IPO. That would make its market capitalization greater than iconic American companies like McDonald's, Citigroup, and Kraft Foods. It would also turn founder and CEO Mark Zuckerberg into one of the richest people in the world, with an estimated net worth of over US \$20 billion.

Facebook's IPO filing is the first step toward becoming a public company, which will happen once the company's shares officially start trading later in the year. The company chose Morgan Stanley as the lead *bookrunner*. Goldman Sachs, Bank of America Merrill Lynch, Barclays Capital and JP Morgan will also participate in the deal. Facebook's IPO filing marked the first time that public market investors scrutinized the company's books. The social network, which has over 800 million users worldwide, earned US \$1 billion in profit on revenue of \$3.7 billion in the year 2011.

Facebook's public debut will be a crowning moment for a series of Internet IPOs that have occurred since the beginning of 2011.

Source: *Time Business*, Wednesday, February 1, 2012

6.0 HOME NEWS

6.1 Inauguration of New Board of Directors

The Minister of Finance and Economic planning inaugurated the new CMA Board of Directors on 21st February 2012. The new Board that was appointed by the Minister on 10th October 2011 will serve for a three year term. During the welcoming party for the new board, the Minister commended the outgoing Board for its contribution to the development of Uganda's capital markets and urged the new Board to continue with the work of enhancing Uganda's capital markets as an alternative source of financing.

7.0 OUTLOOK

CMA in partnership with the Association of Chartered Certified Accountants (ACCA) plans to hold an Investment Club Challenge for university students before the end of the financial year 2011/2012. 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 financial sector in general. This event will provide an opportunity to recognize and reward investment clubs in universities country-wide. CMA and ACCA plan to provide continual technical support to the investment clubs in areas such as record keeping and corporate governance.

8.0 CAPITAL MARKETS IN THE PRESS

KIWANUKA SEEKS OPTIONS FOR INFRASTRUCTURE FUNDS

By Edgar Angumya

The Observer, February 29, March 2012

The ministry of Finance, Planning and Economic Development is considering floating an infrastructure bond to raise funds for public projects in the transport and energy sectors, according to the line Minister, Ms. Maria Kiwanuka. During the inauguration ceremony for the new Board of Directors of the Capital Markets Authority, the Minister pointed out that issuing such innovative instruments will ease the burden on the Government to fund huge infrastructure projects at a time when resources are limited. She, however, noted that the country's capital markets industry has to be prepared to host such innovative instruments. Ms. Kiwanuka added that her ministry is formulating a Public Private Partnership strategy that would allow the sharing of costs and revenue between private investors and Government.

The Minister urged the new Board to adequately prepare Uganda's capital markets as an alternative source of financing for both the private sector and Government by introducing new market segments to help small and medium enterprises access funds from the stock exchange, preparing the market for government infrastructure bonds and the financing needs of the oil and gas sector. She said the CMA Act would have to be revised to cater for the regulation of such innovations.

Governments globally issue infrastructure bonds on the stock market to attract funds for development purposes. Regionally, Kenya has a 12-year infrastructure bond. The Government is also currently working with various stakeholders to set up the Uganda Infrastructure Fund which is expected to attract funds for the transport and energy sectors.

Grace Jethro Kavuma, a qualified accountant and the current Chief Finance Officer of Barclays bank Uganda, replaced Twaha Kaawaase as the chairman of the board.

QUOTES

"We should be fearful when others are greedy and greedy when others are fearful."

Warren Buffett (American business magnate and philanthropist)

DISCLAIMER

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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 31st March 2012.

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