



Capital Markets Authority
Protecting Your Investments

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INTRODUCTION

This Electronic Quarterly Review covers the period July-September 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 July to September 2012;

1.1 Pension Sector Liberalization Update

The Minister of Finance, Planning and Economic Development appointed a Board of Directors for the Uganda Retirement Benefits Regulatory Authority (URBRA). The immediate mandate of the Board will include: issuing guidelines for licensing of retirement benefits schemes; putting in place management structures; and appointing the chief executive officer for the benefits Authority. The key responsibility of the URBRA is to regulate the establishment, management and operation of retirement benefit schemes in both private and public sectors.

CMA continued its participation in the activities of the Taskforce set up to guide the liberalization of the pension sector. Several consultative meetings have been held to this end. The on-going reforms in the pensions industry are expected to stimulate the development of Uganda's capital markets by: providing additional absorption capacity; encouraging product innovation among players; and encouraging high standards of disclosure and corporate governance among various parties in the industry

2.0 MARKET DEVELOPMENT

2.1 Stanbic Bank Bonus Issue

Stanbic Bank Uganda Limited (SBU) bonus shares commenced trading on 9th of August 2012 at the Uganda Securities Exchange (USE). The bank had issued an additional 40 billion shares in the ratio of 4 shares for every share held. This brought its share capital to Ush 51 Billion surpassing the Bank of Uganda's minimum capital requirement of Ush 25 Billion. The resolution to increase the share capital had been passed earlier at the bank's Annual General Meeting held on May 21st with the register closing on 3rd July 2012.

SBU is Uganda's most profitable and largest bank in terms of assets and branch network (as at 31st December 2012). It is part of the South African based Standard Bank Group and listed its shares at USE in 2007.

2.2 Africa Development Bank Bond Program

The Africa Development Bank (AfDB) opened its books on 17th July 2012 for the issue of the first tranche of a Ugx 125 Bil-



lion (US \$ 49.01 Million) medium term note. The tranche of Ugx 12.5 Billion (US \$ 4.90 Million) was over-subscribed by 50% with a total of Ugx 18 Billion (US \$ 7.05 Million) being received. The note was listed at the USE on 2nd August 2012. The 10 year note is trading at a yield rate of 12.61%. The issue is part of a program which will allow the AfDB to issue bonds in multiple tranches to fund infrastructure and other projects in Uganda. The listed note is denominated in Uganda Shillings.

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 The 10th Kikonyogo Capital Markets Awards (KCMA) 2012

CMA hosted the 10th Kikonyogo Capital Markets Award (KCMA) on 20th September 2012. The Keynote Speaker was Mr. Ali Mufuruki, Chairman and CEO of Infotech Investment Group Ltd, Tanzania. He gave a keynote address on "Navigating the Challenges of Governance in East African Businesses". The Minister of Finance, Planning and Economic Development, Hon. Maria Kiwanuka was the Chief Guest.

Ms Faridah Kulabako of The Daily Monitor newspaper emerged the winner in the print category while Mr. Samuel Ssetumba of NTV-Uganda was the winner in the broadcast category. Both winners were awarded promissory notes worth Ush 1 million to invest in securities of their choice at the USE, as well as a 3-day study tour of the capital markets industry in Ke-

nya.

The Kikonyogo Capital Markets Award (KCMA) is a celebrated annual dinner event in Uganda's financial market, where industry nominees compete for the Award that recognizes their contribution towards the development of capital markets in the preceding year. The award is held in honour of Mr. Charles. N. Kikonyogo (RIP), Governor of Bank of Uganda (May 1990 to May 2000). Governor Kikonyogo together with the current Governor Tumusiime Mutebile (then Permanent Secretary/Secretary to the Treasury, Ministry of Finance) spearheaded the financial sector reforms in the 1990s which have withstood the test of time including the recent global financial crisis. He also played a critical role in the establishment of the capital markets in Uganda. As has been over the last three years, KCMA 2012 focused on journalists who have contributed to financial sector development through their writing and those entities that have contributed to capital markets sector development through their public education efforts.

3.2 Capital Markets Brochures

As part of enhancing knowledge on capital markets, the Public Education Unit produced a Brochure titled; "Understanding Capital Markets". This brochure will be distributed during exhibitions and seminars in tertiary institutions. The brochure details the following aspects of the capital markets: financial products in the capital markets; trading in the capital markets; investing in the primary market; investing in the secondary market; The Security Central Depository System (SCD); corporate actions in the capital markets; reasons for offering securities to the public by companies; and the role of capital markets in economic development.

3.3 CMA Social Networks

With the growing prominence of social media as a communication channel, CMA has embraced this tool as an integral part

of its public education campaign. Social media is a low cost tool combining technology and social interaction with the use of words. Through social media, CMA has been able to give investors a voice and a way to communicate with peers, and other stakeholders in the capital markets industry.

The presence of CMA on Facebook and Twitter has enabled the Authority reach a wide audience providing them a platform to discuss various issues pertaining to the capital markets, exchange ideas as well as information. The webpages on Facebook and Twitter can be accessed at: www.facebook.com/cmauganda and www.twitter.com/cmauganda respectively.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 High Level Taskforce (HLTF) Meetings on East African Monetary Union -

CMA continued participating in the on-going negotiations on the draft protocol of the East African Monetary Union (EAMU). CMA represented by Mr. Joseph Lutwama (Manager-Research and Policy) participated in two meetings with the first one taking place in Arusha, Tanzania from 23rd - 27th July 2012 and the second one in Kigali, Rwanda from 10th -15th September 2012. These were the eighth and ninth rounds of the negotiations that commenced in January 2011. All the 81 Articles of the draft protocol have been negotiated, though a number of outstanding issues remain unresolved.

4.2 First Executive Committee Meeting of the East African Community Financial Sector Development and Regionalization Project-1 (FSDRP) - 30th July 2012 - 1st August 2012 - Arusha, Tanzania

Following the signing and ratification of the East African Community Common Market Protocol, the EAC Secretariat in collaboration with the World Bank and other development partners established the EAC Financial Sector Development and Regionalization Project-1 (FSDRP). The main objective of FSDRP is to support the broadening and deepening of the EAC financial system through the establishment of a single market in financial services. The project commenced in June 2011. As a prerequisite under the project agreement, an Executive and Steering Committees comprising of representatives from the 5 EAC Partner States were established to provide overall oversight and guidance to the Project Implementation Team based in Arusha, Tanzania. CMA is represented on the two committees by Mr. Joseph Lutwama (Manager Research and Policy) and Mr. Japheth Katto (The Chief Executive Officer) respectively. The Executive Committee had its first meeting from 30th July 2012 - 1st August 2012, in Arusha, Tanzania to review the progress of the FSDRP since inception.

4.3 EAC Legal Harmonization Conference - Arusha Tanzania, 6th -7th August 2012

The Investment Climate Advisory Services of the World Bank Group in Africa through its EAC Investment Climate Program in partnership with the East African Securities Regulatory Authorities (EASRA) and in collaboration with the EAC Secretariat and the East African Business Council organized a conference on EAC Legal Harmonization in Arusha, Tanzania from 6th -7th August 2012.

The conference brought together key EAC Partner State Ministries, Departments and Agencies, Development Partners, Industry/Sector representatives, Legal Practitioners, Academia, Research Institutions, and resulted in key recommendations on the process of Legal Harmonization in the EAC. The conference focused on: taking

stock of the legal harmonization progress by EAC Partner States; looking at the cost – perspectives from EAC private sector and business community; developing a roadmap for EAC Partner States legal harmonization; creating a predictable environment for business; and measurement and monitoring of the EAC Common Markets Protocol. During the meeting, the Chief Executive Officer of CMA made a presentation on “Free Movement of Capital” in the context of the EAC Common Market Protocol in his capacity as the EAS-RA Chairperson.

5.0 INTERNATIONAL NEWS

5.1 Sharp Decline in Global IPO Value and Volume in the Third Quarter of 2012

Global IPO activity continued to drop in the third quarter (July-September 2012). A total of US\$24.1 Billion was raised globally through IPOs, down by 16% compared to the third quarter of 2011 (US\$28.6 Billion). By deal volume, the number of IPOs totaled 165 deals globally, down from 291 deals for the same period last year, a 43% decline.

The largest IPO transaction during the third quarter of 2012 was recorded by Japan Airlines that raised US\$8.5 billion, accounting for 35% of total global value of funds raised in the third quarter. The top three exchanges based on value of IPOs during the quarter were Tokyo Stock Exchange, Shenzhen Stock Exchange and Bursa Malaysia.

The Asian markets accounted for 76% of global IPO funds raised in third quarter of 2012, with 102 transactions raising US\$18.3 Billion. Greater China accounted for 35% of these transactions and 25% by capital raised. The largest IPOs in the Asian region during the quarter were the US\$8.5 billion listing of Japan Airlines Co Ltd on Tokyo Stock Exchange, Malaysia's IHH Healthcare

Bhd which dual listed on Singapore Stock Exchange and Bursa Malaysia (US\$2.1 Billion) and China's Inner Mognolia Yitai Coal Co Ltd on Hong Kong Stock Exchange (US\$0.9 Billion).

The US exchanges raised 15% of global proceeds, or a total of US\$3.5 Billion in 23 transactions. Private Equity and Venture Capital sponsored deals accounted for 70% of US new issuances and 64% by capital raised in the US. As the year draws to an end, experts are optimistic that several large IPOs are likely to be floated before the close of the year with companies in technology, consumer products and industrial sectors being likely candidates.

Source: Ernst and Young IPO Centre, Wednesday, September 26, 2012

6.0 HOME NEWS

6.1 Recruitment

CMA recruited a Senior Public Education Officer, Mr. Charles Nsamba. Mr. Nsamba holds Bachelor's Degree in Mass Communication (Public Relations) and has wealth of experience garnered over six years in areas such as media communication and consulting. He is expected to actively participate in CMA's targeted public education campaign to empower and protect investors in Uganda.

6.2 Capacity Building for the CMA Board

In an effort to build the capacity of the Board of Directors to enable them effectively execute their oversight role, five Directors attended a corporate governance meeting jointly organized by Capital Markets Authority-Kenya (CMA-K) and United States Securities and Exchange Commission in Nairobi, Kenya. The theme of the meeting (that run from 23rd -26th July) was “Corporate Governance and Disclosure”. The Board members also had a study tour of the Kenyan Capital Market after the

conference, visiting the Nairobi Securities Exchange, the Central Depository and Settlement Corporation, and CFC Stanbic Financial Services Limited.

In the same vein, a team of 19 participants drawn from among the Board and Management of CMA on 20th August 2012 attended training in risk management. The training educated the participants on their role in managing CMA's risk and how to advance the existing risk management processes of CMA.

7.0 OUTLOOK

The Legal and Compliance Department of CMA will be commencing on the mid-term inspections for market intermediaries licensed by CMA during the next quarter (October-December 2012). The inspections are expected to combine aspects of risk based supervision in addition to the compliance based approach. The inspections aim at ensuring that market intermediaries are sound and in compliance with the requirements of the CMA Act, which is critical to the development of the capital markets and protection of investors.

8.0 CAPITAL MARKETS IN THE PRESS

INVESTORS ADVISED ON IPO PARTICIPATION

By Martin Luther Oketch

The Daily Monitor, 26, September 2012

With expectations that private and public sector companies will tap the capital markets for long term funding through Initial Public Offerings (IPOs), the Capital Markets Authority (CMA) has advised the public, brokerage firms and transaction advisors to prepare for them. Mr Japheth Katto (The Chief Executive Officer of the CMA) has advised the investing public and the financial service providers to have effective systems in place to cope with the demands that characterize IPOs. He encouraged investors to carefully read prospectuses issued by companies having IPOs and pay keen attention to sections that deal with risk which is known to vary from company to company. Mr Katto reiterated that CMA will continue playing its core role of ensuring that the investors have all the information they need to make sound investment decisions. An IPO is the first sale of stock by a company to the public.

Mr Katto emphasized the need for investors to provide accurate details when making applications to participate in IPOs. This, he said, would facilitate a quick and smooth refund process. He also noted that it is critical for applicants to have a bank account to ease the process of making refunds in the event of an over-subscription. Mr Katto pointed out that sales agents, receiving banks, transaction advisors and lead sponsoring brokers also need to have sufficient human resources to adequately handle the numerous applications that come with IPOs in Uganda's capital markets.

The business development manager at Crested Stocks and Securities, Mr Joseph Kibuuka, said there is need for a concerted public education campaign to sensitize the public about opportunities available in the capital markets. This would enable more Ugandans to participate in the capital markets by opening Securities Central Depository accounts which are a pre-requisite for buying or selling securities at the USE. Currently an estimated 13,000 SCD accounts have been opened by investors. Key market players in the capital markets in Uganda include: broker/dealers who buy and sell securities on behalf of their clients; and investment advisors who provide professional investing advice to their clients.

QUOTES

"The time of maximum pessimism is the best time to buy and the time of maximum optimism is the best time to sell." John Templeton

John Templeton (American business man and investor)

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 30th September 2012.

	LICENCEE	ADDRESS
1.	Uganda Securities Exchange (USE) Stock Exchange, Securities Central Depository	Prism Building, Plot 71/73 Kampala Road (opposite Bi-plous) P.O. Box 23552, Kampala, Uganda Tel: 0414 343 297/ 342818 Fax: 0414 340841 E-mail: info@use.or.ug Contact: Mr. Joseph Kitimirike Chief Executive Officer
2.	African Alliance U Ltd Fund Manager, Unit Trust Manager, Investment Advisor, Broker/ Dealer and member of USE	6 th Floor Workers House, Pilkington Road Kampala Tel: +256-414-235577 Fax: +256-414-235575 E-mail: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko
3.	Pine Bridge Investment Co Ltd Fund Manager, Investment Advisor	1 Pilkington Road, Workers House, 7th Floor P O Box 9831, Kampala, Uganda Tel: +256-414-340707/8 Fax: +256-414-340750 E-mail: nicholas.malaki@pinebridge.com Contact: Mr. Nicholas Malaki
4.	Baroda Capital Markets Ltd Broker/Dealer Investment Advisor and member of USE	Plot 18 Kampala Road P.O. Box 7197 Kampala, Uganda Tel: +256-414-233680/3 Fax: +256-414-258263 E-mail: barodacapitalmarkets@gmail.com Contact: Mr. Suraj Kumar Srivastavar
5.	ICEA Investment Services Ltd Fund Management	Rwenzori Courts, P. O. Box 33953, Kampala Tel: +256-412-347535/+256-414-232337 E-mail: dennis.mugalya@africaonline.co.ug Contact: Mr. Dennis Mugalya
6.	Genesis Kenya Investment Management Limited Fund Manager/ Investment Advisor	Regus Kampala, Course View Towers 21 Yusuf Lule Road (Old Kitante Road) Nakasero, Kampala P.O. Box 3502, Kampala, Uganda Tel: 0392 312 314 324/ 342818 E-mail: genesis@swiftkenya.com Contact: Ms. Rosemary Nantambi
7.	Crane Financial Services Ltd Broker/Dealer Investment Advisor and member of USE	Crane Chambers, Plot 38 Kampala Road P.O. Box 22572 Kampala, Uganda Tel: +256-414-341414/+256-414-345345 Fax: +256-414-341414 E-mail: cfs@cranefinancialservices.com Contact: Mr. Ajay Kumar
8.	Crested Stocks and Securities Ltd Broker/Dealer Investment Advisor and member of USE	6th Floor Impala House, Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: +256-414-230900 Fax: +256-414-230612 E-mail: info@crestedsecurities.com Contact: Mr. Robert Baldwin
9.	Dero Capital Ltd 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
10.	Dyer and Blair U Ltd Broker/ Dealer Investment Advisor and member of USE	Ground Floor Rwenzori House P.O. Box 36620 Kampala, Uganda Tel. +256-414-233050/+256-312-265469 E-mail: pbwiso@dyerandblair.com Contact: Mr. Paul Bwiso
11.	Equity Stock Brokers Ltd Broker/Dealer Investment Advisor and member of USE	Plot 6/6A Orient Plaza P.O. Box 3972, Kampala, Uganda Tel: +256-414-236012/3/4/5, Fax: +256-414-348039 E-mail: ruyonga.edward@orient-bank.com Contact: Mr. Edward Ruyonga

	LICENCEE	ADDRESS
12.	Devere and Partners Ltd Investment Advisor	B4 Adam House, Plot 11, Portal Avenue P. O. Box 21409 Kampala, Uganda Tel: +256-414-342411/+256-414-340846/+256-782-807079, Fax: +256-414-342411 Email: helpdesk@devere-group.com Contact: Mr. Gavin Cooper
13.	Deloitte Uganda limited Investment Advisor	3 Floor Rwenzori House, 1 Lumumba Avenue P.O. Box 10314, Kampala, Uganda Tel: +256-414-343850, +256-752-740300 Email: gopiyo@deloitte.co.ug Contact: Mr. George Opiyo
14.	UAP Financial Services Ltd Broker/Dealer, Fund Manager	Floor 1 Communications House P.O. Box 1610 Kampala, Uganda Tel: +256-312-370290 Fax: +256-414-346449 Email: financialservices@uap.co.ug, info@uap.co.ug Contact: Mr. Patrick Ndonge
15.	PKF Consulting Ltd Investment Advisor	Plot 37 Yusuf Lule Road P. O. Box 24544, Kampala, Uganda Tel: +256-414-341523/5 Fax: +256-414-251370, +256-414-341371 E-mail: mdalal@ug.pkfea.com Contact: Mr. Murtuza Dalal
16.	PricewaterhouseCoopers Ltd Investment Advisor	10 th Floor Communications House 1 Colville Street, Kampala, Uganda Tel: +256-414-236018, +256-414-233743 Fax: +256-414-239153 E-mail: general@ug.pwc.com Contact: Mr. Francis Kamulegeya
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18.	Stanlib Fund Manager/ Investment Advisor	4 th Floor, Crested Towers (Short), 17 Hannington Road P.O. Box 7131 Kampala, Uganda Tel: +256-312-224322/600 Fax: +256-414-254697 Contact: Ms. Annette Rumanyika
19.	DFCU Bank Ltd Trustee, Collective Investment Schemes Impala House	13 Kimathi Avenue P.O. Box 70, Kampala, Uganda Tel: +256-414-231784/+256-414-256891/3, +256-312-300300, Fax: +256-414-231687/+256-414-344260 E-mail: official@dfcugroup.com Contact: Mr. Walusimbi Kaweesa
20.	CFC Stanbic Financial Services Broker/Dealer Investment Advisor	4 th Floor, Crested Towers (Short), 17 Hannington Road P. O. Box 7131 Kampala, Uganda Tel: +256-414-715460/ +256-312-224600, +256-312-224985 E-mail: mburuc@stanbic.com, Contact: Ms. Consolata Mburu
21.	Standard Chartered Bank limited Investment Advisor	Plot 5, Speke Road, P.O Box 7111, Kampala, Uganda Tel: +256-312-294459/ +256-414-340077 Fax: +256-414-231473 Email: ug.service@sc.com Contact: Mr. Arthur Kiwanuka
22.	PCP Uganda Limited Fund Manager/ Investment Advisor	Plot 4 Chwa II Road, Mbuya P. O. Box 15373 Kampala, Uganda Tel: +256-312-264 980/3/4, Fax: +256-312-264 985 Email: info@pearlcapital.net, Contact: Mr. Edward Isingoma Matsiko
23.	Profin Uganda Limited Investment Advisor	Plot 10 School Lane Naguru P.O Box 36697, Kampala, Uganda Tel: +256-414-533261/2, Fax: +256-414-533261 Email: Uganda@theprofin.com Contact: Mr. Gareth Burge