



**Capital Markets Authority**  
Protecting Your Investments

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## INTRODUCTION

This Electronic Quarterly Review covers the period July-September 2013.

## HIGHLIGHTS

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

### 1.0 REGULATORY ISSUES

The following were the key regulatory issues during the period July to September 2013;

#### 1.1 Collective Investment Scheme Licences

During the period under review, the Board of the Capital Markets Authority (CMA) granted Collective Investment Scheme (CIS) Licences to Stanlib Kenya, UAP Financial Services Ltd and ICEA Investment Services Ltd. This brought the number of CIS to four. The licensing of the CIS is expected to provide a cost-effective and diversified product offering to both institutional and retail investors in Uganda's capital markets. The three (3) new licencees joined KCB Bank Uganda Limited and Standard chartered Bank Uganda Limited which were licensed as CIS Trustees in the second quarter of the year (April-June 2013).

#### 1.2 Application for a Cross-listing and Rights Issue

CMA received applications from Uchumi Supermarkets Limited (USL) to cross-list shares on the Uganda Securities Exchange (USE) and the National Insurance Corporation (NIC) to have a rights issue.

USL applied to CMA for the cross-listing of 265 million shares at the USE. USL is primarily listed at the Nairobi Securities Exchange and if the application is approved, it will be the second cross-listing of the counter which is cross-listed at the Rwanda Securities Exchange. USL is a supermarket chain with head-quarters in Nairobi, Kenya. The company has 33 branches in Kenya, Uganda and Tanzania.

In a related development, the NIC applied to the CMA for approval of a right issue. NIC intends to raise about Ush 8.4 Billion through the rights issue. The proceeds will enable the insurance company expand its branch network countrywide, boost turnover and market share and increase retention capacity. 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 14.14 billion (as at the end of the third quarter of 2013).

### 2.0 PUBLIC EDUCATION

#### 2.1 Public Education Seminars

During the quarter ending 30th September 2013, the Communication and Investor Education Department (CIED) held two seminars as part of the tour of Western Uganda aimed at sensitizing Ugandans on capital markets. Both seminars were held on 1st July 2013 and targeted students at St. Henry's College Kitovu

and Masaka Senior Secondary School. During the seminars, various publications were issued to the students and the school libraries. The CIED team also heard from participants on ways that could be applied in augmenting the public education campaigns.

Through these outreach activities, a total of 150 students were educated on personal finance, saving and investing in the capital markets.

## 2.2 Exhibitions

During the quarter, the CIED participated in the Domestic Investors expo organized by the Ministry of Finance, Planning and Economic Development. The event was held on 20th September, 2013. The one day expo brought together government agencies to showcase their services to domestic investors. It was opened the Vice-President, His Excellency Edward Sekandi (who represented the President). The expo had sixteen (16) government agencies exhibiting and drew scores of members of the public from all walks of life. Visitors to the CMA stand were taken through saving and investing in the capital markets. Additionally public education materials such as brochures and pamphlets were distributed to the visitors.

## 2.3 National Financial Literacy Strategy

The National financial Literacy Strategy under Bank of Uganda was launched on 16th August, 2013 at the Bank of Uganda gardens. The event was presided over by the Minister of Finance, Planning and Economic Development, Hon. Maria Kiwanuka. CMA was recognised for its contribution towards the development of this strategy.

The National Financial Literacy Strategy will inform efforts aimed at enabling investors improve their understanding of financial products and concepts through information, instruction and objective advice. The strategy also targets development of the skills and confidence of investors to be more aware of financial risks and opportunities to make informed choices.

## 2.4 Investment Clubs Program

The CIED focused on the recruitment of new investment clubs following the success

recorded during the last edition of the Investment Clubs Program. The new approach aims at widening the reach of the program by increasing the number of Investment Clubs by six. This will not only lead to a more competitive Investment Club Challenge but also ensure that more university students are reached. Towards this the CIED has engaged students from Bugema University, Ndejje University and Makerere University Business School with a view to assisting them set up Investment Clubs. The newly formed Investment Clubs and existing ones are expected to participate in the next Investment Club Challenge that is set for April 2014.

The Investment Club program assists university students set up Investment Clubs with the objective of enhancing awareness and understanding of various pertinent capital markets and financial sector issues. Additionally, the program targets to positively influence attitudes and perceptions towards the financial sector; enhance student participation in the capital markets; and create awareness of the need for accounting and financial management skills.

## 2.5 Public Relations and Media Support

With the creation of the CIED, the CMA signalled its intention to better public relations and engagements with various stakeholders. The intended approach towards this will encompass: event management; promotions; internal communication; publicity as well as advertising. The department on several occasions during the past quarter engaged in public relations exercises and addressed media, investors and potential securities issuers' inquiries.

The CIED's public relations and media support initiative is expected to raise the visibility, strengthen the reputation and extend the reach of CMA through clear, consistent and constant communication to several important audiences. Moreover, the initiative is expected to build important relationships and brings vital information back to the organization for analysis and action. This will in turn have a measurable impact on the achievement of the overall strategic organizational goals.

### 3.0 REGIONAL AND INTERNATIONAL CO-OPERATION

#### 3.1 Meeting of the Technical Working Group on the EAC Securities Legal and Regulatory Framework, 19th -24th August 2013, Kigali, Rwanda.

The second meeting of the Technical Working Group (TWG) on the development of the securities legal and regulatory framework was convened in accordance with the recommendations of the CMIPC meeting held from 8th-10th April 2013 in Kampala. CMA is represented by the Legal Affairs Manager on this Working Group.

During the second meeting, the following Directives were finalized for exposure to stakeholders in the region:

- (i) Directives on public offers (Equity, Fixed Income and Asset Backed Securities);
- (ii) Directive on Collective Investment Schemes;
- (iii) Directives on listing;
- (iv) Directives on corporate governance for EAC market intermediaries;
- (v) Directive on licensing in the securities market;
- (vi) Directive on regional listings in the securities market; and
- (vii) Directive on admission to trading on a secondary market.

As part of the harmonization of the EAC legal and regulatory framework, the Sectoral Council on Finance and Economic Affairs resolved that harmonization would proceed by way of EAC council directives. The EAC council directives were considered as the most feasible owing to the different level of development in the EAC capital markets.

#### 3.2 38th East African Securities Regulatory Authorities (EASRA) Consultative Meeting, 14th -16th August 2013

CMA participated in the 38th EASRA Technical and Consultative meetings in Nairobi Kenya from 14th-16th August 2013. CMA-

Uganda currently hosts the EASRA Secretariat and the CEO is also the current EASRA Chairperson.

At the 38th EASRA Consultative meeting the EAC Capital Markets regulators agreed to develop and implement a harmonized Risk-Based Supervision (RBS) framework across the EAC region. The framework to be implemented will include: financial resources rules; conduct of business and governance rules; formulation of a standardized risk based capital adequacy reporting mechanism; and harmonization of paid up share capital for various license categories across the region. Additionally, the regulators will work to harmonize their market infrastructure systems in preparation for the adoption of RBS regionally. CMA was represented at these meetings by the Chief Executive Officer, the Director Legal and Market Supervision, the Legal and Market Supervision Manager, the Research, Policy and Planning Manager and the Research, Policy and Planning Officer.

EASRA is a forum of East African capital markets regulators from Kenya, Tanzania, Rwanda and Uganda. The Bank of Burundi is also a member having joined 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.

### 4.0 INTERNATIONAL NEWS

#### 4.1 Twitter Files for Initial Public Offering

Social networking site Twitter announced that it had filed initial paperwork to commence the process that will see the company offer shares to the public in an Initial Public Offering (IPO). Twitter is a popular social networking site which has been used globally as a platform for interaction. Ugandans have not been left behind with scores of citizens and government officials interacting through the social networking platform.

The IPO would be the second by a social networking company coming after the Facebook IPO in 2012. Twitter is 7 years old and

is estimated to have 200 million active users spread out across the globe. Sources indicate that Investment Banking Company Goldman Sachs Group Inc will be the lead underwriter with other investment banks expected to be co-opted as progress towards the IPO is made.

Twitter is estimated to have a total value of US \$ 10 billion with the IPO expected to target US \$ 1 billion. This is far less than the value of Facebook which debuted at a value of US \$ 100 billion. The twitter IPO is projected to hit the market before the close of 2013 if all goes according to the plan.

Investors will be keenly seeking to establish how the social networking site will create

value for shareholders by ramping up revenues and generating returns following the experience that saw investors burn their fingers at the turn of the last century during the dot-com bubble.

## 5.0 OUTLOOK

CMA will be hosting the annual Kikonyogo Capital Markets Awards (KCMA) on October 31st 2013. The 2013 KCMA will be the eleventh edition of the Awards. Additional award categories are expected to be introduced this year in seeking to recognize the efforts of journalists who have contributed to the growth of Uganda's capital markets in the preceding year through their work.

## 6.0 CAPITAL MARKETS IN THE PRESS

### Model to Reduce EA Capital Markets Risks

By Faridah Kulabako

The Daily Monitor, 21st, August 2013

East African capital markets regulators have resolved to adopt Risk Based Supervision (RBS) for regional capital markets. According to a press release, regional securities regulators agreed during the 38th East African Securities Regulatory Authorities (EASRA) meeting in Nairobi, Kenya to implement RBS.

The RBS regulatory framework will include financial resources rules, conduct of business and governance rules, formulation of a standardized risk based capital adequacy reporting mechanism and harmonization of paid up share capital for various licence categories across the region. Additionally, the regulators will work to harmonize market infrastructure systems in preparation for the adoption of RBS.

According to the press release, evolving technology and an increase in product development and innovation across capital markets in the region have resulted in the emergence of various forms of risks, necessitating adoption of RBS to deal with them accordingly. EASRA chairman Mr. Japheth Katto said that the RBS model would aid in early identification of emerging risks and provision of a consistent framework for risk evaluation to develop sound regional capital markets.

RBS requires that oversight of capital market intermediaries be directed to the areas which present the highest level of risk. This ensures that scarce regulatory resources are optimized. The financial sector globally is moving towards RBS which has proven to be more effective in risk mitigation. Uganda's insurance industry announced plans to shift from compliance-based supervision to RBS in April this year to boost transparency and polish the industry's image. The banking industry has already adopted the RBS model.

The meeting further adopted a strategic plan for EASRA that aims at positioning regional capital markets as the drivers of regional economic growth and the EAC region as the investment hub of Africa. The new strategic plan is expected to be launched early next year.

## QUOTES

" Markets are constantly in a state of uncertainty and flux and money is made by discounting the obvious and betting on the unexpected"

**George Soros (American business magnate, investor and philanthropist).**

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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 30th September 2013.

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2.	<b>African Alliance U Ltd</b>  <i>Fund Manager, Unit Trust Manager, Investment Advisor, Broker/Dealer and member of USE</i>	6th Floor Workers House, Pilkington Road Kampala Tel: +256-414-235577 Fax: +256-414-235575 E-mail: <a href="mailto:info@africanalliance.co.ug">info@africanalliance.co.ug</a> Contact: Mr. Kenneth Kitariko
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4.	<b>Baroda Capital Markets Ltd</b>  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: <a href="mailto:bcm.ug@bankofbaroda.com">bcm.ug@bankofbaroda.com</a> Contact: Mr. Suraj Kumar Srivastavar
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6.	<b>Genesis Kenya Investment Management Limited</b>  <i>Fund Manager/ Investment Advisor</i>	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: <a href="mailto:genesis@swiftkenya.com">genesis@swiftkenya.com</a> Contact: Mr. Ronald Kasolo
7.	<b>Crane Financial Services Ltd</b>  <i>Broker/Dealer Investment Advisor and member of USE</i>	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: <a href="mailto:cfs@cranefinancialservices.com">cfs@cranefinancialservices.com</a> Contact: Mr. Ajay Kumar
8.	<b>Crested Stocks and Securities Ltd</b>  <i>Broker/Dealer Investment Advisor and member of USE</i>	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: <a href="mailto:info@crestedsecurities.com">info@crestedsecurities.com</a> Contact: Mr. Robert Baldwin

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13.	<b>Deloitte Uganda limited</b> Investment Advisor	3 Floor Rwenzori House, 1 Lumumba Avenue P.O. Box 10314, Kampala, Uganda Tel: +256-414-343850, +256-752-740300 Email: <a href="mailto:gopiyo@deloitte.co.ug">gopiyo@deloitte.co.ug</a> Contact: Mr. George Opiyo
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16.	<b>PricewaterhouseCoopers Ltd</b> Investment Advisor	10 Floor Communications House 1 Colville Street, Kampala, Uganda Tel: +256-414-236018, +256-414-233743 Fax: +256-414-239153 E-mail: <a href="mailto:general@ug.pwc.com">general@ug.pwc.com</a> <b>Contact:</b> Mr. Francis Kamulegeya
17.	<b>Stanlib</b> Fund Manager/ Investment Advisor	4 <sup>th</sup> 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

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