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INTRODUCTION

This Electronic Quarterly Review covers the period January-March 2014

HIGHLIGHTS

Legal and Regulatory Issues

Developments in the Market

Public Education

Regional and International Cooperation

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Capital Markets in the Press

1.0 LEGAL AND REGULATORY ISSUES

The following were the key legal and regulatory issues during the period January to March 2013;

1.1 APPROVAL OF THE ALTX EXCHANGE LTD AND LICENSING OF BURBIDGE CAPITAL

The CMA board of Directors approved the Altx Exchange Ltd as the country's second securities exchange market. The Altx Exchange will provide a securities and derivatives market in Uganda and the East African region. As part of its offering, the Altx Exchange will provide a trading automated platform based on GMEX technology, develop derivatives products, host other exchanges on its platform, host order books for products trading on other exchanges, develop algorithmic products and provide a training facility.

At the same time, the CMA Board also approved an application for a broker/dealing license by Burbidge capital. The approval brings the number of entities licensed as broker/dealers to nine (9).

1.2 International Organization of Securities Commission (IOSCO) Principles

CMA hosted, Mr. Richard Pratt, a Consultant hired by the EAC Secretariat to assess Uganda's compliance with the new IOSCO principles. Mr. Pratt visited Uganda from 18th-21st February 2014 and met with officials from CMA, Uganda Securities Exchange (USE), Bank of Uganda, Institute of Certified Public Accountants, and two intermediaries licensed by CMA. The assessment was part of an East African Community (EAC) Secretariat project aimed at assessing the level of compliance with the new IOSOCO principles touching on: systemic risk; perimeter; conflict of interest; auditor oversight; auditor independence; audit standards; credit rating agencies; other services and hedge funds.

In the same breadth, CMA participated in a meeting in Arusha held between 24th - 25th February 2014 that discussed an assessment report presented by a Consultant on principle 38 of IOSCO. A total of 13 issues related to Uganda were raised, an action plan developed with clear timelines for review of rules and regulations for compliance with the IOSCO-38 principle.

Principle 38 of IOSCO provides for securities settlement systems and central counterparties being subject to regulatory and supervisory requirements designed to ensure that they are fair, effective and efficient to reduce systemic risk.

2.0 MARKET DEVELOPMENT

2.1 National Insurance Corporation Rights Issue

The results of the National Insurance Corporation (NIC) rights issue were announced on 13th January 2014. NIC had offered 323 million shares at a discounted price of Ush 26 (US \$ 0.01) with a target of raising Ush 8.4 billion. The rights issue attained an 83.8% subscription rate with 270.75 million shares valued at Ush 7.04 being taken up. The proceeds of the rights issue will be utilized in enhancing the capital base of the organization increasing its capacity to underwrite bigger risks.

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 12.12 billion (as at 31st March 2014).

2.2 Study on Demutualization of the Uganda Securities Exchange (USE)

The Consultant undertaking a study on the demutualization of the USE presented a draft report for validation at a workshop held between 26th-27th March 2014. The workshop drew participants from the capital markets industry with a wide cross-section of stakeholders being represented. During the workshop, participants deliberated and provided feedback on: the mode of demutualization for the USE; valuation, share creation and allocation; the proposed legal and regulatory changes to effect demutualization; the implementation plan; and the public education strategy.

The consultancy for demutualization of the USE-which is supported by the EAC Financial Sector Development and Regionalization Project-aims at proposing a structure and action plan for demutualization of USE to facilitate integration of capital markets for free movement of capital across the region.

2.3 C.E.Os' Meeting

CMA held the CEOs' Forum, hosting C.E.O's drawn from licensed broker/dealers and other key market players. The Forum was held on 24th February 2014 at the Sheraton Hotel Kampala. Key issues that dominated the discussion during the meeting include: market development; license renewal; listing by introduction; fiscal support from the government; the bond outreach program; and USE trading rules.

The C.E.O's forum is expected to be held quarterly and will provide a platform where policy makers in Uganda's capital markets industry to network, exchange ideas and information in order to grow the industry. The forum hopes to apply the expertise and experience of participants to address the major issues facing the capital markets industry in Uganda.

3.0 PUBLIC EDUCATION

3.1 Annual Banking, Insurance and Finance Expo

The Communication and Investor Education Department (CIED) participated in the annual banking, insurance and finance expo that run from 20th-22nd March 2014. The three day expo brought together players in Uganda's financial industry and provided

them a platform to showcase their products to members of the public. The CMA stand attracted hundreds of members of the public from all walks of life. Public education materials such as brochures and pamphlets were distributed to visitors to the CMA stall. Queries were also addressed on how to save and invest in the capital markets.

3.2 Investment Clubs Program

The seven universities with investment clubs set up through CMA's public education outreach continued engaging in various activities in preparation for the investment clubs challenge scheduled for April, 2014. At the same time, the process of recruiting two additional universities to the program are at an advanced stage.

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.

3.3 The 3rd Annual Directors and Company Secretaries Conference

CMA in partnership with Institute Chartered Secretaries and Administrators (ICSA) organised the 3rd Annual Directors and Company Secretaries' Conference, held under the theme: "Enterprise Governance: governance for All". The one-day conference was held on 21st February, 2013 at the Protea Hotel. Over 200 participants, including directors of companies, CEOs, company secretaries, businessmen, lawyers and accountants attended.

The key issues discussed included; raising funds through the capital markets; board evaluation; and the sharing of the experience in implementing the 2012 Companies Act. Key speakers included: Mr. Patrick Bitature (Chairman-UMEME) and Ambassador. Gerald Ssendawula (Chairman-Uganda Revenue Authority).

ICSA is the international qualifying and membership body for the Chartered Secretary profession. ICSA offers professional qualification covering aspects such as corporate administration, financial management, company law and corporate governance.

4.0 REGIONAL AND INTERNATIONAL CO-OPERATION

4.1 3rd Meeting of the Sectoral Council on Finance and Economic Affairs, 12th-15th March 2014, Nairobi, Kenya.

CMA participated in the 3rd Meeting of the Sectoral Council on Finance and Economic Affairs (SCFEA) in Nairobi from 12th -15th March 2014. Of particular importance to the capital markets was the approval of 7 council Directives which will provide a harmonized regulatory framework for capital markets across the region.

The seven Council Directives passed included:

- i. Directive on public offer of equities;
- ii. Directive on public offer of fixed income securities;
- iii. Directive on public offer of Asset Backed Securities;
- iv. Directive on Collective Investment Schemes;
- v. Directive on Corporate Governance;
- vi. Directive on admission to trading on a secondary exchange; and
- vii. Directive on regional listing in the securities market.

However, the Directive on licensing in the securities market was referred back to the Capital Markets Insurance and Pensions Committee of the EAC for further discussions among the stakeholders.

As part of the harmonization of the EAC securities legal framework, the Capital Markets Insurance and Pensions Committee of the EAC 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. CMA was represented at the SCFEA meeting by the C.E.O and the Director Research, Policy and Planning.

4.2 IOSCO Africa Middle East Regional Committee (AMERC) 32nd Annual Meeting

The Securities Exchange Commission of Zambia hosted the 32nd IOSCO-AMERC annual meeting. The meeting was held between 10th-11th February, 2014 in Livingstone, Zambia and drew participants from among regulators in the Africa-Middle East region.

The theme for the meeting was "Balancing Development with Emerging Regulatory Challenges". The discussions focused on contemporary regulatory issues affecting members, trends in emerging economies, global benchmarks, cyber threats and complex risks. Participants got an opportunity to share experiences, exchange ideas and network. CMA was represented at the meeting by the C.E.O.

AMERC is one of four (4) regional committees of IOSCO. AMERC is currently chaired by the Director General of the Securities and Exchange Commission Nigeria, Arunma Oteh.

4.3 Capital Markets Infrastructure Integration Meetings

The Capital Markets Infrastructure (CMI) Technical Working Group (TWG) spearheading the integration of infrastructure (through linking the national trading platforms and Central Securities Depositories across the region) met twice during the first quarter of 2014. CMA is represented on the CMI TWG by the Manager in charge of Market Supervision.

The first meeting was held between 13th-17th January, 2014, in Arusha, Tanzania. The meeting considered and approved the reports on: country consultations; capacity building for the CMI TWG and staff of stakeholder institutions; and the most appropriate risk management framework.

The second meeting was held from 3rd-7th February 2014 in Nairobi, Kenya. At this meeting, a consultant engaged to guide the CMI TWG presented: capital markets Infrastructure specifications; the implementation plan; the maintenance and support plan; and a bidding document for the supply of a smart order router.

The linking of trading platforms and Central Securities Depositories through a smart order routing system is expected to facilitate seamless trading and settlement across the EAC region.

5.0 INTERNATIONAL NEWS

5.1 Zambia Successfully Raises US \$ 1 Billion from a Eurobond

The Government of Zambia announced in March that it had successfully issued a second sovereign bond in the international capital market, amounting to US\$ 1 billion at an interest of 8.625% for ten (**10**) years. This was the second Eurobond by Zambia which in September 2012 raised a total of US\$750 million in its debut sovereign bond issue at a rate of 5.375% for a term of ten (**10**) years. The high cost of the bond was due to a downgrade of Zambian Debt by Fitch Rating from B+ due to the growing size of its deficit. Additionally, increased costs were precipitated by tightening of global liquidity as a result of the tapering of the American bond buying program.

African governments have been turning to the international markets to raise long term funds to support infrastructure development as well as provision of social services. The issuance of sovereign bonds in different jurisdictions has had a positive impact on domestic markets by minimizing the crowding out of the private sector, exerting downward pressure on domestic interest rates and providing impetus to local

corporates to borrow internationally. Moreover, funds raised have been invested in projects aimed at supporting growth opportunities.

However, there are concerns about the mounting debts with some countries having unsustainable debt levels. At the same time, the servicing of a debt in foreign currency does expose the economy to foreign exchange volatility which at times could be adverse.

6.0 OUTLOOK

CMA will be holding a meeting with potential issuers of equity and debt instruments in Uganda on 22nd May 2013. The meeting is expected to bring together participants from various sectors of the economy to learn about the merits of raising funds through the capital markets.

7.0 CAPITAL MARKETS IN THE PRESS

EADB Chief Advises Companies on Capital Mobilization

By

Martin Luther Oketch

The Daily Monitor, 24th, January 2014

The Director General of the East African Development Bank (EADB), Ms. Vivienne Yeda, has advised company owners in East Africa to consider mobilizing capital for growth by tapping the capital markets. She was speaking during the listing of the National Insurance Corporation (NIC) shares from a rights issue at the Uganda Securities Exchange. Her advice came at a time that both the government and the private sector grapple with high interest rates on commercial loans taken to finance various investment projects.

Ms. Yeda noted that corporate borrowing is predominantly bank debt which is costly to businesses. However, mobilizing capital through the capital markets was a cheaper option compared to bank debt and created competition as well as efficiency in the financial markets.

"We all have to rethink our resource mobilization. We would like to see more fundraising activities in the capital markets such as: rights issues, corporate bond issuances and Initial Public Offering (IPOs). The EADB has been at the forefront of developing capital markets in East Africa by raising funds through the financial markets," she said.

Speaking at the same event, the Chief Executive Officer (C.E.O) of Crested Stocks and Securities, Mr. Robert Baldwin said that a lot needs to be done in educating shareholders of various companies listed at the stock exchange.

The C.E.O of the Capital Markets Authority in his remarks during the event said that NIC had raised capital that would strengthen its balance sheet going forward as it seeks to position itself in new areas of insurance service provision in Uganda

QUOTES

"In investing, what is comfortable is rarely profitable." –

Robert Arnott (American entrepreneur, investor, editor and writer).

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 2014.

	LICENCEE	ADDRESS
1.	Uganda Securities Exchange (USE) <i>Stock Exchange, Securities Central Depository</i>	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. Innocent Dankaine <i>Ag. Chief Executive Officer</i>
2.	African Alliance U Ltd <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: info@africanalliance.co.ug Contact: Mr. Kenneth Kitariko
3.	Pine Bridge Investment Co Ltd <i>Fund Manager, Investment Advisor</i>	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 <i>Broker/Dealer Investment Advisor and member of USE</i>	Plot 18 Kampala Road P.O. Box 7197 Kampala, Uganda Tel: +256-414-233680/3 Fax: +256-414-258263 E-mail: bcm.ug@bankofbaroda.com Contact: Mr. Avinash Kumar Sahani
5.	ICEA Investment Services Ltd <i>Fund Management and Unit Trust Manager</i>	Rwenzori Courts, P. O. Box 33953, Kampala Tel: +256-414-347535/+256-414-232337 E-mail: rkatabaire@icea.co.ug Contact: Mr. Robert Katabaire
6.	Genesis Kenya Investment Management Limited <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: genesis@swiftkenya.com Contact: Mr. Ronald Kasolo
7.	Crane Financial Services Ltd <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: cfs@cranefinancialservices.com Contact: Mr. Ajay Kumar
8.	Crested Stocks and Securities Ltd <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: info@crestedsecurities.com Contact: Mr. Robert Baldwin
9.	Dero Capital Ltd <i>Investment Advisor</i>	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 Ofunji
10	Dyer and Blair U Ltd <i>Broker/ Dealer Investment Advisor and member of USE</i>	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 <i>Broker/Dealer Investment Advisor and member of USE</i>	Plot 6/6A Orient Plaza P.O. Box 3972, Kampala, Uganda Tel: +256-414-236012/3/4/5, Fax: +256-414-348039 E-mail: equity@orientbank.com Contact: Ms. Gloria Kangabe

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13.	Deloitte Uganda limited <i>Investment Advisor</i>	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 <i>Broker/Dealer, Fund Manager and Unit Trust Manager and member of the USE</i>	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 Ndongye
15.	PKF Consulting Ltd <i>Investment Advisor</i>	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 <i>Investment Advisor</i>	10 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
17.	Stanlib <i>Fund Manager/ Investment Advisor and Unit Trust Manager</i>	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
18.	DFCU Bank Ltd <i>Trustee, Collective Investment Schemes</i> 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
19.	SBG Securities Limited (formerly CFC Financial Services Ltd) <i>Broker/Dealer</i> <i>Investment Advisor and member of USE</i>	4th 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
20.	KCB Bank Uganda Limited <i>Trustee, Collective Investment Schemes</i>	7 th Floor, Commercial Plaza, Plot 7, Kampala Road P.O.Box 7399, Kampala, Uganda Tel: 0417-118200 Fax: 0414-345751 E-mail: kcbugandaho@kcb.co.ug Contact: Anthony Kituuka
21.	Standard Chartered Bank limited <i>Trustee, Collective Investment Schemes and Investment Advisor</i>	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. David Kaahwa
22.	PCP Uganda Limited <i>Fund Manager/ Investment Advisor</i>	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

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