

STATUTORY INSTRUMENT

2021 No

THE DRAFT CAPITAL MARKETS (OFFER OF SECURITIES) REGULATIONS, 2021

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STATUTORY INSTRUMENT
2021 No

The Capital Markets (Offer of Securities) Regulations, 2021

(Under section 101,90 M,90AE,90Q of the Capital Markets Authority Act, Cap 84)

IN EXERCISE of the powers conferred upon the Capital Markets Authority by section 101 of the Capital Markets Authority Act, these Regulations are made this..... day of... , 2021.

1. Title.

These Regulations may be cited as the Capital Markets (Offer of Securities) Regulations, 2021.

2. Application.

- (1) These Regulations shall apply to all public offerings and private placements in Uganda whether or not the issuer is seeking a listing on any securities exchange in Uganda.
- (2) The regulations shall apply to issuance of additional issues, corporate bonds, commercial paper and Employee Share Ownership Plans.
- (3) These regulations shall not apply in respect of any security the issuer of which is the Government of Uganda or the Bank of Uganda.
- (4) The regulations shall not apply to an offer of units or shares in a licensed scheme under the Collective Investment Schemes Act 2003.

3. Interpretation.

- (1) In these Regulations, unless the context otherwise requires—

“Abridged prospectus” means a summarized version of the approved prospectus.

“Act” means the Capital Markets Authority Act, Cap 84;

‘Additional issues’ mean rights, bonus, and secondary offers.

‘Adviser or transaction adviser ’In relation to an issuer of securities means an institution engaged in the provision of financial services which deals in securities, whether debt or equity, and has been contracted by the issuer as an adviser to the issue of securities and

shall include lead adviser.

‘Average over the period’ is the average of opening and closing balances for the given period. Alternatively, where the debt profile changes significantly during the year, it would be more appropriate to compute the weighted average over the period using month-end and quarter-end balances. The basis of computation should be disclosed.

Authority “means the Capital Markets Authority;

“bond” means a security that is a debt instrument, and except for a bank or other regulated financial institution, includes an invitation to deposit or lend money to which section 90J of the Act applies, with a maturity of one year or more, and is evidence of a loan extended by a creditor (a bondholder) to a corporation or other borrower or local authority or person declared by the Authority under section 90J (3).

“bond insurer” means an insurance company which insures or guarantees an issuer of securities against risk of default in payment of interest and payment of principal due under a guaranteed bond. In the event of the issuers default the bond insurer undertakes to make the scheduled payments to the bondholders.

“Commercial paper” means a debt instrument issued for the purpose of raising funds directly from investors without intermediation by banks or other financial institutions, with a maturity of less than one year.

“corporate bond” means a bond issued by a corporate or a state owned enterprise or person declared by the Authority under Section 90J (3) and may be classified as “debentures” under the Companies Act and “debt securities” under the Act.

“Direct Listing” means a process by which a company can go public by selling existing shares instead of offering new ones.

“foreign investor” means any person who is not a local investor;

“free cash flow” is the operating cash flow for the period, less income, taxes paid and net capital investment.

“General obligation bond” means a bond issued by a local government entity or similar authority established under special legislation where the bondholders, to support the payment of interest and the repayment of the principal on the bond, have claim over and recourse to the general revenues and assets of the issuer including to future revenues and assets and the ability to raise revenues

“Guaranteed bond” means a bond which is guaranteed as to repayment of interest and/or repayment of principal by a third party who may or may not be related to the issuer but is usually larger, better known or more credit worthy than the issuer, or guaranteed by means of a contract of insurance.

“Guarantor” means a corporate body that promises to pay a borrower's debt in the event that the borrower defaults on its loan obligation.

“Green bond” means a bond issued where the proceeds are to be used exclusively for projects with environmental benefits.

“infrastructure company” means a company established specifically to develop or acquire an infrastructure and may also be the operator where the company's income and expenses are predominantly from the operation of the infrastructure.

“Infrastructure Bonds” means Project bonds where the asset and the cash flows are based on infrastructure including social infrastructure (e.g. schools, hospitals, prisons, universities, road and any other social amenities as determined by the Authority)

“Introduction” is as defined in the Act.

“Issuer” means a company or other body corporate that makes an offering of securities’

“Information memorandum” is as defined in the Act and contains the information specified in Schedule III of these regulations.

“Local investor” means an investor who is a citizen of any of the East African Community Partner States;

“Local government” means local government under the Local Government Act;

“Municipal bonds” mean bonds issued by a Ugandan Local Government or administrative unit as defined by the Local Government Act, the Kampala Capital City Act, or similar legislation.

“Net worth” means the worth of the company after all obligations are met or the paid up share capital plus all reserves such as revenue and capital reserves including revaluation reserves;

“Net profit” means the net profit for the period after tax and extraordinary and exceptional items;

“Offer document” means the document prepared by the issuer to provide information about the issue and the issuer and is in compliance with disclosure requirements and may be a Prospectus;

“Offeror” means a legal entity which offers securities to the public or to preselected investors and institutions;

“offeree” means a retail or professional investor;

“operating profit” means the net profit for the period as adjusted for the effects of: changes in working capital including stocks, trade debtors and creditors, non-cash items such as depreciation, foreign exchange gain/loss, gain/loss on disposal of fixed assets, provisions, deferred taxes, and all other items for which the cash effects are investing or financing cash flows or returns on investment or serving of finance, such as dividend income, interest paid or interest received;

“Open offer” means a secondary market offering;

“Other Securities” means securities that are neither equity nor debt and may include, Exchange Traded Funds, Depository Receipts, Derivatives, and any other securities that the Authority shall determine from time to time.

“Over the counter trading of securities” means securities that are not listed on a centralised exchange but are traded, via a decentralised ‘market’, through dealers on a one on one basis and/or in some markets are traded individually (bilateral) between investors operating on their own account or between investors and dealers;

“paid up share capital” represents the ordinary shares (equity shares), which have been issued and fully paid up for, but excludes all non-equity shares except for non-redeemable preference shares.;

“paying agent” is a person who acts on behalf of an issuer and is responsible for facilitating distributions from the issuer to the shareholders.

“parastatal body” means a body in which the Government has a controlling interest directly or indirectly;

“Private Placement” means sale of securities to pre-selected investors and institutions rather than on the open market; and is an alternative to an initial public offering for a private company seeking to raise capital;

“Private Placement Memorandum” means a legal document provided to prospective investors when selling stock or another security in a business as provided under Sections 90 E (2) and 90 F (4) of the Act.

“Professional investor” has the same meaning as defined in the Act.

“primary exchange” means the stock exchange where the applicant’s shares were first listed;

“primary jurisdiction” means the jurisdiction in which the applicant first listed its securities on a stock exchange;

“primary regulator” means the securities regulator in the primary jurisdiction;

“project bonds “ means Bonds issued by a special purpose vehicle to support the financing of a new business or project where the servicing of the payments on the bonds is dependent primarily on the assets and or cash flows generated by the project which may have no or only limited history of operation;

“ Public offer “ has the same meaning as offer to the public in section 90E of the Act;

“Registrar” means the Registrar of companies under the Companies Act;

“Retail Investor” shall mean any other offeree that does not fit within the definition of a Professional Investor;

Securities means securities as defined under the Act;

“shelf prospectus” means a prospectus in respect of which the securities included therein are issued in one or more issues over a certain period of time;

“shelf registration” means a filing undertaken by issuers intending to access the market in the near future permitting issuers to disclose certain information in a shelf prospectus;

“Special Purpose Vehicle” means a new company or trust established for the purpose of holding specific project or infrastructure assets, operating the project or infrastructure business issuing bonds and making payments to investors and related activities;

“Special Revenue bonds “ means a bond issued by a local government entity or similar authority established under special legislation where the bondholders to support the payment of interest and the repayment of the principal on the bond have claim over and recourse only to the revenues from and the sources and the assets nominated in the documentation supporting the issue of the bonds and any other support provided by way of credit or liquidity enhancement and such as an escrow account, reserves or full or partial guarantees;

“supplementary prospectus” means a prospectus published by an offeror in accordance with section 90P of the Act in instances where there is a significant change, a new matter arises or in case of significant inaccuracy in the prospectus.

PART II - GENERAL REQUIREMENTS FOR PUBLIC OFFERS

4. Approval of public offers.

- (1) The Authority shall be the competent authority to grant approval for all prospectuses and other offering documents under which securities are offered to the public and to approve information memorandum in Uganda.
- (2) Where the offering, issuance and listing of securities is a requirement of any law, the entity that has been registered under that particular law or an associated entity shall be the entity to offer, issue and list securities in Uganda.
- (3) Where the issuer is a regulated entity, the entity shall be required to provide a “No objection” from the sector regulator before seeking to issue any securities or financial instruments or guaranteeing their issue and the Issuer shall satisfy the Authority that by so doing they will not be in breach of any law, regulation or guidelines issued.

5. Approval of Listing of securities and profitability

- (1) An approved stock exchange may approve the listing of a security on any market segment upon being satisfied that the issuer has obtained a letter of approval from the Authority for the public offer of the securities and has attained the total minimum subscription of shares as disclosed in the approved prospectus by the Authority in respect of public offering and listing of securities.
- (2) The condition under sub regulation (1) above shall not apply where the Securities Exchange has waived the requirement for an issuer to list with the minimum float.

6. Announcement of the public offer.

Every person whose public offer of securities have been approved by the Authority shall mention the approval on all announcements of the public offer.

7. Announcement of the listing.

A person whose securities have been approved by a stock exchange for a listing shall mention the approval on all announcements of the listing.

8. Appointment of Transaction Adviser

- 1) Any person proposing to offer its securities to the public may appoint a transaction adviser licensed by the Authority.
- 2) A transaction adviser appointed under sub-regulation (1) above shall be domiciled in Uganda and shall be responsible for all the interactions with the Authority and shall ensure that the offer of securities is made in accordance with the Act and regulations issued thereunder.

PART III—REQUIREMENTS OF PROSPECTUSES.

9. Information to be contained in prospectus.

- (1) Except as provided for under these regulations, every prospectus submitted to the Authority for approval shall be printed in font 12 Times New Roman and shall contain the information specified in the Schedule I of these regulations.
- (2) An applicant may be exempted by the Authority from any of the requirements in these regulations in accordance with section 90D of the Act.

10. Issuer to comply with directions by the Authority.

- (1) The Authority may require the applicant to furnish such further documents and information as the Authority may direct in any particular case.
- (2) The Authority may, after consultation with a person who intends to issue a prospectus, direct that the prospectus be amended within thirty working days from the date of the directive and give a copy of the amended prospectus to the Authority.
- (3) A prospectus shall not be published without compliance with any amendment directed by the Authority under sub regulation (2) unless the direction has been withdrawn by the Authority.

11. Approval and publication of prospectus

- (1) An issuer may submit to the Authority for approval a prospectus in hard copy or electronic form.
- (2) The issuer shall obtain written approval from the Authority before publication of the prospectus and shall deliver a copy of the approval to the Registrar of companies for registration.
- (3) The prospectus shall be available to the public in any of the following ways ;
 - (a) by insertion in one or more daily newspaper with nationwide circulation where the offer to the public is made or the admission to trading is sought;
 - (b) in a printed form at the offices of the stock exchange, or at the registered office of the issuer and at the offices of the financial intermediaries placing or selling the securities, including paying agents; and
 - (c) in an electronic form on the issuer's website or on the website of the transaction adviser if any or such other licensed person placing or selling the securities, including paying agents.

- (4) The procedure and process of acquisition and payment for the securities shall be disclosed in the prospectus.
- (5) Where securities are offered through an electronic form, the results of the offer including the allocation process shall be posted on the issuer's website which shall disclose the broad classification of the allottees into individuals, local institutional investors and foreign investors.

12. Declaration by applicant.

- (1) An application for approval of a prospectus shall include a declaration by the directors, stating that they have taken all reasonable care to ensure that to the best of their knowledge, information and belief—
 - (a) all information required to be included in the prospectus under these Regulations is included; and
 - (b) there are no other facts bearing on the application which, in the applicant's opinion, should be disclosed.
- (2) Additionally, the directors will state that they accept responsibility for the information contained in the prospectus.

13. Allotment of securities.

- (1) Where applicable allotment of securities offered to the public shall be made on the basis of the allotment policy disclosed in the prospectus unless the results of the allotment make such policy impractical and in such a case an amendment of the allotment policy shall be made with the approval of the Authority:
- (2) Subject to sub regulation (1), where an amendment has been approved by the Authority, the issuer shall announce the approval within twenty-four hours of the grant of approval.
- (3) A person shall not publish the results of the allotment of the public offer without notifying the Authority of the results at least twenty-four hours prior to the date on which the allotment results are to be released to the public.

14. Pricing and valuation

An issuer that offers securities to the public or a section of the public that uses a book building process to determine the price for the offer of securities shall comply with the Capital Markets Authority (Book Building) Regulations.

15. Power of the Authority to extend an offer.

- (1) The Authority may extend an offer where, in the opinion of the Authority, circumstances have occurred or new information has emerged that requires an issuer to extend the offer.

16. Advertisements and abridged prospectus.

- (1) An advertisement, notice, poster or documents including abridged prospectus announcing a public offer or listing of securities for which a prospectus or a listing statement is or will be required under these Regulations shall not be issued to or caused to be issued to the public unless it states that a prospectus is or will be published, as the case may be, and gives an address in Uganda from which it can be obtained or will be obtainable.
- (2) The advertisements, notices, posters or documents referred to in sub regulation (1) shall be submitted to the Authority not later than forty-eight hours prior to publication and the Authority may require amendments as it may consider necessary.
- (3) All information concerning the offer to the public or the admission to trading shall be disclosed in an oral or written form, even if not for advertising purposes and shall be consistent with the information contained in the prospectus.

Every application form for subscription of the securities offered in a prospectus shall state, in a conspicuous position, where the prospectus may be obtained

- (4) Every issuer shall publish an abridged prospectus in at least two daily newspapers of national circulation or on the company's website and such prospectus shall disclose basic information on the issuer, including -
 - (a) a summary of the financial statements for the five years immediately preceding the issue, where applicable;
 - (b) the broad shareholding structure prior to the issue and the anticipated structure after the issue;
 - (c) important highlights of the issue; and
 - (d) any other information on the issue considered essential by the issuer.
- (5) Where a Director of the issuer, a promoter, or any person authorizes or causes himself or herself to be named and is named in a prospectus as a director or as having agreed to become a director either immediately or after an interval of time fails to comply with any of the provisions of this regulation he or she shall be cautioned by the Authority and required to comply with the regulation.
- (6) Where a person cautioned in sub regulation 5 continues to breach any provision for which he or she has been cautioned, he or she shall appear before the Authority and shall provide a written and oral explanation of his or her conduct.
- (7) Where the Authority is satisfied that the commissions or omissions of the person cautioned are

in breach of the regulations, and upon giving the person the opportunity to be heard, the Authority shall impose an administrative penalty of not less than 100 currency points.

Where a person penalized in sub regulation 7 continues to commit an offence, the Authority shall impose a penalty of 100 currency points for every day of default.

17. Validity of prospectus.

A prospectus shall be valid for six months after its registration with the Registrar of companies.

18. Continuous disclosure obligations

Every issuer whose securities have been listed shall comply with the continuing obligations specified in the Act and the Securities exchange rules with respect to the relevant market segment

19. Prospectus approval fees.

- (1) A prospectus submitted to the Authority for approval shall be accompanied by the fees prescribed by the Authority.
- (2) The Authority shall not receive a prospectus for approval if it is not accompanied by the fees prescribed in schedule seven of these regulations.
- (3) The fees paid to the Authority shall not be refundable where;
 - i. the Authority does not approve the prospectus;
 - ii. the applicant withdraws the prospectus.
 - iii. the Authority issues directions for the amendment of the prospectus; or
- (4) Where a Prospectus or information memorandum approved relates to the issuing of additional securities the issuer shall pay, additional approval fees prescribed in schedule seven to the Authority.

PART IV – SHORT FORM PROSPECTUS

20. Information in short form prospectus.

Every short form prospectus submitted to the Authority for approval shall be in form of a letter addressed to the Authority and shall include, in a summarized form, the information specified in the Part III of the Schedule I.

21. Caution.

A short form prospectus submitted to the Authority for approval shall include a section clearly marked “Caution” as provided for in the Schedule I.

22. Validity of a short form prospectus.

A short form prospectus shall be valid for six months after its registration with the Registrar of Companies.

PART V- SHELF PROSPECTUS

23. Use and application of shelf prospectus

An issuer may use shelf prospectus public offering where certain issuers are allowed to offer and sell securities to the public without a separate prospectus for each act of offering and without the issue of a further prospectus.

24. Scope of securities

A Shelf prospectus shall be applicable to all types of securities as defined under the Act provided that there is full disclosure as required by these regulations.

25. Requirement for shelf prospectus and supplementary shelf prospectus

- (1) An issuer may issue or offer securities under a shelf registration where at the time of the issue or offer, there is in force a shelf prospectus which has been registered by the Authority;
- (2) A shelf prospectus shall be effective for a period of two years from the date of its issue and shall be subject to renewal upon change in information contained in the shelf prospectus as may be approved by the Authority.
- (3) Information in the shelf prospectus shall be updated prior to the issuance of any securities.
- (4) The shelf prospectus shall be updated by the filing of a supplementary prospectus to the shelf prospectus with the Authority which shall include an information statement and any other relevant information.

26. Contents of shelf prospectus and supplementary shelf prospectus

- (1) The shelf prospectus shall contain the information specified in Parts I and II of Schedule I.
- (2) Notwithstanding the regulation 22, the shelf prospectus shall indicate that it is a shelf prospectus and that it shall expire two 2 years from the date of approval by the Authority.

27. Delivery of shelf prospectus

All shelf prospectuses shall be made accessible to the public at the offices of the issuer and by publishing the same on the websites of the Authority and the issuer and other online platforms.

PART VI – APPLICATION FOR AN INTRODUCTION

28. Eligibility criteria for an introduction

An applicant shall satisfy the eligibility criteria under Schedule II before presenting an application

for an introduction to the Authority.

29. Application for approval for an introduction

- (1) An application for an introduction shall be by way of a formal letter accompanied by—
 - (a) an Information Memorandum;
 - (b) a letter of no objection from the applicant's primary regulator where the applicant is listed in a jurisdiction other than Uganda; and
 - (c) the prescribed fees.
- (2) The Authority may require an applicant to furnish such further information or documentation as the Authority may deem fit and necessary for purposes of the application.
 - (a) At the date of the application, the applicant must not be in breach of any loan covenants, if any;
 - (b) As at the date of the application and for a period of at least two years prior to the date of the application, none of the directors of the applicant should have—
 - i. any petition under bankruptcy laws filed against him or her (for individual directors) or any winding up petition pending (for corporate directors);
 - ii. any criminal proceedings in which he or she has been convicted of fraud or any felony;
 - iii. been a subject of any ruling of a court of competent jurisdiction or any governmental body, the effect of which is to permanently or temporarily prohibit him or her from acting as a fund manager, director, broker, dealer or employee of any financial institution or engaging in any business practice or activity.
 - (c) The applicant must have at least 100 (one hundred) shareholders by the time of application for direct listing.

30. Contents of information memorandum.

- (1) An information memorandum submitted to the Authority for approval of an introduction shall contain the information specified in Schedule III of these Regulations.
- (2) An information memorandum shall include a declaration by the directors, stating that they have taken all reasonable care to ensure that to the best of their knowledge, information and belief—
 - (a) all the information required to be included in the information memorandum under these Regulations or by an amendment or directive made or issued by the Authority has been so included; and
 - (b) there are no other facts bearing on the application, which in the applicant's knowledge and belief should be disclosed to the Authority.
- (3) The Authority may, in its discretion, but with reasoned judgment, waive, modify or dispense

with any criteria specified in Schedule III of these Regulations.

An information memorandum shall not be published or distributed without compliance with any amendments, directions made or issued by the Authority, unless any such amendments or directions have been withdrawn in writing by the Authority.

PART VII- DISCLOSURE REQUIREMENTS FOR ADDITIONAL ISSUES

31. Disclosure Requirements

An issuer of securities that proposes to have a rights issue, scrip dividend, capitalization issues and open offers shall comply with the disclosure requirements in Schedule IV.

PART VIII – COMMERCIAL PAPER

32. Application for issue of Commercial Paper

- (1) An application to issue commercial paper shall contain the information in Schedule V and be accompanied by the following information;
 - a) A certificate of incorporation;
 - b) Memorandum and articles of association;
 - c) A board resolution authorizing issue of a commercial paper;
 - d) Audited financial statements for the last two financial years. If the audited financial statements are older than 4 months, the issuer should provide the Authority latest management accounts; and
 - e) A cash flow projection for the next twelve months or less, depending on the term of the commercial paper.

33. Continuous Disclosure Obligations

- (1) The issuer shall furnish to the Authority, as soon as possible any information that affects its credit worthiness.
- (2) During the period the commercial paper remains outstanding the issuer shall submit to the Authority half yearly unaudited financial statements and annual audited financial statements.
- (3) During the period the commercial paper remains outstanding, the issuer shall as soon as possible, publish on its website, the accounts required to be submitted to the CMA under sub regulation (2) above.

34. Guarantee for Commercial Paper

- (1) The Authority may require an issuer of commercial paper offered to the public to obtain a guarantee.
- (2) The Authority may require the issuer to obtain an assurance as regards the competency of the guarantor as it shall deem necessary.

35. Public Announcement

The issuer shall make a public announcement in both the electronic and print media with nationwide circulation at least one week before the issue opens.

36. Appointment of intermediaries

The issuer shall appoint a placement agent, a receiving bank, a payment bank, a registrar and trustee for the issue.

PART IX- PRIVATE PLACEMENTS

37. Private Placement Memorandum

- (1) For purposes of this part, an offer of securities shall be regarded as private placement and accordingly shall be deemed not to be an offer to the public in Uganda if the offer is made under the conditions in Sections 90E (2) and 90F of the Act.
- (2) The offeror shall file a private placement memorandum disclosing the information required in section 90F (2) to the Authority and the terms of the offer, the risks of the investment, details of the management and Board including their identification documents and the names and residence of each of them, financial position of the company, use of the proceeds, company operations, the subscription procedure and any other information as may be required by the Authority.
- (3) The disclosures included in the private placement memorandum shall vary as may be directed by the Authority depending on which exemption from approval is being sought, the target investors and the complexity of the terms of the offering.

PART X – DISCLOSURE REQUIREMENTS FOR CORPORATE BONDS

38. Application

- (1) These Regulations apply to offers and issues of bonds including Infrastructure Bonds, Green bonds, Municipal Bonds and Project Bonds offered in Uganda by companies incorporated in Uganda under the Companies Act as a public company or authorised as a public company under similar legislation and authorised to offer securities in Uganda.
- (2) State owned enterprises incorporated under the Companies Act or established by statute in Uganda or in another jurisdiction and authorized to issue securities in Uganda.
- (3) Local Governments as defined in these Regulations, and
- (4) Other entities declared by the Authority under section 90J of the Act.

- (5) Only Issuers satisfying the requirements in schedule VI will qualify to issue Green Bonds, Corporate Bonds, Infrastructure, Project or Municipal Bonds as the case may be.

39. Exceptions

- (1) These Bond requirements do not apply to bonds or other debt instruments issued by the Government of Uganda but are intended to apply to Municipal Bonds as defined in these Regulations as well as state owned enterprises.
- (2) These regulations do not apply to bonds which include an option to convert into shares.

40. Approval by sector regulator and consent

- (1) Commercial banks and other financial institutions licensed by Bank of Uganda when making any application to the Authority for approval to issue any bonds to which these Regulations apply, or proposing to guarantee their issue, shall satisfy the Authority that by so doing they will not be in breach of any law, regulation or guidelines issued by Bank of Uganda.
- (2) Any application for approval of the issue of municipal bonds shall be lodged with all the necessary approvals and consents.
- (3) Applications for issues of Municipal Bonds shall comply with the Local Government Act Cap 243 and any other relevant law. Insurance companies licensed by the Insurance Regulatory Authority shall satisfy the Authority that issuing or guaranteeing the issue of financial instruments does not contravene any law, regulation or guidelines issued by the Insurance Regulatory Authority

41. Classification of offers

- (1) The investors to whom the offer is made will fall into any of the categories below;
 - (a) restricted Issues
 - (b) private placements issues
 - (c) general public issues.
- (2) Provided that an issue made under one classification may be converted to another classification to permit issues to be made to a wider group of investors by completing the additional requirements applicable to that class, revising offering documentation and obtaining the prior approval of any regulatory body or party, and the Authority.

42. Application of other laws and legal opinion

- (1) These regulations set out the requirements for the various types and classifications of offers of securities to the public or a section of the public and are in addition to and not in derogation of any other regulations issued by the Authority or the requirements under the law including, the

Companies Act and the Capital Markets Authority Act or ther law regulating the issuer.

- (2) A legal opinion from a person authorised to practice law in Uganda must accompany any application to the Authority for approval.

PART XI-OFFER OF OTHER SECURITIES

43. Approval for the Issuance of Other Securities

- (1) Other Securities may be offered through a public offer or by private placement.
- (2) Before the Authority approves the application for the issue of the other securities, the issuer must demonstrate to the satisfaction of the Authority that—
 - (a) the issuer has been incorporated or registered as a legal entity in accordance with all legal requirements in Uganda;
 - (b) the servicing agent and auditors identified, and the systems for accounting, record-keeping and safe-keeping of documentation relating to the issuer are in place;
 - (c) the necessary organisation, facilities, technical equipment, services and human resources for managing the assets and the securities are available to the issuer;
 - (d) the necessary custodial arrangements are in place to secure the underlying securities
 - (e) the proposed structure clearly delineates the roles of different parties to a product
- (3) The content of the application for the issue and the prospectus shall be based on the principles of materiality and applicability to the nature of the assets and the transaction, and not all of the information identified in these regulations is necessarily required to be included in the documentation for all issues.
- (4) The emphasis of documentation shall be on communication of information clearly, simply, and all documentation should be in plain language accessible to the ordinary investor.
- (5) The application for the issue of other securities shall be prepared based on the principle of materiality.
- (6) The application to be submitted shall be accompanied by—
 - a) a term sheet setting out the salient terms and conditions of the proposed structure of the proposed offer or transaction including—

- (i) name, date and place of incorporation, names and professions of directors; names and interests of shareholders and proposed structure of the Issuer;
- (ii) name, date and place of incorporation, names and professions of directors;
- (iii) names and business addresses of the transaction advisers;
- (iv) Offer or transaction overview, structure and parties involved;
- (v) proposed arrangements for the transfer of eligible assets and nature of the eligible assets;
- (vi) the schedule of assets, if available;
- (vii) in the case of structured products that reference or are linked to equities, how corporate actions in the underlying asset or assets or affecting the underlying asset or assets will influence the rights of the holders of securities;
- (viii) any tax implications and a statement to the effect that investors must seek their own independent tax advice;
- (ix) whether or not the holders of securities will receive any distributions receivable on the underlying asset/s and the frequency thereof;
- (x) the effect of any corporate actions or restructuring by the issuer;
- (xi) Procedures for making change in the terms of the securities
- (xii) a description of the nature of the investors' security interest in the assets, together with a copy of any pledge or security agreement to be used for the purpose of pledging assets for the benefit of investors;
- (xiii) currency and principal amount of proposed issue;
- (xiv) details of utilisation of proceeds;
- (xv) confirmation on whether the offer is to be listed and structure of issue; and
- (xvi) conditions precedent;

- (xvii) draft copies of material contracts, where applicable, including the credit enhancement agreement, guarantee agreement, proposed servicing agreement, trust agreement, security agreement or management agreement between the issuer and any party;
 - (xviii) For index and index product securities,
 - (a) a description of the index, including the name of the publisher of the index, its date of establishment and how it is compiled;
 - (b) the identity of the party that sponsors and/or calculates the index;
 - (c) an explanation of the computation of the index;
 - (d) the frequency with which the index is updated and published;
 - (xix) duly executed declarations by the directors of the issuer;
 - (xx) if required by applicable law or regulation, a letter of no objection from the relevant primary regulator of the issuer;
 - (xxi) the prescribed application fee.
- (7) The prospectus and all required information relating to the application shall be submitted to the Authority not less than forty-five days before the opening of the offer period and the Authority may require additional disclosures as it deems fit.
- (8) The documents required to accompany the application and the documents referred to in the prospectus shall be made available for inspection at the registered office of the issuer for the period which the other securities are in issue, unless otherwise advised by the Authority.
- (9) Subscription for the issue of other securities shall be made through one or more of the selling agents.
- (10) The subscription amount shall be deposited with the selling agent and all the proceeds shall be held in a separate trust account in the name and for the benefit of the issuer and shall be applied by the issuer for the purposes specified in the prospectus immediately after the offer period is closed.
- (11) Notwithstanding sub regulation (11) above, where the minimum subscription is not raised, the issuer shall refund the subscribers their subscription amount.
- (12) The interest that accrues on the subscription proceeds shall be paid to the subscribers pro rata.
- (13) The allotment of securities offered to the public shall be made in strict accordance with the allotment policy disclosed in the prospectus.

- (14) Notwithstanding sub regulation (14) above, where the results of the subscription make that policy impractical, the allotment policy may be amended with the prior written approval of the Authority.
- (15) Where the Authority approves the amendment under sub-regulation (15) above, the issuer shall announce the fact of approval within twenty-four hours of the grant of the approval.
- (16) The results of the allotment of a public offer shall only be published after the Authority has received prior notification of not less than twenty-four hours.
- (17) Where an applicant intends to issue securities in tranches, a supplementary offer document must be filed with the Authority for every tranche offered to the public.

PART XIII - MISCELLANEOUS

44. Civil penalties.

Where any person contravenes or otherwise fails to comply with any of the provisions of these Regulations or any direction or order of the Authority made or issued under these regulations, the Authority may if it is satisfied that the refusal, failure or contravention was willful, after giving the person an opportunity to be heard, impose a civil penalty of at least one hundred currency points and fifty currency points for each day of continuous default.

45. Interventions by the Authority

The Authority may, if it appears to it that —

- a) An issuer is contravening, has contravened or is about to contravene any provision or requirement under the Act;
- b) An issuer has failed to comply with any provision of or requirement under these Regulations or rules of its listing exchange;
- c) An issuer has furnished the Authority with false, inaccurate or misleading information;
- d) an issuer or other obligated party has furnished the Authority with false, inaccurate or misleading information; or
- e) an issuer or offeror has contravened or is about to contravene a provision of the Act or these Regulations,

notify the issuer or offeror for a hearing to determine whether to issue directions to the issuer or offeror of an approved offer or in the case of other listed securities to the responsible or relevant party-

- i. to cease and desist from the breach;

- ii. to do or not to do any matter as specified; or
- iii. with regard to any other matter that the Authority may consider necessary.

46. Appeals

- 1) Any person dissatisfied with the decision of the Authority arising from the exercise of any functions, duties or powers of the Authority given under the Act or under these regulations shall appeal to the Tribunal.
- 2) A person intending to lodge an appeal with the Tribunal shall notify the Authority within 7 days of receipt of the decision of the Authority and the Authority shall refer the matter to the Tribunal.

47. Repeal

The following regulations and guidelines are repealed.

- (1) The Capital Markets Authority (Prospectus Requirements) Regulations SI 84 -2
- (2) Capital Markets Authority (prospectus Requirements) Amendment Regulations 2008
- (3) The Capital Markets (Cross Border Introductions) Regulations, 2004.
- (4) The Capital Markets Corporate Bond Guidelines, 2004

THE CAPITAL MARKETS AUTHORITY ACT, CAP 84

CONTENTS OF PROSPECTUSES.

PART - I

MATTERS TO BE STATED ON FIRST PAGE OF PROSPECTUS.

A prospectus submitted to the Authority for approval shall state in clearly legible and prominent letters on its first page, a section headed “CAUTION” with accompanying details as specified in the Act. In addition, the following shall be included in the prospectus:

“The Authority does not accept any responsibility for the content of the information included in the prospectus, including the accuracy or completeness of such information. The liability for the content of the prospectus lies with the issuer of the prospectus and other persons, such as experts, whose opinions are included in the prospectus with their consent. The Authority has also not assessed the suitability of the securities to which the prospectus relates to any particular investor or type of investor and has not determined whether they are compliant. If you do not understand the contents of this prospectus or are unsure whether the securities to which the prospectus relates are suitable for your individual investment objectives and circumstances, you should consult an authorized advisor.”

PART II

INFORMATION TO BE STATED IN THE PROSPECTUS.

A prospectus submitted to the Authority for approval in accordance with these Regulations shall contain all information which, according to the particular nature of the issuer and of the securities offered to the public or admitted to trading on a regulated market is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses, and prospects of the issuer and of any guarantor, and of the rights attaching to such securities.

This information shall be presented in an easily analyzable and comprehensible form and shall contain the following information —

1. Identity of directors, senior management, advisers and auditors.

The purpose of this information is to identify the company representatives and other individuals involved in the company's offer or admission to trading; these are the persons responsible for drawing up the prospectus and those responsible for auditing the financial statements. The information concerning the company's directors and senior managers will allow investors to assess their experience, qualifications and levels of

remuneration,

- 1) The following information relating to directors should be disclosed
 - i. The full name, age (or date of birth) home or business address, nationality and function in the company/entity.
 - ii. directors, alternate and proposed directors of the issuer and each of its subsidiaries including details of other directorships;
 - iii. the senior management of the issuer including the chief executive, board secretary and finance director, with details of professional qualifications and period of employment with the issuer for each such person; and founders, if the issuer has been established as a family business or in existence for fewer than five years and the nature of family relationship, if any.
 - iv. detailed disclosure of chief executive or other senior management changes planned or expected during twenty-four months following the listing of the security or appropriate negative statement.
 - v. A description of other relevant business interests and activities of every such person mentioned above and, if required by the Authority particulars of any former forename or surname of such persons.
 - vi. In the case of a foreign issuer, information similar to that described above, relative to the local management, if any. Where the Authority considers the parent company is not adequately represented on the directorate of its subsidiaries, an explanation is required.
 - vii. The total aggregate of the remuneration paid and benefits in kind granted to the directors of the issuer by any member of the group during the last two completed financial years under any description whatsoever.
 - viii. A statement showing the aggregate of the direct and indirect interests of the directors in, and the direct and indirect interests of each director holding in excess of three per centum of the share capital of the issuer, distinguishing between beneficial and non-beneficial interests, or an appropriate negative statement. The statement should include by way of a note any change in those

interests occurring between the end of the financial year and the date of publication of the prospectus, or if there has been no such change, disclosure of that fact.

- ix. All relevant particulars regarding the nature and extent of any interests of directors of the issuer in transactions which are or were unusual in their nature or conditions or significant to the business of the group, and which were effected by the issuer
- 2) whether any director, executive officer, person nominated to become a director or executive officer is or has been involved in any of the following events—
- i. that person or any partnership in which he or she was a partner or any company of which he or she was an executive officer is or has been the subject of a filing of a petition under any bankruptcy law;
 - ii. that person has been convicted in a criminal proceeding or is a named subject of a ruling of a court of competent jurisdiction or any governmental body, that permanently or temporarily prohibited him or her from acting as an investment adviser or as a director or employee of a broker or dealer, director or employee of any financial institution or engaging in any type of business practice or activity;
 - iii. the number of each class of shares of the issuer held by each director;
 - iv. whether any director has the intention to sell any holdings in the same class of securities to be issued by the issuer in the public distribution within one year after the conclusion of the distribution;
 - v. details of any material acquisitions or disposals of share capital of the issuer by each director within one-year period prior to the public distribution;
 - vi. material details of all options to purchase securities of the issuer or any subsidiary or holding company of the issuer, granted to be purchased or exercised by each director within one year prior to the public distribution;
 - vii. details of any existing contracts between the directors and the issuer;
 - viii. any other interests of Board and management in any material transactions related to the issuer.

2. Board Committees, members of each committee.

3. Details of the Share ownership structure.

4. Offer information and expected timetable.

Key information regarding the offer such as the offer period and the identification of important dates relating to that offer.

5. Information on the business of the company.

Information about the company's business operations, the products it makes or the services it provides, and the factors which affect the business. It is also intended to provide information regarding the adequacy and suitability of the company's properties, plant and equipment, as well as its plans for future capacity increases or decreases.

- (1) The following information on the company should be disclosed-
 - (a) history and development of the company;
 - (b) incorporation details of the issuer including authorized and issued share capital;
 - (c) business overview;
 - (d) organisational structure; and
 - (e) property, plant and equipment.

6. Major shareholders and related-party transactions.

The purpose is to provide information regarding the major shareholders and others that may control or have an influence on the company. It also provides information regarding transactions the company has entered into with persons affiliated with the company and whether the terms of such transactions are fair to the company.

- 1) The following information shall be provided regarding the issuer's major security holders, which means security holders that are beneficial owners of at least three per centum or more of each class of the issuer's voting securities:
 - a) provide the names of the major security holders, and the number of securities and the percentage of outstanding securities of each class owned by each of them as of the most recent practicable date, or an appropriate negative statement if there are no major security holders;
 - b) Disclose any significant change in the percentage ownership held by any major security holders during the past three years; and
 - c) Indicate whether the issuer's major security holders have different voting rights, or an appropriate negative statement.

Information shall be provided as to the portion of each class of securities held in Uganda and the number of security holders in Uganda.

- 2) To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled by any other corporation, foreign government or any other natural or legal persons severally or jointly, and, if so, give the name of such controlling corporation, government or other person, and briefly describe the nature of such control, including the amount and proportion of capital held giving a right to vote.

- 3) Describe any arrangements, known to the issuer, the operation of which may at a subsequent date result in a change in control of the issuer.
- 4) In so far as is known to the issuer, the name of any person other than a director who, directly or indirectly, is interested in ten per centum or more of the issuer's capital, together with the amount of each person's interest.
- 5) Provide the information required on (a) and (b) below for the period since the beginning of the issuer's preceding five financial years up to the date of the prospectus, with respect to transactions or loans between the issuer and:
 - a) enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the issuer;
 - b) associates
 - c) individuals owning, directly or indirectly, an interest in the voting power of the issuer that gives them significant influence over the issuer, and close members of any such individual's family;
 - d) key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the issuer, including directors and senior management of the issuer and close members of such individuals' families; and
 - e) enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major security holders of the issuer and enterprises that have a number of key management in common with the issuer. the amount of outstanding loans (including guarantees of any kind) made by the issuer or any of its parent or subsidiaries to or for the benefit of any of the persons listed above.
- 6) The information given should include the largest amount outstanding during the period covered, the amount outstanding as of the latest practicable date, the nature of the loan, the transaction in which it was incurred, and the interest rate on the loan.
- 7) Full information of any material inter-company finance.
- 8) Where a statement or report attributed to a person as an expert is included in the prospectus, a statement that it is included, in the form and context in which it is included, with the written consent of that person, who has authorised the contents of that part of the Information Memorandum, and has not withdrawn his consent.
- 9) If any of the named experts employed on a contingent basis, owns an amount of securities in the issuer or its subsidiaries which is material to that person, or has a material, direct or indirect economic interest in the issuer or that depends on the success of the listing, provide a brief description of the nature and terms of such contingency or interest.

10) Provide a copy of the share register to the Authority

7. Key information.

Summarise key information about the company's financial condition, capitalisation and risk factors. If the financial statements included in the document are restated to reflect material changes in the company's group structure or accounting policies, the selected financial data must also be restated.

8. Selected financial data.

- i. Specify which financial statements must be included in the document, as well as the periods to be covered, the age of the financial statements and other information of a financial nature. The accounting and auditing principles that will be accepted for use in preparation and audit of the financial statements will be determined in accordance with financial statements prepared and audited in accordance with the accounting and auditing standards adopted by the Institute of Certified Public Accountants of Uganda.
- ii. Consolidated statements and other financial information
- iii. Significant changes in accounting policies and estimates

9. Capital of issuer—

- i. the authorized share capital, the amount issued, the amount paid-up and the description and nominal value of the shares;
- ii. particulars of any capital of the issuer's subsidiaries which has, within the two years immediately preceding the public distribution, been issued and fully or partly paid-up otherwise than in cash and the consideration, if any, for which that capital has been issued;
- iii. particulars of any capital of the issuer or of any of its subsidiaries which has, within the two years immediately preceding the publication of the prospectus, been issued for cash and the price and terms upon which that capital has been issued and, if not already fully paid, the dates when any installments are payable with any amounts of installments in arrears;

any other material alterations in the share capital of the issuer within the two years immediately preceding

the public distribution;

all substantial shareholders of the issue, together with particulars of their respective holdings of share capital;

- iv. ,A statement of opinion by its directors on whether the capital is adequate for the purposes of the business of the applicant and its subsidiaries, any extent of inadequacy and the proposed manner in which those inadequacies are to be financed.
- v. the number of shares to be listed upon the first listing date (if applicable) following the public distribution, indicating whether the issuer or any substantial shareholder has the intention to cause additional shares to be listed within a twelve-month period after the initial listing;

10. Debt of issuer—

In relation to the issuer and its subsidiaries, any material outstanding indebtedness, including bank loans, overdrafts, debentures, hire purchase agreements, mortgages, bank acceptance credits and financial guarantees by the issuer and other contingent liabilities shall be indicated in the prospectus; and the particulars shall include the date, maturity and character of the indebtedness, rate of interest, basic repayment provisions and any provisions which allow for the conversion of the debt into another class of securities of the issuer;

11. Information on bankers—

The name and business address of the major bank providing services to the issuer as lender, provider of credit facilities, or guarantor of any indebtedness and the name and business address of any registrar appointed by the issuer to provide services with respect to the issue;

12. Rights of holders—

The rights applicable to holder soft shares as regards dividends, capital, preemptive rights to subscribe to new issues of shares, redemption (where applicable), voting rights and the creation or issue of further shares of equal priority with the shares;

13. Details of the offer and admission to trading details.

- a) Information regarding the offer and the admission to trading of securities, the plan for distribution of the securities and related matters.
- b) Offer and admission to trading
- c) Reasons for the offer
- d) Plan for distribution including application procedure (rejections and refunds, foreign investor participation)
- e) Mention of the auditors, transfer agents, and registrar

- i. markets
 - ii. holders of securities who are selling
 - iii. dilution (for equity securities only)
- iv. expense
s of the
issueau
ditors
- v. transfer Agents
- vi. registrar of companies

14. Use of proceeds.

A statement on the intended use of the net proceeds of the issue including transient use of the proceeds;

15. Risk factors.

In relation to the business of the issuer, information shall be presented on any new venture risks, construction risks, licensing risks, potential increased competition, regulation, dependence on key personality, taxation, level of indebtedness, dilution, unexpectedness of dividend;

16. Operating and financial review and prospects

- i. The purpose is to provide the management's explanation of factors that have affected the company's financial condition and results of operations for the historical periods covered by the financial statements, and management's assessment of factors and trends which are expected to have a material effect on the company's financial condition and results of operations in future periods.
- ii. Operating results
- iii. Liquidity and capital resources
- iv. Research and development, patents and licences, etc.
- v. Trends

17. A statement on legal status and affairs of the issuer—

- a) A brief history of the initial organization of the business, including the form and name under which the initial organisation took place the nature and results of any bankruptcy, receivership or similar proceedings with respect to the issuer;

The nature and results of any other material reclassification, mergers and acquisitions consolidation of the issuer or any of its significant subsidiaries.

- b) The acquisition or disposition of any material amount of assets otherwise than in the ordinary course of business and any material changes in the mode of conducting the business;
- c) A summary of the material provisions of the articles of association with respect to annual general meetings of shareholders, voting rights of shareholders, the election and removal of directors and

the rights of directors to vote on proposals in which they have a personal interest;

A legal due diligence report including, but not limited to, the following—

- i. Whether all licences and consents required to perform the business or proposed business of the issuer have been duly obtained. The legal opinion should be provided by a competent law firm
- ii. Any agreements or contracts with respect to the proposed issue of securities including, where applicable, but not limited to underwriting contracts, agreements or contracts with any securities exchange, registrar of companies and trustees of bonds, debentures or other credit securities;
- iii. Any material litigation; on –going, threatened or otherwise, prosecution or other civil or criminal legal action in which the issuer or any of its directors is involved;
- iv. Whether the existing capital of the issuer and any proposed changes to it is in conformity with applicable laws and has received all necessary authorisations; and any other material items with regard to the legal status of the issuer and the proposed issue;
- v. the validity of evidence of ownership of land, plant and equipment and other important and relevant assets of the issuer; and
- vi. any other material items with regard to the legal status of the issuer and the proposed issue.

18. Additional Information

Information, most of which is of a statutory nature, that is not covered elsewhere in the prospectus.

19. Material contracts.

The dates of and parties to all material contracts (not being contracts entered into in the ordinary course of business) entered into with in the two years immediately preceding the publication of the prospectus, together with a summary of the principal contents of each contract, including particulars of any consideration passing to or from the issuer or any subsidiary, shall be indicated in every prospectus;

20. Documents on display

List of documents available for inspection, where they can be viewed from, and at what time

The following information on where to find information on the land and fixed assets of issuer and subsidiaries should be disclosed; —

- (a) The validity of ownership of land, plant and equipment and other important and relevant assets of the issuer;
- (b) particulars of the location, area or tenure (including in the case of leaseholds the rent

and unexpired term) of the factories and main buildings;

- (c) particulars about the primary plant and equipment, including cost, age, model and vendor, indicating whether the plant and equipment is expected to be replaced within two years after the conclusion of the public distribution;
- (d) evaluation report with respect to the estimated value of the land and property and equipment shall be provided to the authority;

PART III

INFORMATION TO ACCOMPANY PROSPECTUS TO BE SUBMITTED TO THE AUTHORITY.

1. Information to accompany prospectus

- (1) A prospectus submitted to the Authority shall be accompanied by a statement showing the financial performance of the issuer and its subsidiaries during the preceding two financial years.
- (2) The directors of the issuer shall include a statement analyzing the financial statements included in the prospectus, that serves to explain the present and prospective financial conditions of the issuer

The issuer shall also provide the following items to the authority—

- (a) a copy of its memorandum and articles of association;
- (b) a copy of all required authorisations with respect to its memorandum and articles of association and to the changes in its structure;
- (c) Valuation report (if required by the Authority in relation to any land, property or equipment) where applicable, a copy of proposed underwriting agreements and contracts, proposed agreements with securities exchanges for the listing of the securities to be offered (where appropriate), proposed agreements or contracts filed with the registrar of companies.

PART – IV

INFORMATION CONCERNING THE ISSUER

- 1. Name and details of incorporation of the issuer**

2. If material, state whether the articles or other establishing documents of the issuer have been amended and describe the substance of the material amendments
3. Intercorporate Relationships - Describe, by way of a diagram or otherwise, the intercorporate relationships among the issuer and the issuer's subsidiaries as of the most recent financial year end of the issuer
4. General Development of the Business of the issuer.
5. Describe the general development of the business of the issuer over its last two financial years. Include only major events or conditions that have influenced the general development of the issuer's business. If the business consists of the production or distribution of more than one product or the rendering of more than one kind of service, describe the principal products or services. Also discuss changes in the issuer's business that are expected to occur during the current financial year of the issuer.
 - (a) Trends - Discuss any trend, commitment, event or uncertainty that is both presently known to management and reasonably expected to have a material effect on the issuer's business, financial condition or results of operations, providing forward-looking information based on the issuer's expectations any significant acquisition completed by the issuer during its most recently completed financial year.

6. Operations.

Describe the business of the issuer with reference to the reportable operating and the issuer's business in general. Include the following for each reportable operating segment of the issuer:

7. The extent to which the business of the segment is cyclical or seasonal.

A description of any aspect of the issuer's business that may be affected in the current financial year by renegotiation or termination of contracts or sub-contracts and the likely effect.

The number of employees, as at the most recent financial year end or as an average over the year, whichever is more relevant.

8. Any risks associated with the operations of the issuer
9. Disclose the nature and results of any bankruptcy, receivership or similar proceedings against the issuer or any of its subsidiaries, or any voluntary bankruptcy, receivership or similar proceedings by the issuer or any of its subsidiaries, within the three most recently completed financial years or the current financial year
10. Disclose the nature and results of any material reorganization of the issuer or any of its subsidiaries within the three most recently completed financial years or the current financial year.

11. Financial Information

- (a) Provide the following financial data for the issuer in summary form for each of the two most

recently completed financial years, accompanied by a discussion of the factors affecting the comparability of the data, including discontinued operations, changes in accounting policies, significant acquisitions or significant dispositions and major changes in the direction of the business:

- (b) Net sales or total revenues
- (c) Income from continuing operations,
- (d) Net income or loss, Total assets.
- (e) Total long-term financial liabilities
- (f) Cash dividends declared per share for each class of share.
- (g) Such other information as the issuer believes would enhance an understanding of and would highlight trends in financial condition and results of operations

12. Dividends.

- (a) Describe any restriction that could prevent the issuer from paying dividends
- (b) Disclose the issuer's dividend policy.

13. Details of the offer and admission to trading

14. Reasons for the offer, allotment criteria, policy markets, selling shareholders and expenses of the issue.

15. Directors and senior management

- (a) Name, Residential address, Occupation - List the name and residence of each director and senior manager of the issuer and indicate their respective positions and offices held with the issuer and their respective principal occupations within the five preceding years. Identification documents such as a passport or national identification document should be submitted to the Authority and recent passport photographs.
- (b) State the period or periods during which each director has served as a director and when his or her term of office will expire.
- (c) State the number and percentage of securities of each class of voting securities of the issuer or any of its subsidiaries beneficially owned, directly or indirectly, by all directors and senior officers of the issuer.
- (d) State whether any director has been subject to Bankruptcy proceedings

16. Governance.

Disclose the board committees of the issuer and identify the members of each committee.

17. Conflict of interest.

Disclose particulars of existing or potential material conflicts of interest between the issuer or a subsidiary of the issuer and a director or officer of the issuer or a subsidiary of the issuer.

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SCHEDULE II

Reg. 29

ELIGIBILITY CRITERIA FOR APPLICANTS FOR APPROVAL OF AN INTRODUCTION

An applicant for the approval of an Introduction shall meet the following criteria—

1. The applicant must either be—
 - (a) a company limited by shares and registered as a public company under the companies law of its primary jurisdiction; or
 - (b) a foreign company registered as operating in Uganda in accordance with the Companies Act.
2. The applicant's shares must be freely transferable and not subject to any restrictions on marketability of pre-emption rights.
3. Audited financial statements
 - (1) The applicant must have published audited financial statements complying with International Financial Reporting Standards for an accounting period of at least two years ending on a date not longer than three months prior to the proposed introduction.
 - (2) If more than three months have elapsed since the end of the applicant's last accounting period for which financial statements have been prepared, the applicant must prepare unaudited interim financial statements from the end of the last accounting period.
 - (3) The period covered by the unaudited interim financial statements should not exceed six months.
 - (4) The applicant must have prepared audited financial statements for the latest accounting period on a going concern basis and the accompanying audit report must not contain any emphasis of matter or qualifications.
 - (5) At the date of the application, the applicant must not be in breach of any loan covenants (if it has any).
5. As at the date of the application and for a period of at least two years prior to the date of the application, none of the directors of the applicant should have—
 - (a) any petition under bankruptcy laws filed against him or her (for individual directors) or any winding up petition pending (for corporate directors);
 - (b) any criminal proceedings in which he or she has been convicted of fraud or any felony;
 - (c) been a subject of any ruling of a court of competent jurisdiction or any governmental

body, the effect of which is to permanently or temporarily prohibit him or her from acting as a fund manager, director, broker, dealer or employee of any financial institution or engaging in any business practice or activity.

6. The applicant must have declared profits after tax attributable to shareholders in at least three of the last five completed accounting periods prior to the proposed date of the introduction.
7. The applicant must not be insolvent.

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CONTENTS OF INFORMATION MEMORANDUM.

1. Caution statement

An Information Memorandum shall contain, on its first page, the caution statement specified in the Act.

2. Declaration

A declaration in the following form:

- (a) The directors of [the issuer], whose names appear on page [] of the information memorandum, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.
- (b) The name, home and business address and function of each of the persons giving the declaration set out in paragraph 2(a) above
- (c) The names and addresses of the issuer's bankers, legal advisers, sponsors, reporting accountants and any other expert to whom a statement or report included in the Information Memorandum has been attributed.

3. Listing and Listing Statistics

(1) The proposed listing price and the basis of determining the price.

- (a) The nature and amount of the securities to be listed.
- (b) A statement of the resolutions, authorisations and approvals by virtue of which the securities are to be listed.
- (c) A summary of the rights attaching to the securities, and in particular the extent of the voting rights, entitlement to distributions and, in the event of liquidation, in any surplus and any other

special rights. Where there is or is to be more than one class of securities of the issuer in issue, details must be given for each class.

(d) If the rights evidenced by the securities being listed are or may be materially limited or qualified by the rights evidenced by any other class of securities or by the provisions of any contract or other documents, include information regarding such limitation or qualification and its effect on the rights evidenced by the securities to be listed.

(e) The time limit (if any) after which entitlement to distributions lapses and an indication of the person in whose favor the lapse operates.

(f) The fixed date(s) (if any) on which entitlement to distributions arises.

(g) Details of any other securities exchanges (if any) where admission to listing is being or will be sought.

(h) The names and addresses of the issuer's registrar and paying agent(s) for the shares in any other country where admission to listing has taken place.

(i) The following information must be given concerning the terms and conditions of the listing at a securities exchange where such listing is being effected at the same time as the subject listing or has been effected within the three months preceding application of the subject listing- (a) if the listing has been or is being made simultaneously on the markets of two or more countries

(j) the listing price

(k) the period during which the Information Memorandum will be available prior to the admission to listing and the names of the agents where the Information Memorandum may be accessed;

(l) a statement or estimate of the overall amount of the charges relating to the listing payable by the issuer, stating the total remuneration of the financial intermediaries

(m) A description of the securities for which application is made and, in particular, the number of securities and nominal value per security or, in the absence of nominal value, the accounting par value or the total nominal value, the exact designation or class, and coupons attached.

(n) The securities exchange at which the securities will be listed and the dates on which the securities will be admitted to listing and on which dealings will commence.

The names of the securities exchanges (if any) on which securities of the same class are already listed.

(o) A statement whether the issuer assumes responsibility for the withholding of tax at source.

(p) Where there is a substantial disparity between the listing price and the effective cash cost to directors or senior management, or affiliated persons, of securities acquired by them in transactions

during the past five years, or which they have the right to acquire, include a comparison between that offer price and the listing price.

- (q) The following information on expenses shall be provided-
- 1) the total amount of the discounts or commissions agreed upon by the financial intermediaries and the issuer shall be disclosed, as well as the percentage such commissions represent of the total amount of the listing costs per share;
 - 2) an itemised statement of the major categories of expenses incurred in connection with the listing and by whom the expenses are payable, if other than the issuer. The following expenses shall be disclosed separately-
 - i. advertisement;
 - ii. printing of listing statement;
 - iii. approval and listing fees;
 - iv. financial advisory fees; and
 - v. the legal fees;
- (r) The information may be given subject to future contingencies. If the amounts of any items are not known, estimates (identified as such) shall be given; and
- (s) a statement or estimate of the overall amount, percentage and amount per security of the charges relating to the listing are payable by the issuer, stating the total remuneration of the intermediaries.

4. Executive summary

An Information Memorandum must contain an accurate executive summary of all its key contents and information.

5. Information on the issuer

- (a) The name, registered office and, if different, head office of the issuer. If the issuer has changed its name within the last five years, the old name must be printed in bold type under the new name.
- (b) The country of incorporation of the issuer.
- (c) The date of incorporation and the length of life of the issuer, except where indefinite.
- (d) The legislation under which the issuer operates and the legal form which it has adopted under that legislation.
- (e) A description of the issuer's principal objects with reference to its constitution documents.
- (f) The place and date of registration of the issuer and its registration number.

- (g) A statement that for a period of not more than fourteen days before the date of listing and until fourteen days after the date of listing, at a named place as the Authority may agree, the following documents (or copies thereof), where applicable, could be inspected-
- a. The information memorandum;
 - b. The constitution documents of the issuer;
 - c. Any trust deed of the issuer or of its subsidiary undertakings which is referred to in the Information Memorandum;
 - d. The following documents material contracts and directors' service contracts or, in the case of a contract not reduced into writing, a memorandum giving full particulars thereof;
 - e. Copies of service agreements with managers or secretaries; underwriting, vendors' and promoters' agreements entered into during the last two financial years;
 - f. the latest competent person's report, in the case of a mineral company
 - g. all reports, letters, and other documents, balance sheets, valuations and statements by any expert any part of which is included or referred to in the Information Memorandum;
 - h. written statements signed by the auditors or accountants setting out the adjustments made by them in arriving at the figures shown in any accountants' report and giving the reasons therefore; and
 - i. the audited accounts of the issuer where available or the audited accounts of a sponsor in the case where the issuer is a special purpose entity;
 - j. Where any of the documents are not in the English language, translations into English must also be available for inspection. In the case of material contracts, a translation of a summary of such document may be made available for inspection, if the Authority so requires.

6. Information on share capital listed in schedule 1, part 2 paragraph (i) –(iv)

7. Details on any material changes to the business of the applicant in the areas as specified in schedule 1, part two paragraph 6

8. Risk factors specified in schedule 1, part 2, paragraph 17.

Information on bankers and other advisers specified in Schedule 1, part 2, paragraph 13.

9. Description of the Structure of Securities on Offer

An information memorandum must provide information on the structure of the offering indicating the roles of different parties therein providing an illustrative schematic diagram of the same.

10. Ring fencing of Underlying Assets

An information memorandum must provide information to the satisfaction of the Authority on custodial arrangements aimed at ensuring that any underlying securities where applicable are ring-fenced

11. Information on service providers

An Information Memorandum must include details of custodians, registrars and receiving in the jurisdiction of primary listing, in Uganda and in any other jurisdiction where the applicant is seeking admission on a stock exchange.

12. Legal opinion outlining the matters specified in Schedule 1, part 2, paragraph 18.

13. Trading and settlement procedures

An Information Memorandum must include details of the modalities and procedures of existing or proposed trading and settlement of the applicant's shares in the Ugandan market.

14. Information relating to directors and senior management specified in schedule 1, part 1, paragraph 1.

15. Capital of the applicant specified in schedule 1, part 2, paragraph 11.

16. Major shareholders and related party specified in schedule 1, part 1, paragraph 6.

17. Governing law

An Information Memorandum shall state that the Laws of Uganda shall be applicable to the application for Introduction.

18. Tax policy

An Information Memorandum must include a statement of the tax payable on income from the transfer of shares, both in the primary jurisdiction and in Uganda, including whether the applicant assumes the responsibility for withholding of tax at source.

19. Use of net proceeds of the issue including transient use of the proceeds.

INFORMATION TO ACCOMPANY AN INFORMATION MEMORANDUM

20. Accompanying documents

An Information Memorandum shall be accompanied by the following documents—

- (a) certified copies of the applicant's Certificate of Incorporation;
- (b) certified copies of the Memorandum and Articles of Association;
- (c) A term sheet for the offer; and
- (d) copies of all required authorizations from professional advisors.

(e) Information on when and where these documents can be viewed from

21. Financial Information

An applicant must provide audited accounts which cover at least three years. Accounts relating to a period shorter than 3 years may be accepted if the Authority is satisfied that the targeted investors have the necessary information available to arrive at an informed judgement concerning the applicant and the securities for which listing is sought; If the applicant is a newly formed company evidence of financial guarantees or three year audited accounts of the sponsor must be provided.

22. Additional information required by the Authority

An Information Memorandum must contain any other additional information as may be required or directed to be included by the Authority, including any proposed amendments or clarifications.

SCHEDULE IV *Reg. 31*

THE CAPITAL MARKETS AUTHORITY ACT, CAP 84

DISCLOSURE REQUIREMENTS FOR ADDITIONAL ISSUES

(Rights, scrip dividend, bonus issues and secondary offers.)

1. An issuer of securities to the public must ensure equality of treatment for all holders of such securities of the same class in respect of all rights attaching to such securities.
2. An issuer proposing to issue shares for cash may first offer those shares to existing shareholders in proportion to their existing holdings. Only to the extent that the securities are not taken up by such persons under the offer, may they then be issued for cash to others or otherwise than in the proportion to their existing holdings.
3. An issuer shall not issue shares which confer a controlling interest without prior approval of shareholders in general meeting through a special resolution.
4. An issuer intending to make an additional issue should make an announcement within twenty four hours from the board's resolution to recommend the additional issue to the shareholders and such announcement shall state that the issue is subject to the approval of the shareholders and the Authority.
5. (1) Where an issuer obtains a general approval from the shareholders to issue shares for purposes of acquisition and authorizes directors to issue such shares for that purpose, the directors shall disclose to the shareholders and the general public any acquisition involving such shares in which an existing shareholder has an interest, or where the shareholding percentage or structure of the existing shareholding will change as a result of such acquisition.

(2) Where as a result of such acquisition a shareholder by virtue of shares arising out of the acquisition is in a position to exercise control of an issuer, such acquisition shall only be carried out with a special resolution of the shareholders in general meeting notwithstanding the existence of the general provisions.
6. Where an issuer which has listed shares has received notification from its parent company that the parent company proposes to participate in future issues of shares by the issuer not made to existing shareholders in proportion to their existing holdings (in order to maintain its percentage shareholding in the issuer), such participation shall first be authorised by the shareholders in general meeting by special resolution and such authority shall be valid for a period of twelve months unless renewed by shareholders at another general meeting.
7. An issuer must obtain the consent of shareholders before any subsidiary company of the

issuer makes any issue of shares for cash or transfer of existing shares of such subsidiary company so as to materially dilute the issuer's percentage interest in the shares of that subsidiary company. For the purposes of this paragraph and paragraph 5 (1) above, a subsidiary company which represents 25% or more of the aggregate of the share capital and reserves or profits (after deducting all charges except taxation and excluding extraordinary items) of the group will be regarded as a major subsidiary company.

8. The obligation to obtain the consent of shareholders set out in paragraph 7 does not apply if the subsidiary company is itself listed and so must comply with paragraph 6. In such a case, the issuer must ensure that its equity interest in the subsidiary company is not materially diluted through any new cash issue or transfer of shares by such subsidiary company. In the case of a rights issue, if the issuer does not propose to take up its rights, an arrangement must be made for the rights to be offered to its shareholders so that they can avoid a material dilution in their percentage equity interest.

9. In a rights issue or open offer an issuer need not comply with paragraph (8) above with respect to

(a) securities representing fractional entitlements; or

(b) securities which the directors of the issuer consider necessary or expedient to exclude from the offer on account of either legal problems under the laws of any territory, or the requirements of a regulatory body, provided that the Authority's consent is obtained.

In relation to a rights issue in which shareholders are given the right to participate in proportion to the amount of existing shares, such rights shall allow for renunciability in part or in whole in favor of a third party at the option of the entitled shareholders.

10. In relation to rights issues the issuer shall fix the closing date for the receipt of applications for, and acceptance of the new shares not later than thirty days after the books closing date.

11. An issuer shall issue to the persons entitled to a rights issue within ten days after a books closing date:

(a) letter of entitlement of rights; and

(b) provisional letter of allotment incorporating:

(i) form of acceptance;

(ii) request for splits;

(iii) form of renunciation; and

(iv) excess shares application form.

12. Except in the case of a rights issue to shareholders, no director of an issuer shall be given preferential allotment directly or indirectly in an issue of shares or other securities with rights of conversion to shares unless shareholders in general meeting have approved of the specific allotment to be made to such director.

The notice of meeting shall state:

- (a) the number of securities to be so allotted;
- (b) the precise terms and conditions of the issue; and
- (c) that such directors shall abstain from exercising any voting rights.

13. When shareholders are offered a specific entitlement in a new issue of shares, such entitlement must be on pro rata basis with no restrictions placed on the number of shares to be held before entitlements accrue.

14. Once the basis of the entitlement is declared the issuer shall not make any subsequent alterations to such entitlements.

15. (1) Where the shares for which application is being made are offered by way of rights, open offer or otherwise or allotted by way of capitalization of reserves or undistributed profits or bonus issue to the existing shareholders, the application shall be lodged with the Authority at least ten days prior to the date of books closure.

(2) The Authority shall be at liberty to impose such conditions as it deems fit for the protection of existing shareholders and potential investors in approving the application

(3) Where the shareholder's resolutions have not been obtained, the Authority may approve the application subject to the approval of the shareholders.

16. (1) The issuer's application shall state:

- (a) the applicant's name and date, place and number of incorporation;
- (b) the dates of resolutions passed by its board of directors and shareholders (where already obtained) furnish copies as required under the Companies Act, authorizing the issue of new shares, and if there were any proceedings of a court of law involved, the date and outcome of such proceedings;
- (c) designation or title of each class of shares proposed for additional listing and its amount, par value and whether fully paid;
- (d) the number of additional shares to be listed;
- (e) the effective date on which the additional shares are to be fully qualified for admission to trading;
- (f) the exchange at which the applicant's shares are listed;
- (g) purpose of issuance;
- (h) the names of the persons responsible for the application;
- (i) number of shares authorized by the articles and number of shares issued and fully paid;
- (j) where applicable, the number of un-issued shares of each class of security reserved for

- issuance for any purpose, and purpose for which they are reserved;
- (k) a brief description of the rights attached to the shares with regard to voting, dividends, liquidation proceeds, pre-emption in future capital increases or any other special circumstances;
 - (l) the date with effect from which the additional shares will qualify for dividend, whether dividend will be paid in full, and the circumstances relevant to the time limitation on the right to dividend;
 - (m) the nature of the document of title (if any) and its proposed date of issue;
 - (n) how any fractions will be treated;
 - (o) details regarding the proposed listing of the letters of allocation, the subsequent listing of the new shares and the amount payable in respect of listing fees;
 - (p) details regarding the letters of allocation such as –
 - (i) acceptance;
 - (ii) renunciation;
 - (iii) splitting; and
 - (iv) mode of payment.
 - (q) in the case of a rights or bonus issue or open offer -
 - (i) how shares not taken up will be dealt with and the time in which the offer may be accepted;
 - (ii) whether or not the documents of title (if any) are renounceable; and
 - (iii) a statement in bold and uppercase, on the front page, drawing shareholders' attention to the type of election to be made (i.e. whether shareholders will receive either cash or scrip if they fail to make the election);

Where the shares for which application is being made are shares of a class which is already listed, being offered by way of rights or open offer, a table of high and low traded market values for the securities of the class to which the rights issue or offer relates for the first dealing day in each of the six months before the date of the information memorandum and for the last dealing day before the announcement of the rights issue or offer and (if different) the latest practicable date prior to publication of the information memorandum;

- (r) a statement pointing out possible tax implications for non-residents.

(2) The issuer's application shall be endorsed with the following declaration under the signature of two directors or one director and the secretary:

“We hereby declare that all information stated in this application and the statements contained in the report are correct, and neither the board of directors' minutes, audit reports or any other internal documents contain information which could distort the interpretation of the report”.

17. An issuer shall issue to the persons entitled to a rights issue within ten days after a books closing date:

- (a) letter of entitlement of rights; and

(b) provisional letter of allotment incorporating:

- (i) form of acceptance;
- (ii) request for splits;
- (iii) form of renunciation; and
- (iv) excess shares application form.

18. An issuer shall not close its register to determine shareholders' entitlement to participate in a rights, bonus issue or capitalization issue or open offer until one week after the information memorandum to shareholders has been approved by the Authority.

19. All schemes involving the issue of shares or other securities (including options) to employees shall comply with the registration and approval procedures for employee share ownership schemes prescribed by the exchange

20. The issuer shall in the case of rights or bonus issue:

(a) show a timetable in respect of the following events-

- (i) books closure date to determine rights entitlement;
- (ii) last day for splitting;
- (iii) last day for exercise or rights;
- (iv) last day for renunciation of rights;
- (v) last day for application for additional shares; and

(b) state-

- (i) the rights new issue ratio, date and basis of determining the price of new issue shares;
- (ii) the expected net proceeds and its application;
- (iii) if any underwriting agreement exists, a copy of such agreement shall be submitted to the Authority;
- (iv) the names and addresses of the auditors who have audited the accounts of the issuer during the preceding three years; and
- (v) the names and addresses of the stockbrokers sponsoring the application for admission to listing.

21. An application for rights issue shall be accompanied by the following:

- (a) information about the management of the applicant;
- (b) a statement on any important development(s) affecting the applicant or its business since the latest annual report of the applicant;
- (c) if the applicant's securities have been suspended, provide details of the same;
- (d) if the shares to be listed are to be issued in connection with the acquisition of a controlling interest in, or of all the assets subject to a liability of another company and that company's profit and loss accounts to the date of the last balance sheet supplemented by the latest available interim statements;
- (e) one copy of each contract, plan or agreement pursuant to which the shares applied are to be issued;

(f) if the shares applied for are to be issued in acquisition of an equity interest in another company, or properties or other assets, one copy of any engineering, geological or appraisal report, which may have been obtained in connection with the proposed acquisition;

(g) one copy each of all letters of approval from the relevant government authorities; and

(h) a statement or estimate of the cost involved in the application divided into-

(i) brokerage expenses;

(ii) approval and listing fees;

(iii) printing;

(iv) advertising;

(v) professional fees (legal, auditors, valuers); and

(vi) other costs.

22. The issuer shall state in tabular form, for each issue or series of funded or long-term debt of the issuer and its subsidiary companies, the following-

(a) full title (including interest rate and maturity date);

(b) amount authorized by the debt instrument;

(c) amount issued to-date;

(d) amount redeemed;

(e) amount outstanding;

(f) issue price;

(g) date of payment of interest; and

(h) date and terms of redemption.

23. The issuer shall, in the case of acquisitions, state-

(a) whether the shares applied for are to be issued as a total or part of the consideration for the acquisition of-

(i) a controlling interest in, or the major part of the business and assets of, another company; or

(ii) specific assets or properties;

(b) names of parties involved in the acquisition and the date of contract entered into;

(c) the transaction, and the assets or business to be acquired, in sufficient detail to indicate the relative value thereof in relation to the consideration to be paid;

(d) the principle followed and factors considered in determining the consideration to be paid in the acquisition, and the persons making the determination and their relationship to the applicant;

(e) why the management of the issuer regards the acquisition as a favorable one from its point of view; and

(f) whether or not any officer, director or major shareholder of the issuer (or a related company of the issuer) has any direct or indirect beneficial interest in the assets to be acquired or the

consideration to be paid and, if such interest does exist, describe it.

- 24.** If the controlling interest in, or the major part of the business and assets of, another company is being acquired, the issuer shall state briefly the history and business of that other company and furnish the financial statements of that other company.
- 25.** If any engineering, geological or appraisal reports, were obtained in connection with the proposed acquisition the issuer shall include appropriate excerpts from such reports.
- 26.** If the shares applied for are in respect of bonus shares capitalized from reserves the issuer shall-
 - (a) identify the reserves from which the bonus shares are to be capitalized;
 - (b) show a three-year schedule of the movements in the relevant reserve accounts; and
 - (c) where any of the reserves were created following a revaluation of the assets of the issuer, submit a copy of the relevant appraisal report, and a certificate from the issuer's auditors that the reserves are sufficient to cover the capitalization.
- 27.** The issuer shall:
 - (a) make a declaration that the annual accounts have been audited; and
 - (b) furnish a statement from the issuer's auditor stating all circumstances regarding the additional listing known to the auditor, which could influence the evaluation by investors of the assets, liabilities, financial position, results and prospectus are included in the report.
- 28.** Where an issuer considers it necessary to make underwriting arrangements for the rights issue, details of such underwriting arrangements shall be subject to the approval of the Authority.
- 29.** Disclosure of underwriting agreement, costs, details of the underwriter and relationship (if any) of the underwriter to the issuer or any of its directors shall be made.

SCHEDULE V *Reg.32*

THE CAPITAL MARKETS AUTHORITY ACT, CAP 84

CONTENTS OF AN INFORMATION MEMORANDUM FOR A COMMERCIAL PAPER

1. An offer for commercial paper shall contain the following information;
 - a) Date of incorporation of the issuer
 - b) Details and qualifications of the directors and senior management of the issuer
 - c) Risk factors
 - d) Description of the guarantee agreement
 - e) Debt ratios such as debt to equity or debt to assets
 - f) Size of the issue
 - g) Use of proceeds
 - h) Tenor of the issue
 - i) Date of renewal for the commercial paper

THE CAPITAL MARKETS AUTHORITY ACT, CAP 84

PART I - SPECIFIC REQUIREMENTS FOR BONDS ISSUED AS RESTRICTED ISSUES

1. Type of bond:

The bond and the related offering documentation and any application to the Authority for approval must clearly state the type of the bond (e.g. Corporate, Infrastructure, green, Project or Municipal).

- a. Except where additional requirements are specified below, these regulations will apply to each type of bond.
- b. Infrastructure, Green bonds, Project or Municipal Bonds may be subject to additional requirements specified by the Authority from time to time.

2. Classification of bond issues:

- a. The bond, and the related offering documentation, and any application to the Authority for approval must clearly state the type of the bond being offered or issued (e.g. Corporate, Infrastructure, green, Project or Municipal) and the classification (e.g. Restricted, Private Placement or General Public Issue).
- b. In the absence of a classification being stated on the bond, and in the offering documentation, and any application to the Authority for approval the bond will be assumed to be classified as a General Public Issue and required to comply with the provisions of these Regulations and the law applying to General Public Offers and issuers will be liable as if an offer to the public as a General Public Issue.
- c. Limits and requirements relating to transferability set out below must be stated on the bond and set out in the offering document.

3. Potential Investors

Subject to the exception below in relation to transferability restricted issues may be made only to persons falling within the categories covered by section 90E (2) (b), (c),(d) and (e) of the Act and an offer or issue to be a Restricted issue may not include other persons.

4. Minimum issue size:

There is no minimum issue size for a Restricted issue.

5. Transferability and Listing:

- a. Restricted Issues are not transferable in the first 12 months of issue and the offering document and the bond must include this restriction.
- b. After the initial 12 months Restricted Issues are only transferable to a person who would have qualified as an initial investor.

- c. Restrictions on transfer must be disclosed on the bond and in the offering document and:
 - i. An acquiring investor shall be required to provide a certificate of its qualification as an investor to the transferor and the issuer and any trustee and if requested shall provide a copy to Authority.
 - ii. The issuer and any trustee cannot register a transfer unless a certificate is provided. and a provision to this effect must be included in the offering documentation.
- d. The restrictions on transfer do not apply where the transfer is made because of the death or insolvency of an investor or the issuer.
- e. Listing is not required and listing on a public exchange is not permitted.

6. Prospectus or Information Memorandum, short form offering document, minimum disclosure requirements, terms of trust deed and minimum size, operating track record, profitability and history, guarantee:

- a. These regulations do not provide specific requirements for Restricted Issues other than a requirement to:
 - i. nominate in the offering documentation and the bond, the type of bond;
 - ii. the classification of the issue, and to
 - iii. include notice of the restrictions on transfer of bonds.
- b. Issuers need to satisfy themselves as to disclosure requirements, if any, for compliance with the Companies Act, Capital Markets Act or these Regulations and any other law or legislation applicable to the issuer as regards disclosure.
- c. There is no requirement for a guarantee. Where an issue is guaranteed then disclosure on the guarantor's finances should be included in the offering documentation and the guarantor will be liable for any disclosure on the same basis as an issuer.

7. Authority's prior approval for a Restricted Issue is not required.

Issuers need to satisfy themselves as to requirements, if any, to comply with the Companies Act, Capital Markets Act, or these Regulations and any other law applicable to the issuer or issue.

8. Investors' rights:

Dependent on general law, terms of documentation and applicable provisions, if any, of the Companies Act and Capital Markets Authority Act.

9. Rating of bonds subject to a Restricted Issue:

Rating of the bond is optional, there is no requirement for Restricted Issues to be rated.

10. Regulation of use of intermediaries in conjunction with a Restricted issue:

Companies Act and Capital Markets Authority Act provisions apply.

11. Reporting of transfers and trades:

Companies Act and Capital Markets Authority Act provisions apply.

12. Secured or unsecured bonds and requirement for Security or Note Trustee, Trustee Qualifications:

- a. Appointment is optional.
- b. Most bonds, however, will fall under the definitions of debentures and debt securities and attention is drawn to the need to comply with the existing debenture and debt securities provisions of Companies Act and Capital Markets Authority Act.

13. Ongoing and continuous reporting:

The Companies Act, Capital Markets Authority Act and Regulations made thereunder apply.

14. Audit:

The Companies Act and Capital Markets Authority Act provisions apply.

15. Supervision and enforcement:

The Companies Act and Capital Markets Authority Act provisions apply.

16. Guarantees of Restricted Issue bonds:

Companies Act and Capital Markets Authority Act or Prospectus Regulations provisions apply.

17. Restricted Issues of Infrastructure or Project Bonds:

- a. Provisions above apply.
- b. The Companies Act and Capital Markets Authority Act and these Regulations apply.

18. Restricted Issues of Municipal Bonds

- a. Provisions above apply.
- b. , Capital Markets Authority Act or Prospectus Regulations provisions and other laws apply.

19. Type and Classification:

- a. The bond and the related offering documentation must clearly state the type and classification of the bond.
- b. In the absence of a classification being stated on the bond and in the offering documentation the bond will be assumed to be classified as a General Public Issue

and required to comply with the provisions of these regulations and the law applying to General Public Offers and issuers will be liable as if an offer to the public as a General Public Issue.

PART II - PRIVATE PLACEMENT ISSUES

20. Potential Investors:

Subject to the exception below in relation to transferability only those persons who would qualify under Section 90E of the Act may qualify as investors in a Private Placement Issue.

21. Minimum issue size:

There is no minimum issue size provided for by these Regulations but, if listed, the listing exchange may impose restrictions.

22. Transferability and Listing of Private Placement Issues and reporting of trading:

- a. Transfer permitted amongst the category of investors permitted to invest in this classification subject to the requirement for a rating as discussed below.
- b. Where a rating is required then a transfer cannot take place to an investor who would not have qualified to invest in the original issue until a rating is obtained.
- c. Restrictions on transfer must be disclosed on the bond and in the Prospectus and,
 - i. An acquiring investor shall be required to provide a certificate of its qualification as an investor to the transferor and the issuer and any trustee and if requested shall provide a copy to Authority.
 - ii. The issuer and any trustee cannot register a transfer unless a certificate is provided. and a provision to this effect must be included in the Prospectus.
- d. The restrictions on transfer do not apply where the transfer is made because of the death or insolvency of an investor or the issuer.
- e. Listing is not required and listing on a public exchange is not permitted.
- f. Listing is not required but unless trading is via an ATS system or a limited exchange that maintains records of trading including volumes and price of trade both the Seller and the Buyer shall report the date, price and volume of the bond traded to the Authority by the end of the day of the trade.
- g. To provide transparency the Authority, or a party authorized by the Authority for the purpose, shall maintain a registry of trades and such register shall be open for inspection by the public upon the payment of a fee, if any.

23. Short Form Prospectus:

Permitted as per terms of Capital Markets Authority Act and these regulations.

24. Minimum Disclosure Standards in Prospectus:

The minimum disclosure standards set out in these Regulations applicable to the type of bond apply.

25. Minimum operating track record, profitability and history of Issuer:

- a. An issuer will not be required to demonstrate profitability or meet other operating performance requirements but, shall be required to include in the Prospectus audited financial statements for the 3 years prior to the application.
- b. The requirement to include financial statements for the previous 3 years shall not apply in the case of an issue of Infrastructure or Project Bonds where there has been no prior operation by the issuer.
- c. No period of profitable trading or compliance with ratios will be required,

The Authority's review of these financial statements will be to ensure inclusion and compliance with the disclosure requirements but will not constitute a merit-review.

26. The role of the Authority

No Private Placement offer or issue of bonds is to be made except pursuant to a private placement memorandum which has been subject to the prior approval of the Authority.

27. Investor Rights:

It is intended that investors will have rights under offer documentation, the Companies Act and Capital Markets Authority Act as if this was an offer to the public.

28. Rating of Private Placement Issues of bonds:

- a. All Private Placement Issues of bonds must be rated by a credit rating agency approved or licensed by the Authority if bonds are to be offered or issued to or transferable to an investor that is a bank a pension fund, an insurance company or another regulated financial institution or if the bond is an Infrastructure Bond or a Project Bond.
- b. Subject to the requirement below in relation to Infrastructure and Project Bonds Private Placement Issues to investors other than those specified in (a) need not be rated.
- c. Where bonds are required to be rated then the issuer will be required to covenant to continue to have the bond rated while any monies are outstanding on the bonds and to provide to the rating agency the information required for it to undertake ratings.
- d. The restriction on transfer shall not apply where the transfer is as a consequence of insolvency or where the bank, pension fund, insurance company or other regulated financial institution is exercising its rights under a mortgage, charge or similar security,

29. Regulation and use of Intermediaries:

All placements of bonds the subject of a Private Placement Issue must be undertaken through a person licenced by the Authority, except where the securities are to be issued only to the persons falling into the categories covered by section 90E (2) (b), (c), (d) or (e) of the Act.

30. Secured or unsecured:

Private Placement bonds may be either secured or unsecured. However, most bonds will be classified as debentures and debt securities and attention is drawn to the need to comply with the existing debenture and debt securities provisions of Companies Act and Capital Markets Authority Act.

31. Appointment of Note Trustee and Requirement to use Approved Trust Deed:

- a. A Note Trustee must be appointed for each Private Placement issue.
- b. The Note Trustee must be licensed or approved by the Authority under legislation administered by the Authority.
- c. The Trust Deed shall meet the requirements set out in these Regulations.

32. Appointment of Security Trustee:

Were the bonds are secured then a Security Trustee unrelated to the issuer, and licenced or approved by the Authority under legislation administered by the Authority must be appointed.

33. Qualification of Trustees:

Must be licensed or approved by the Authority under the legislation administered by the Authority.

34. Ongoing reporting:

During the period the corporate bond remains outstanding the issuer shall submit to the Authority, the Registrar of Companies, to any trustee appointed and to bondholders half yearly unaudited financial statements and annual audited financial statements within 3 months of the end of the financial period. If the issue is guaranteed, then the unaudited and audited financial statements must also be provided by the guarantor.

35. Audit:

Companies Act and Capital Markets Authority Act provisions, if any apply.

36. Continuous reporting:

- a) The continuous reporting provisions of the Companies Act and the Capital Markets Authority Act and these Regulations which impose obligations on reporting to shareholders apply to require reporting to bondholders and are extended to include any matter which impacts on or has the potential to impact on the credit or ability to meet scheduled payments by an Issuer or the ability or potential ability of a guarantor to meet its obligations if called.
- b) Reporting will be required to the same parties to whom reporting is required, above, by

the Ongoing reporting provisions in these regulations.

37. Supervision and enforcement: Supervision and enforcement:

- a) None specifically under these regulations
- b) The Companies Act and Capital Markets Authority Act provisions, if any, apply as if the Prospectus and the issue and offer were in respect of an issue or offer to the public.

38. Bondholder meetings:

Provision should be included in the Trust Deed to permit bondholders and the Note Trustee and any Security Trustee to call meetings on bondholders in the event of a failure of the issuer to make a scheduled payment or a breach of a covenant, representation or warranty included in the Prospectus or Trust Deed.

39. Guaranteed Bonds and Guarantors:

A guarantee is not required but if the bonds are guaranteed then the Prospectus must contain the required information in respect of the guarantor and the provisions of these Bond regulations relating to Guarantees and Guarantors must be met.

- 40. Information on the use of proceeds

PART III – GENERAL PUBLIC ISSUES

41. Type and Classification:

- a. The bond and the related offering documentation must clearly state the type and classification of the bond.

- b. In the absence of a classification being stated on the bond and in the offering documentation the bond will be assumed to be classified as a General Public Issue and required to comply with the provisions of these Bond regulations and the law applying to General Public Offers and issuers will be liable as if an offer to the public as a General Public Issue.

42. Potential investors:

Subject to complying with these provisions, the Companies Act and the Capital Markets Authority Act there is no restriction on investors to whom offers can be made.

43. Minimum issue size:

The minimum issue size is that, if any, provided for from time to time by the listing exchange.

44. Transferability and Listing of General Public Issues and reporting of trading:

- a. All General Public Offers are required to be listed on a stock exchange in Uganda and may be jointly listed on any other stock exchange. In addition to being

Listed in Uganda bonds may be listed on another exchange.

b. The listing exchange may impose trading reporting.

45. Prospectus:

a. The Issuer of a General Public Offer is required to prepare a Prospectus and to comply with the provisions of the Companies Act and Capital Markets Authority Act and these Regulations

b. The Prospectus shall include an Application Form for the issue of bonds.

c. Applications can only be accepted if a completed Application Form attached to the Prospectus is received.

d. Issuers and other parties named in the Prospectus e.g. transaction advisors, lawyers, accountants and auditors are required to undertake reasonable due diligence in relation to information contained on the Prospectus and to include a statement that this has been undertaken.

46. Short Form Prospectus:

Permitted as per terms of Capital Markets Authority Act and these regulations

47. Minimum Disclosure Standards:

The minimum disclosure standards in the Prospectus apply as per the Capital Markets Authority Act and these regulations.

48. Issuers, other than issuers of Infrastructure, Project Bonds and Municipal bonds satisfying the following requirements will qualify to make a General Public issue.

49. Audit

The Prospectus must be accompanied by audited financial statements for at least the 3 years preceding the issue and an accountant's report relating to its audited financial statements for at least three years preceding the issue.

50. Accountants Report

The accountant's report shall disclose the following information for the last three financial years preceding the issue:

(a) earnings before interest and taxes (EBIT) interest cover;

(b) funds from operations to total debt percentage;

(c) free cash flow to total debt percentage;

(d) total free cash flow to short term obligations;

(e) net profit margin;

(f) post tax return (before financing) on capital employed;

(g) long-term debt to capital employed ratio;

- (h) secured and unsecured debt total debt to equity ratio;
- (i) the value of related party transactions including debt and guarantees, and
- (j) in disclosing debt and ratios etc. the issuer will disclose both (a) including shareholder's nonrecourse loans and (b) excluding non-recourse loans where non-recourse loans are loans that the shareholder has agreed not to call and not to prove for in any insolvency, administration or winding up in priority to any other creditors.
- (k) any other information that the Authority may deem to be necessary.

51. The Authority's Role:

No General Public Issue or offer or issue of bonds is to be made except pursuant to a Prospectus approved by the Authority prior to an issue or offer.

52. Investor Rights:

It is intended that investors will have rights under offer documentation, the Companies Act and Capital Markets Authority Act applicable to an offer to the public via a Prospectus.

53. Rating General Public Issues of bonds:

- a. All General Public Issues of bonds must be rated by a credit rating agency, approved or licensed by the Authority under legislation administered by the Authority, prior to the Authority approving the issue.
- b. The issuer will be required to covenant to continue to have the bond rated while any monies are outstanding on the bonds and to provide to the rating agency the information required for it to undertake ratings.

54. Regulation and use of Intermediaries:

All placements of bonds the subject of a General Public Offer must be undertaken through a person licensed by the Authority.

55. Secured or unsecured and debt securities provisions:

- a. May be either but must be clearly disclosed.
- b. The restrictions under the existing the Companies Act and The Capital Markets Authority Act to the use of the term debenture unless obligations are secured should be noted and complied with.
- c. Most bonds will be classified as debentures and debt securities
- d. Must comply with the existing debenture and debt securities provisions of Companies Act and Capital Markets Authority Act.

56. Appointment of Note Trustee and requirement to use approved Trust Deed:

- a. A Note Trustee unrelated to the issuer must be appointed for each General

Public Issue.

- b. The Note Trustee must be licensed or approved by the Authority under legislation administered by the Authority.

57. Trust deed

The Trust Deed shall meet the requirements set out in these Regulations.

58. Appointment of Security Trustee: and Requirement to use Approved Trust Deed.

- a) Where the bonds are secured then a Security Trustee unrelated to the issuer must be appointed.
- b) The Authority must give a no objection to the Security Trustee appointed by the issuer.

59. Ongoing reporting:

- a) During the period the corporate bond remains outstanding the issuer shall submit to the Registrar of Companies, the Authority, any trustee and to bondholders half yearly unaudited financial statements and annual audited financial statements within 3 months of the end of the financial year.
- b) If the issue is guaranteed, then the unaudited and audited financial statements must also be provided by the guarantor.

60. Audit:

The Companies Act and the Capital Markets Authority Act provisions, apply.

61. Continuous reporting:

The continuous reporting provisions of the Companies Act, The Capital Markets Authority Act and The Trust Deed shall meet the requirements set out in these Regulations .which impose obligations on reporting to shareholders apply to require reporting to bondholders and are extended to include any matter which impacts on or has the potential to impact on the credit or ability to meet scheduled payments by an Issuer or the ability or potential ability of a guarantor to meet its obligations if called.

62. Supervision and enforcement:

Companies Act and the Capital Markets Authority Act provisions apply.

63. Bondholder meetings:

Provision should be included in the Trust Deed to permit bondholders, the Note Trustee and the Security Trustee to call meetings on bondholders in the event of a failure of the issuer to make a scheduled payment or a breach of a covenant, representation or

warranty included in the Prospectus or Trust Deed.

64. Guaranteed Bonds and Guarantors:

A guarantee is not required but if the bonds are guaranteed then the Prospectus must contain the required information in respect of the guarantor and the provisions of these regulations relating to Guarantees and Guarantors must be met.

PART IV – ALL GUARANTEED BONDS

65. The guarantor of a bond shall fulfil the following conditions:

- a. Where the guarantor is a financial institution, it shall submit to the Authority a no objection from Bank of Uganda with any application for approval;
- b. Where the guarantor is a regulated entity then, it shall submit to the Authority a no objection from the regulator with any application for approval.
- c. In both cases (a) and (b), the guarantor shall submit to the Authority and include in the Prospectus for the issue a financial capability statement duly certified by its auditors together with audited financial statements for the guarantor for at least the 3 years preceding the issue.
- d. where a guarantor is a foreign organization, the guarantor shall submit to the Authority a report from a credible credit rating agency recognised by the Authority on the financial capability of the guarantor. The Prospectus must be accompanied by audited financial statements for at least the 3 years preceding the issue and the credit rating agency report.
- e. in any case, the Authority may seek such information and assurance, as it shall deem necessary on the guarantor and require the inclusion of such information and assurance in the Prospectus.

PART V – MISCELLANEOUS REQUIREMENTS

66. Announcement of offer

The issuer, other than for a Restricted Issue, must make a public announcement in English language in both the electronic and print media with nationwide circulation at least one week before the issue opens.

67. Advisers

The issuer, other than for a Restricted Issue, must appoint advisers for the issue from among banks, licensed investment advisers and broker/dealers.

68. Placing agents

The issuer, other than for a Restricted Issue, must appoint placing agents from among banks, licensed investment advisers and broker/dealers.

69. Receiving Banks

The issuer, other than for a Restricted Issue, must designate one receiving bank. All payments made by bondholders with respect to the issue shall be made in the issuer's name and shall be banked in a designated bank account in the receiving bank.

70. Payment and settlement agents

The issuer, other than for a Restricted Issue, must designate payment and settlement agents from among banks.

PART VI - ISSUES OF INFRASTRUCTURE AND PROJECT BONDS – SPECIAL PROVISIONS

71. Except where modified below or expressly excluded the same requirements for the issue of Corporate Bonds will apply to the issue of Infrastructure or Project Bonds. Restricted Issues of Infrastructure and Project Bonds:

There are no additional or altered requirements.

72. Private Placement Issues of Infrastructure and Project Bonds:

- a. Ideally the issuer should be Special Purpose Vehicle with no other secured debt at the time of the issue.
- b. The issuer should be the owner of the infrastructure or project assets which should be unencumbered at the time of the issue.
- c. The Prospectus should contain proforma financial statements which set out three years projections post issuance, together with the underlying assumptions, sensitivities and a risk analysis.
- d. The issue must be rated by a credit rating agency authorised or licensed by the Authority, and the issuer must covenant to continue to have the issue rated whilst there are any bonds outstanding and to provide the credit rating agency with the necessary information to enable it to undertake a rating review.
- e. The bonds must be secured, and a Security Trustee appointed.
- f. The proposed use of proceeds must be disclosed.
- g. Additional disclosure requirements, appropriate to the infrastructure or project, may be specified by the Authority.
- h. The bonds may be guaranteed.

73. General Public Issues of Infrastructure and Project Bonds

The same requirements apply as for Private Placement Issues except that the bonds must at the time of issue meet a minimum local currency investment grade rating level of BBB- or equivalent.

PART VII – ISSUES OF MUNICIPAL BONDS

74. Applicable law

The issue must comply with the requirements of the Local Government Act, Cap 243 and any other legislation establishing the entity. Except where modified below or expressly excluded the same requirements for the issue of corporate bonds will apply to the issue of Municipal Bonds.

75. Disclosures in the prospectus

For each classification of issues other than a Restricted Issue the Prospectus needs to clearly disclose the proposed use of the proceeds of the issue, consents required and obtained and whether the issue is to assess based on these regulations applying to a Corporate Bond, an Infrastructure or Project Bond (e.g. 3 years prior financials or new infrastructure or project) and whether the bondholder:

- a. Is entitled to the cash flow from and recover against the total assets and revenue of the municipal issuer and the revenue raising capacity of the issuer (“General Obligation Bonds”) or;
- b. Can only claim from and against the revenues from a nominated asset or revenue stream (“Special Revenue Bonds”).
- c. The ability to enforce payment or to recover from the municipality or from the assets of the municipal issuer or to access a specific revenue stream needs to be clearly disclosed and supported by a legal opinion addressed to and for the benefit of the bondholders from time-to time.
- d. A legal opinion must be included and should disclose and confirm the powers of the municipal issuer to issue bonds and to provide security or a guarantee. It should also address the issue of requirements to obtain consent to the bond transaction.
- e. Special Revenue Bonds must be issued as secured bonds.

76. Restricted Issues of Municipal Bonds:

There are no additional or altered requirements other than those specified in paragraphs 74 and 75 above.

77. Private Placement Issues of Municipal Bonds

- a. The issue must be rated by a credit rating agency authorised or licensed by the Authority and the issuer must covenant to continue to have the issue rated whilst there are any bonds outstanding and to provide the credit rating agency with the necessary information to enable it to undertake a rating review.
- b. Additional disclosure requirements, appropriate to municipalities and the specific structure of the issue may be specified by the Authority.

The bonds may be guaranteed by a third party in which case the Guarantee provisions specified in these Regulations shall apply.

78. General Public Issues of Municipal Bonds:

The same requirements apply as for Private Placement Issues of Municipal Bonds except that the bonds must at the time of issue meet a minimum local currency rating level of BBB- or equivalent investment grade.

PART VIII GREEN BONDS

79. A Green Bond may be issued as a Corporate Bond, Project Bond or Infrastructure Bond.
80. Until the Authority Issues Green Bond Guidelines, to qualify as a Green Bonds must comply with the Climate Bonds Standard issued by the International Capital Market Association.
81. The offering documentation and any Prospectus issued in connection with a Green Bond must provide details, and where required by the Climate Bond Standard independent verification of:
- a. Project selection and evaluation.
 - b. Restrictions on use of proceeds.
 - c. Management of use of proceeds and project implementation.
 - d. Reporting and verification to bondholders.
82. Specific Green Bond requirements will be in addition to any obligations imposed by these regulations, the Statute or the Companies Act and any other applicable law.

In these Regulations, unless the context otherwise requires the following words are assigned the meanings below.

a) The latest available balance sheet date

Where, for example, the latest annual audited financial statements are made up to a date more than six months before a launch date e.g. where latest audited financial statements are 12 months to 30th June 2019 for a bond issue to be launched on 31st March 2020, then:

(i) Management should disclose the unaudited balance sheet date to a date less than six months before the launch date and financial results and cash flows for the period from the last audited financial statements to that date. Disclose the financial ratios for that period on a 12 months' basis. The balance sheet, profit and loss accounts and cash flows for the "notional" first 6 months should be extrapolated. The extrapolation should be on a straight-line basis where there are no significant seasonal trends. Where there are significant seasonal trends identified in the

previous period, then the extrapolation should be weighed accordingly. The accountant's report should address the appropriateness of the extrapolation and the assumptions on which extrapolations are based should be certified by the directors of the issuer or in the case of a municipal issuer by its governing body.

SCHEDULE VII- FEES
THE CAPITAL MARKETS AUTHORITY ACT, CAP 84

ITEM	FEES
Application fee for approval of a takeover, merger or acquisition	0.5% of the value of any transaction
Application fee for prospectus for debt or fixed income security	0.1% of the value of issue
Application fee for prospectus for equity security	0.2% of the value of issue
Application fee for prospectus or information memorandum for any other securities	0.2% of the value of issue
Application fee for approval of additional securities	Main Investment Market Segment - 0.1% of the market value of the additional securities to be listed -Alternative Market Segments - 0.1% of the market value of the additional securities to be listed.
For submission of a private placement memorandum	0.25% of the value of the transaction
Application fee for a supplementary prospectus	4,000,000
Application fee for approval of a shelf prospectus	4,000,000
Application fee for approval of an information memorandum for an introduction	2,000,000
Application fee for approval of an information memorandum for a cross boarder introduction	0.1% of the value of the issue
Application fee for resubmission of a prospectus, information memorandum or private placement	2,000,000

JACQUELINE KOBUSINGYE OPONDO,
Chairperson, Capital Markets Authority