



PRESS COMMUNIQUE OF THE 25TH EAST AFRICAN SECURITIES EXCHANGES ASSOCIATION (EASEA) MEETING HELD AT MUNYONYO COMMON WEALTH RESORT, KAMPALA, UGANDA FROM JULY 23 – 24 2015

The East African Securities Exchanges Association (EASEA) held its 25th consultative meeting in Kampala, Uganda from July 23 - 24 2015. The meeting was chaired by Mr. Pierre Celestin Rwabukumba, Chairman of EASEA and Chief Executive Officer of the Rwanda Stock Exchange (RSE). In attendance were Mr. Geoffrey Odundo, Chief Executive, Nairobi Securities Exchange, Mr. Moremi Marwa Chief Executive Officer of the Dar-es-salaam Stock Exchange (DSE), Mrs. Rose Mambo, Chief Executive Officer, Central Depository and Settlement Corporation (CDSC) Kenya and Mr. Paul Bwiso, Chief Executive Officer, Uganda Securities Exchange (USE) and representation from the member institutions.

The Chairman, Mr. Rwabukumba welcomed members to the meeting and urged members to continue focusing on regional integration initiatives which will propel the East African Capital Markets to greater heights. He noted that the Regional Inter-depository Transfer Mechanism (RITM) was successfully implemented which has enhanced the regional market efficiency.

REGIONAL INITIATIVES

The following issues were discussed and agreed upon by EASEA for follow up and implementation

1. Regional Integration Initiatives

A Technical Working Group (TWG) comprising of each partner state within the region was established by the East African Community (EAC), to review the best infrastructure and legal framework that would facilitate seamless cross boarder movement of capital. Following the adoption of the first set of Council Directives by the Council of Ministers in April 2014, the TWG has developed a second set of Council Directives which have been referred to the Sectorial Committee on Legal and Judicial Affairs (SCLJA) for legal input before they are submitted to the Council of Ministers for approval. They include:

- i) Council Directive of the EAC on Licensing of Market Intermediaries;
- ii) Council Directive of the EAC on Investor Compensation Schemes;
- iii) Council Directive of the EAC on Takeovers and Mergers;
- iv) Council Directive of the EAC on Investor Education and Protection;
- v) Council Directive of the EAC on Anti-Money Laundering in the securities market;
- vi) Council Directive of the EAC on Self-Regulatory Organizations;

- vii) Council Directive of the EAC on Conduct of Business for Market Intermediaries.

2. Capital Markets Infrastructure (CMI) Project

Capital markets are increasingly automated and interconnected. To attract global capital flows and participate in global capital markets, East African Securities Exchanges have initiated a project to adopt a mutual, modern technological system that will meet different market needs. This innovation will boost the foundations for the regional integration of the capital markets. The meeting commended the current developments on the regional infrastructure and tasked the EASEA Technical Committee to explore other ways of improving the Regional Capital Markets Infrastructure.

3. Regional Inter-Depository Transfer Mechanism

To facilitate movement of cross listed securities, the Regional Inter-depository Transfer Mechanism is now in place. This provides new possibilities for investors seeking cross-border trade opportunities.

4. Regional Cross- Listings

The EASEA secretariat will place more focus on regional cross listings to give issuing companies more liquidity and a greater ability to raise capital, and also exposing investors to a greater pool of investments.

MEMBER UPDATES

RWANDA

RWANDA STOCK EXCHANGE (RSE)

The RSE is in the final stages of automation of its trading infrastructure which will automatically be linked to the Central Securities Depository (CSD) and Real Time Gross Settlement System (RTGS) at the Central Bank of Rwanda.

A team composed of Capital Market Authority (CMA), Rwanda Stock Exchange (RSE), Central Bank of Rwanda and the Ministry of Finance and Economic Planning, has been put in place to work on the Bond Market Development.

TANZANIA

DAR-ES-SALAAM STOCK EXCHANGE (DSE)

DSE initiated actions that will improve its liquidity levels and valuation in 2015. These include;

- I. Public Education campaigns, with an emphasis on the new EGM market
- II. Initiatives to increase new products & services
- III. Linkage of the DSE-CSD to the national payment system (TISS)
- IV. Linkage of the DSE-CSD to the Central Bank's CDS
- V. Introduction of Mobile Phone platform in IPO and Secondary Market Trading

Demutualization & Self-Listing of DSE - DSE aims for an Initial Public Offer by 2016 followed by a self-listing on the Exchange. DSE has called for a lead transaction advisor, sponsoring broker and other experts to facilitate the listing. The listing will improve corporate governance and raise funds for expansion.

KENYA

NAIROBI SECURITIES EXCHANGE (NSE)

The NSE expects to roll out the following products in the course of this year:

- I. NSE Derivatives Market,
- II. M- Akiba Retail Bond,
- III. Real Estate Investment Trusts (REITS),
- IV. Exchange Traded Funds,
- V. Depository Receipts.

The Exchange is working on the following liquidity enhancing initiatives to be rolled out in H2 2015 and H1 2016:

- I. Securities Lending and Borrowing;
- II. Day trading for equities and bonds;
- III. Mobile and online trading (Direct Market Access);
- IV. Remote Membership

NSE was admitted as the 18th Partner Exchange to the Sustainable Stock Exchanges (SSE) Initiative. We intend to promote sustainable business practice in the Capital Markets looking to enhance corporate transparency by working with our stakeholders to embrace Environmental, Social and Governance (ESG) reporting standards.

CENTRAL DEPOSITORY & SETTLEMENT CORPORATION (CDSC) – KENYA

CDSC realized a paperless Kenyan Securities Trading in November 2014 with all securities traded at the Nairobi Securities Exchange declared dematerialized. This milestone has seen investors' appetite locally, regionally and internationally increases tremendously.

CDSC is working towards full compliance with the committee on Payment and Market Infrastructures/International Organization of Securities Commissions (CPMI-IOSCO) standards for financial market infrastructures. CDSC is in the process of procuring a consultant to assist in conducting a full self-assessment to facilitate full compliance status.

In January 2015, CDSC developed and implemented a more robust settlement model Settlement of Funds through the Central Bank of Kenya. This move is a mitigation measure against credit risk in the settlement cycle.

CDSC has commissioned the implantation of a new CDS system. The new system has a go-live date of first quarter of 2016.

The Government of Kenya will soon launch a retail bond dubbed "M-Akiba". CDSC has been appointed as an agent of the "M-Akiba" Retail Bond to provide Depository and Settlement Services and Registry Services.

The subsidiary company of CDSC, the Registry business continues to grow. Currently there are seven local clients and one regional.

UGANDA


UGANDA SECURITIES EXCHANGE (USE)


USE became fully automated on July 22, 2015. Automated trading allows traders to establish specific rules for both trade entries and exits that, once programmed, can be automatically executed via a computer.

USE is on course to implementing the following initiatives:

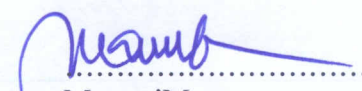
- a. Change in Trading Rules 2015 – The New Equity Trading Rules were approved and adopted by the CMA on July 17, 2015. Changes to the Fixed Income Trading Rules are under review by both the Exchange and the regulator
- b. Demutualization of the Uganda Securities Exchange – The governing Council resolved to proceed with the demutualization process of the USE. USE is currently in the process of appointing the relevant advisors to guide the process expected to commence in Q3 2015.
- c. Inter-Depository Transfer Mechanism – Investors in the Ugandan and Kenyan market have already started accessing securities through this arrangement.
- d. Settlement Cycle- The settlement cycle has been shorted from T+ 5 to T+3 effective July 22, 2015.
- e. USE is in discussions with the Central Bank to enable the trading of Government Bonds on USE's automated platform. This trading is anticipated to start in Q4 2015.
- f. USE is in discussions to link the USE- SCD with the Central Banks CDS to enable securities settlement through Central Bank money.

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Rwanda Stock Exchange


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Geoffrey Odundo
Chief Executive
Nairobi Securities Exchange


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Rose Mambo
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