

Uganda's securities exchange to embrace digital trading

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Uganda's stock market is gleaming with success at nine years. The equity market is daring to reach heights that were unpredicted to come its way so soon.

Kampala – However, as over 50,000 Ugandans begin to understand the operations of equity markets and seek to invest on the equity market, Simon Rutega the chief executive officer of the Uganda Securities Exchange (USE) and his team are not just observing the trend, in comfort. He says the stock exchange is finalizing plans to digitalize its trading system to be on a par with other world stock markets. The USE still uses the inefficient and time-wasting manual system to facilitate the buying and selling of shares among investors.

The bourse still lags behind its sister exchanges in the region; Kenya's Nairobi Stock Exchange (NSE) and Tanzania's Dar-es-salaam Stock Exchange (DSE), which have already embraced the electronic trading system.

However, Rutega says that the system will cease to exist as plans are under way to introduce the Automatic Trading System (ATS) to match its sister bourses under the East Africa Securities Exchanges Association (EASEA) umbrella. The automation will be done through the implementation of the Central Depository System (CDS). The CDS is an electronic book entry system used to record and maintain securities and to register their transfer.

He said the plan has been presented to parliament for deliberation and passage before its implemented. “We hope to have completed this system by November 2007,” Rutega said without stating the exact date.

The electronic trading system will eliminate the inherent operational inefficiencies of the manual trading system according to market analysts. “The system improves market transparency, provides a speedy and efficient matching of orders and enhances the variety and quality of market data and information provided to the market,” analysts at the stock market said.

Once the trading system is automated, Rutega said, it will make it easy to unite the EASEA members including the DSE, NSE, Kenya's and Rwanda's Central Depository System (CDS).

EASEA brings together the 3 securities markets and decides on how they should operate. At their last meeting held on September 7, in Kampala this year, the body resolved that it adopts a single trading system which would be done electronically. The system is geared at facilitating the trading of shares across the East African borders without moving from country to country.

“Our aim is to integrate the capital markets and not the stock markets, to facilitate the trading of shares without having to

move from one country to another,” Chris Mwebesa, chairman of the body and Chief Executive Nairobi Stock Exchange said at the association's 8th meeting.

“We thought that if we had more companies cross listing shares across the three exchanges then we could have an integrated exchange because we have common securities. But the process is taking long,” he explained.

The process of integration of the systems into one is expected to be complete next year when Rwanda and Uganda's CDS will be automated. “By the end of 2008 we hope to have a single stock exchange so that we can reduce cost and hassle of cross-listing,” Mwebesa said.

Uganda's equity market has nine listed equities, three of which are cross-listed on the Kenyan and Tanzanian Stock Exchanges. The local equities include; Uganda Clays, British American Tobacco, Development Finance Company of Uganda (DFCU) Bank, The New Vision, Bank of Baroda, and Stanbic Bank.

Equities that are cross-listed include; beer maker East Africa Breweries Limited, insurance group Jubilee Holdings and Kenya Airways the region's largest airline business. The three account for more than half the market capitalization of the stock market. By the third quarter, this year, market capitalization stood at shs5.2 trillion and the beer maker accounted for over shs3 trillion of the wealth. The bourse also boasted of 24 bonds, 3 corporate and 21 government bonds valued at over Shs960 billion.

During the listing of the Stanbic Bank, on January 2007, the USE All Share Index (ALSI) rose to 1,002.5. The rate currently fluctuates between 900 and 950.

On the other hand, the Nairobi Stock Exchange, which was founded in 1954, has 55 companies listed with market capitalization of over Kshs800 billion. The NSE equally surpasses the Dar-es-salaam Stock Exchange which started operating at the same time with the USE. The Dar-es-salaam bourse is worth over US\$ 2,500 million in market capital.

The USE is supported by eight member firms, which offer brokerage and investment advice to buyers and sellers. The firms include; MBEA Brokerage Services, Equity Stock Brokers, Dyer and Blair Uganda, African Alliance among others. The firms assist buyers and sellers trade their share at the market thrice a week at Workers House in Kampala.

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