Uganda Securities Exchange approves demutualization and now eyes self-listing

The Uganda Securities Exchange (USE)has received formal approval from the Capital Markets Authority (CMA) to operate a demutualized entity stock exchange in accordance with the requirements of the Capital Markets Authority [Amendment] Act 2016 and the Capital Markets Authority [Establishment of Stock Exchange] [Amendment] Regulations 2016.

This means that USE will become a self-regulation organization with a change in its governance and managerial structure.

Demutualization means that the ownership of the Exchange has been separated from the trading rights of its members [the stock brokers]. This will allow for an independent, transparent and flexible governance structure that fosters decisive action in response to all the changes in the exchange's operating business environment.

Speaking during a press conference Paul Bwiso, the USE CEO noted that efforts to demutualize the Exchange have been underway since 2007.

"The approval of the demutualization marks a great milestone for the USE and the Ugandan capital markets as a whole," noted Bwiso "It means growth for the exchange and the ability to attract strategic investors to the sector which places us in a better position to facilitate the growth of businesses and the Ugandan economy as a whole."

Demutualization is expected to improve the stock exchange's governance and deepen the capital markets. It also brings the local exchange at par with the regional stock markets that are already demutualized.

In Kenya, the Nairobi Securities Exchange demutualized in 2014. The Dar es Salaam Stock Exchange demutualized in June 2015 while the Rwanda Stock Exchange was demutualized from the start as it was registered as a company limited by shares in October 2005 before being officially launched in January 2011.

"As a demutualised entity that is profit-seeking, the USE will capitalize on new income opportunities by being innovative and creative while diversifying away from the traditional stocks and bonds into derivatives and EFT's," noted Bwiso

The approval also paves way for the planned self-listing of the USE through an Initial Public Offer (IPO) that is hoped to happen in the next couple of years.

Moving forward, the trading participants (stock brokers) will be required to reduce their shareholding to no more than 40% within the next three years while no single member will be allowed to hold more than 10% of the issued shares at the exchange.