LISTING REQUIREMENTS AND DEVELOPMENT OF CAPITAL MARKETS (A CASE OF UGANDA CAPITAL MARKET)

BY

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A RESEARCH DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF BACHELORS OF INTERNATIONAL BUSINESS MANAGEMENT IN THE SCHOOL OF BUSINESS AND MANAGEMENT OF KAMPALA INTERNATIONAL UNIVERSITY.

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APPROVAL

This report has been submitted to the Department of International business management in Kampala International University with my approval as the University supervisor.

Sign------------------------- Date. 06/07/2010

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(SUPERVISOR)

DEDICATION

To a noble hearted mother an d father who stood by me all this while and all those that pushed, challenged and encouraged my academic life.

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This study being an opening to many tasks yet to come my way in the field of business administration demands a few words of acknowledgement. My thanks are in three quarters.

To the Capital Markets Authority and Uganda Securities Exchange research centres for the fair field play their honest suffrage has opened to a minute aspiring researcher. It's this selfless move that made my study avoid a still birth.

To my supervisor, for his aid, his tact, his energy, practical sense and a generous critic whose liberality has afforded an inexperienced but determined researcher get to this good end.

Having thanked those who have aided and approved me, I turn to figures I can't overlook for it would mean am a lost son; my parents who are but definite personalities to me, and I must thank them in definite terms. To them the best inheritance they could afford me is education, I now say cordially, dad and mum, I thank you from my heart.

ACRONYMS

***CMA**- Capital markets authority*

***USE**- Uganda Securities Exchange*

BOU- Bank of Uganda

AIMS- Alternative Income Market Segment

FIMS- Fixed Income Market Segment

MIMS- Medium Income Market Segment

JSE- Johannesburg Securities Exchange

LSE- London Stock Exchange

NSE- Nairobi Stock Exchange

NYSE- New York Securities Exchange

Abstract

This study report paper examines the effects of listing requirements on capital markets development, the case of Uganda's capital market. The results of the study show that the regulatory framework is too stringent to the extent that it discourages potential issuers. Requirements like the debt ratios, minimum track history, minimum number of shareholders and capital requirements are considered limiting.

The results of the paper show that listing conditions constitute the key drivers of stock market development. The report further looks at the importance of capital markets in Uganda's economic activities. An econometric investigation of the impact of stock markets on growth in selected African countries, however, finds inconclusive evidence even though stock market value traded seem to be positively and significantly associated with growth.

Uganda stock exchange faces the challenge of limited company listings notably the AIMs segment that has no listing since its introduction in 2003 and need better technical and institutional development to address the problem of low liquidity. Preconditions for revamping Uganda's stock market include strong macro-economic environment, increased awareness, efficient market infrastructure, legal framework and a variety of products and services. Robust electronic trading systems and central depository systems will be important.

Keywords:

Stock markets, capital markets, listing requirements, capital markets development, economic growth and Uganda

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CHAPTER ONE

INTRODCTION

1.0 Introduction

This chapter focuses on the background of the study, problem statement, purpose of the study, objectives of the study, research questions, scope of the study and the significance of the study.

1.1 Background

There is indeed a growing body of research which points towards capital market development and financial deepening in general and stock markets development in particular making positive contribution to economic growth. It is on this basis that scholars like Briston, 2004, observe that the Stock Exchange developed in order to meet two demands. First, the increased issue of securities of a long-term or permanent nature required a market for the purchase and sale of these securities, so that their holders could liquidate their investments in the short-term. Also the expansion of industry during the nine-tenth century necessitated the discovery of new sources of finance. One of the main such source was the Stock Exchange, Lutwama, 2006. The two major functions of the Stock Exchange are thus the provision of a market for the purchase and sale of securities and the provision of capital for the purposes of industry and Government, both central and local. These roles are to enable government and industry to raise capital with comparative ease and to provide a secondary market where existing investors can sell and where prospective investors can buy.

However, in contrast to the development of a number of advanced stock markets, the growth of many emerging markets has been triggered by the need for developing countries to undertake privatization programmes, Awori N, 2005. In Uganda, for instance following strong economic growth in the 1990s, embarked on privatisation process as a way of fostering public participation through the stock exchange in what was known as share issue privatisation (SIP), Dr.Siebel, (1998).

The USE was licensed by the Capital Markets Authority, the regulatory body of the capital markets industry in 1997, and commenced operations in 1998. Its first product was the East African Development Bond. From the time of inception up to date, convincing companies to get their shares listed on the exchange has been a hard sale. While there are no serious objections to the requirements for listing on the USE, companies find them difficult and also costly to fulfill. The major bone of contention is the financial disclosure requirements, according to an official at the USE, Dr. Siebel, 1998.

In view of the nature of the vast majority of companies, these requirements are onerous. This calls for the need to carry out a comprehensive review of listing requirements in tandem to international standards while addressing domestic needs, S Juuko, 2009.

1.2 Problem statement

From the time of inception up to date, convincing companies to get their shares listed on the exchange has been a hard sale. The exchange has approached a number of big private companies, mainly family owned businesses but they are reluctant to take advantage of the opportunities offered. It's from the basis above that the USE has only eleven companies listed on it. Worse still is the Alternative Income Market segment that has no listing since its introduction in 2003. In view of the nature of the vast majority of small local companies, listing requirements are too stringent, Kizito Kiyingi, 2009.

Such a trend prompted the research problem of whether listing requirements are too stringent to potential issuers?

1.3 The purpose of the study

To establish the extent to which the listing requirements have affected the development of capital markets in Uganda as a case study of emerging capital markets.

1.4 Objectives of the study

- To examine the major listing requirements.
- To establish other factors that affects the development of capital markets.

- To assess the relationship that exists between listing requirements and the growth and development of capital markets industry.

1.5 Research questions

- What are the major listing requirements on the USE?
- To what extent has listing requirements affected the development of capital markets?
- What other factors affect the development of capital markets?

1.6 Scope of the study

In the research study, the researcher shall focus on the following;

Geographically: The researcher shall deal with all information or data obtained from CMA, USE, BOU supplemented with data from other emerging markets.

Conceptual scope: The researcher shall deal with the subject matter embodying the research problem.

1.7 significance of the study

The research study shall have the following significances;

- It will help CMA as an added source of information towards solving the current problems faced by the capital markets authority.
- The research findings will help policy makers in an attempt to create a level play ground for all interested stakeholders in stock markets.
- The findings may be used as study materials for future researchers

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter covers extensively details about listing requirements and development of capital markets industry. It also looks at the operations of the USE and CMA, securities traded, trading system, measurements of growth, growth of USE, and other factors influencing growth as well as the relationship that exists between listing requirements and capital markets development.

2.1 Definitions of variables

Kibarango 2000, defined capital markets as sophisticated markets that deal in the trade of financial products such as company shares, bonds issued by government or private companies and other forms of securities. The main functions of capital markets are to facilitate the transfer of funds to individuals or institutions that need funds for long term investment. Capital markets are therefore designed to finance long term investment by businesses, government and households.

According to, Cohn & Zake, 1999, define capital markets as a spectrum of activities that relates to buying and selling of financial instruments. Financial instruments bought and sold on regular basis include treasury bills, bank certificates of deposits and company shares. In addition to these major forms of instruments, there are others such as investments trust units and stock options.

Kakuru, 2000 defines Listing requirements as the set of conditions imposed by a given stock exchange upon companies that want to be listed on that exchange. Such conditions sometimes include minimum number of shares outstanding, minimum market capitalization, and minimum annual income. The Listing Rules is made by the Capital Markets Authority in accordance with the powers vested in CMA.

The listing rules govern the admission of securities to the official list, quotation of securities and disclosure. A listed company must agree to abide by the listing rules to gain admission to the official list and to remain listed.

2.2 To determine the Major Listing Requirements

The official list of the Uganda Securities Exchange is categorized into three different market segments, each having different eligibility and listing criteria. The three market segments are; Main Investment Market Segment , Alternative Investment Market Segment , Fixed Income Securities Market Segment , MIMS is the main quotation market segment with stringent eligibility, disclosure and listing requirements, Juuko S, 2009.

From the three major segments, a two tier system has been adopted, Awori N, 2002. The 1st Tier caters for the multinational companies or blue chips; these are mature and have international shareholders, While, the 2nd Tier caters for the medium and small scale companies mainly local companies and has a few domestic shareholders.

Table 1

1st tier system	Requirements
Minimum paid up capital	500,000,000
Audited capital books	For about 5years
Offer shares at value set by Co. auditors	Equity > 500million Debt > 150 million
Initial listing fee of shares with a minimum value of 500,000 and maximum 10M	0.1 percent of X
Fee for additional shares: min…250,000 Max…5M	0.05 percent of X
Annual listing fee of market capitalization	0.025 percent of X

2nd tier system	Requirements
Minimum paid up capital	250,000,000
Audited capital books	3yrs audited A/C books
Offer shares at a value set by co. auditors	Equity >150million Debt > 80million
Initial fee on: Min….250, 000 Max…..5000,000	0.5 percent of x
Fee on additional shares: Min…125,000 Max…5M	0.025 percent of X
Annual fee on market capitalization	0.025 percent of X

2.2.1 Arguments on listing Requirements

Listing requirements in Uganda provide for only one capital-raising procedure, which is the formal registration and filing process with the Securities exchange. The requirements have widely been considered demanding by innumerable local small companies which have a narrow capital base and poor accounting records and thus not willing to disclose their financial positions. Smaller companies in particular fear the loss of managerial grip on their company, Awori N, 2001. The major bone of contention is the financial disclosure requirements, according to an official at the USE. Under these conditions, local companies are generally reluctant to list on the USE because of poor accounting practices and narrow capital base that make them unwilling to disclose their financial position. They depend largely on own funds and less on other sources of funds. There is a general concern about the dilution of ownership and the character of potential shareowners, Dr Siebel, 1998.

A bigger number of small local companies with narrow capital base that find it hard to seek listing on the USE through the AIMS though this segment provide for emerging businesses with an alternative method of raising capital. One of the attractions of the Alternative Investment Market, AIM, is that these requirements are significantly less onerous and less costly. Many companies don't find these conditions favourable as the Regulators think. It is no doubt local companies are still unable to meet prospectus and listing conditions on the USE, Wafula, 2009. The prevalence of such impediments may explain why companies have continued to prefer using retained earnings, family savings and bank loans (overdrafts) their operations to finance operations, Maggio C, 2009. This no doubt continues to impede the development of capital markets in Uganda.

This is reflected by an underdeveloped capital market with few listed companies especially the AIMS that has no listing since its introduction in 2003 thus experiencing low market capitalization, Awori N, 2001. Market capitalization as a percentage of GDP is as low as 1.4 in Uganda.

In view of the nature of the vast majority of companies, these requirements remain a barrier to entry of indigenous, small and medium sized firms. This raises the dilemma of promotion vis-a-vis protection. The question is whether the requirements should be lowered so as to make markets more accessible or should they be stringent to ensure maximum protection to investors and thus, build confidence in the market, Tarinyeba, 2006.

2.2.2 Listing requirement specific to fixed income market segment

Fixed income investments have a contractually mandated payment schedule and thus a fixed income security pays a specified amount of money over a specific period. The issuer of a fixed income security may be a company, government, local government or any other body, **USE; getting listed, pg8.**

In terms of fixed income instruments the Uganda securities Exchange currently have 27 government bonds listed while there are five corporate bonds; the East African Development, Standard Chartered Bank, Housing Finance Bank, Stanbic Bank of Uganda Ltd and PTA bond.

Table2

Requirement	Criteria
Incorporation status	A company, a Government, a Local Government or any other body corporate. Should not be insolvent.
Net assets	Minimum net assets of Ugx 2 Billion or a guarantee from a bank or other financial institution acceptable to the committee.
Financial statements	- Audited IFRS compliant financial statements for 3 years for a period ending on a date not more than 6 months prior to the date of the offer. - where more than 6 months have elapsed since the last audited financial statements, the issuer shall prepare unaudited IFRS compliant financial statements for a period ending not longer than 3 months from the date of the offer. - If offer is made more than 6 months after the last audited financial period, applicant should publish un-audited interim financial statements for the period ending not longer than 3 months from the date of the offer. - Financial statements for the latest accounting period should have been prepared on a going concern basis.
Profitability	- Positive profits in 2 of the last 3 years preceding the issue or obtain a guarantee from bank or other financial institution acceptable to the committee - Issuer should not be insolvent.
Debt ratios	- Total indebtedness of issuer (including new issue) shouldn't exceed **400%** of issuer's net worth or gearing ratio of **4:1** as at latest balance sheet. - Ratio of funds generated from operations to total debt for 3 years preceding the issue should be a weighted average of at least **40%.** The above conditions should be maintained as long as the commercial paper or corporate bond remains outstanding.
Loan covenants	Should not be in breach by date of application
Competence and suitability of directors and senior management	- Directors and senior management should have appropriate expertise and experience for the management of the business. - Directors should be free of conflict of interest.
Guarantee requirements	- If the guarantor is a bank or insurance company, consent of relevant regulatory authority is required. - Guarantor should provide to the USE a financial capability statement certified by its auditors.

2.2.3 Listing requirements specific to medium income market segment

In addition to the eligibility criteria companies seeking listing on the MIMS must meet the following requirements. *USE, Getting listed, 2000, issue3 pg5*

The issuer must be a public company limited by shares incorporated under the companies Act Cap.110, laws of Uganda, 2000. This means that both local and foreign companies can apply for MIMS listing.

The issuer's MIMS authorized, issued and full paid up share capital must 1billion before the public offering of shares.

The issuer must have net assets of a minimum value of 2billion before the public offering of shares.

The issuer must have published audited financial statements for a period of at least 5yrs complying with IAS for accounting period ending not more than six months prior to the proposed date of offer.

Profits should have been declared in at least 3 of the 5yrs immediately prior to the proposed date of the offer.

At least 20 of the shares of the issuer should be offered to the public. In exceptional cases, a lower a percentage may be accepted.

At the close of the initial public offering, shares should be held by at least 1000 persons.

Where the issuer is subject by law to the regulations of any regulatory authority, the issuer must obtain a letter of no objection from the relevant regulatory authority.

No director of the issuer should have in the preceding 2 yrs been adjudged bankrupt had any winding up proceeding pending or threatened against it in the case of a company been convicted of a felony within 10 years prior to the application or been temporarily or permanently prohibited by the lawful order from acting as a director of a public company.

Many companies have fallen short of the conditions citing that they are too stringent and worse still a lot of loopholes in the regulatory structures, S Juuko, 2009.

2.2.4 Listing requirements specific to the Alternative income market segment

The AIMS segment provides capital to small scale to medium size high growth companies that do not meet eligibility criteria of the MIMS. There is no listed company on the AIMS although it was introduced in 2003, because of the stringent eligibility requirements, which the regulatory structures are working on to woo its beneficiaries. According to a study carried out on SMES by Maggio C, 2009, on 41pontential listing firm nine meet all the necessary conditions for immediate listing on AIMS while 25 prefer to be listed after 18 months.

For an issuer to be considered for listing under this segment must, in addition to the general eligibility criteria, comply with the following requirements, *USE, Getting listed pg6*:

The company must be public company limited by shares under the company's Act, Cap110.

The minimum authorized, issued and fully paid up capital of the issuer must be at least 200M prior to offering.

The net assets of the issuer must be valued at a minimum value of at least 400M prior to the offering

The issuer should have published audited financial statements for at least 2 years.

The issue must have suitably qualified senior management for at least one year prior to the application to list, none of whom has committed an offence considered inappropriate for the management of an issuer.

No director of the issuer should have in preceding 2 years been adjudged bankrupt had any winding up proceedings pending or threatened against it.

At least 1/3 of the BOD should consist of independent non executive director,

2.2.5 Comparison of the USE listing requirements and London stock exchange conditions

Just like the case of the USE, Companies in other parts of the world have to meet the requirements of the exchange in order to have their stocks and shares listed and traded there, but requirements vary by stock exchange. It is therefore vital to compare and contrast the Ugandan situation with some recognized stock markets; London Stock Exchange and find out whether USE requirements are in tandem with international standards.

Becoming listed on the LSE is a complicated process. The London Stock Exchange listing rules that must be fulfilled before a company can 'go public' follow, Biekpe Nicholas, (2006).

A comparison of the USE and LSE listing conditions therefore indicate that London stock exchange conditions are far much complicated as compared to those of the USE. But the irony is that the LSE has developed to become model securities market in the world. It's however good to note that the requirements vary by stock market and the concept of globalization of stock markets comes in, including the listing of foreign companies on stock exchanges in other countries throughout the world, thus calls for greater international coordination of stock exchange disclosure requirements and efforts expended to encourage this under the auspices of the Federation Internationale des Bourses de Valeurs, the international association of stock exchanges *Choi and Mueller 1981.*

2.3.0 Other factors affecting growth of USE

According to CMA Vol. 7, No.1, 1st Quarter, 2004 several factors other than listing requirements have been identified to be affecting the growth of stock markets in emerging capital markets such as the USE. These are discussed below:

2.3.1 Product supply

Product supply is a challenge that is faced by all emerging economies. In Kenya for instance, a market that was established in 1954 has 50 listed companies but with only 7 listings between 1995 and 2001. In Uganda, there are eleven companies listed on the USE, five of which are cross listings from Kenya. Tanzania has six companies listed, Mozambique 4, Namibia 37, Ghana 24 and Mauritius 40. This is very low compared to markets such as South Africa with over 450 listings, USA with 2400 companies listed in NYSE and UK with over 2262 companies listed on the LSE, (Amo and Komla, 2006).

2.3.2 Lack of liquidity

This is attributed to several factors including poverty, low-level incomes and therefore savings. The lack of high level of underdeveloped contractual savings such as pensions and long term insurance such as life insurance, which would otherwise be sources of long-term capital, has greatly hindered the development of capital markets industry, Henry, B Steil, 2000. In addition to this, the pension sector of most emerging markets is underdeveloped and the insurance sector is dominated by short-term policies that are unsuitable for long-term investments. The result is a market characterized by low volumes of trade, high numbers of non- active listed companies and more equities available for sale than willing buyers.

2.3.3 Low levels of capitalization

A number of emerging markets are characterized by small-sized and low levels of market capitalization. For instance, Uganda has 8 companies on the stock exchange, 3 corporate bonds and 4 government bonds recently listed. Kenya has 50 companies, 67 government bonds and 4 corporate bonds. Tanzania has 6 listed companies, 3 government bonds and 2 corporate bonds. Zambia has 14 listed companies. Though studies indicate that there has been an upward trend in market capitalization, this is far too low as compared to market capitalization of developed countries, Amo et al, 2004.

2.3.4 Underdeveloped debt markets

Studies by (Yartey and Adjasi, 2007), have identified this as a key feature in emerging markets. They are highly dominated by Government debt and in the form of one year maturity instruments. Long- term government and corporate debt instruments are largely underdeveloped. This is due to several factors including inappropriate macroeconomic policies, high levels of inflation and most important lack of a developed bond market, which would provide a yield curve against which corporations would price their bonds. Most African countries issue short- term government bonds. The lack of long-term bonds securities has created an imbalance in the market and deprived capital markets of the much needed boost.

2.3.5 Confidence in the market

Market confidence is an important factor in creating a vibrant market. If people do not have confidence in the system especially in the issues regarding corporate governance, standards, accounting and disclosure requirements, they will be reluctant to invest, Kiruthu J, June, 2007. The main challenges for strengthening investor confidence in emerging markets have been identified as increased economic instability due to effects of globalization such as market failures and currency depreciation, volatile and declining liquidity, increased competition and demographic challenge specifically in post retirement funding.

2.3.6 Fear of loss of control

In any given economy, private companies are always more than public companies and since the law does not allow companies to raise funds by way of issuing shares to the public, the few that may wish are not only required to do so are not only required to convert to public but also have to deal with issues of ownership especially family owned enterprises and loss of control, Dr. Siebel 2000. In Uganda family- owned businesses flourish in areas such hostels, media, beverages, and construction. This together with general lack of knowledge about the functioning of the capital markets is an inhibiting factor that ultimately has implications for the growth of the capital markets industry.

2.4.0 Promoting capital markets in Uganda.

All over the world, capital markets have been promoted in a similar a manner. Research has shown that no single mechanism can fully account for capital markets development but rather a combination of strategies carried out consistently as discussed below, *Jones et al, 1999.*

2.4.1 Automation

Automation is also expected to help reduce the costs and inefficiencies in African stock markets and increase trading activity and liquidity, Ross and Sara Zervos, 1998. Automation helps to speed up operations and activities of exchanges and reduces cost associated with manual systems. In addition, automation makes it easier to extend trading days and hours due to less cumbersome procedures. Automated trading also eliminates the need for trade intermediation since investors can log onto systems to monitor markets and also trade on markets, thus bypassing the use of brokers, Claessens, 2002.

2.4.2. Regional Integration

Another proposed solution to problems faced by African stock markets is to integrate stock exchanges. Merging stock exchanges (the extreme form of integration) results in volumes multiplying with potentially the same overhead costs *Claessens, Klingebiel and Schmukler, 2002.* Merging African stock markets into a single regional exchange immediately is no doubt an ambitious and daunting task, given the associated institutional and financial cost complexities. Proponents of this proposition argue that a well integrated regional stock exchange in Africa will be a powerful source and driver of capital flows to Africa. Such an exchange will also, if well structured, solve the current problems of illiquidity, small size, and fragmentation.

2.4.3 Strengthen Education

Increasing public knowledge about the functioning of the stock market could promote the development of the stock market in Africa. Knowledge about stock market activity can be improved through regular and intensive education programs. Educating the public about the role of the stock market can help increase the investor based and improve the liquidity of the stock market. There is often very little or no education on the role of stock markets in African economies. Being new financial systems in most of Sub-Saharan Africa, stock markets would not appeal automatically to economic agents. Education about stock markets must be at the firm and individual level. At the firm level, it is important to allay the fears of firms by educating them strongly and regularly on the benefits of listing, Yartey, 2007.

2.4.4 Strengthen Regulation and Supervision

Regulation and supervision of the financial system play a great role in determining both its stability and the extent of services provided. Regulation and supervision are typically aimed at the protection of investors from the potentially opportunistic behaviour of insiders. Investor protection helps solve agency problems and information asymmetry arising from inside information. This helps in making optimal decisions, increasing access to external finance and resulting in productive investment and eventually higher firm growth, La Porta, Lopezde- Silanes and Shleifer, 2003. There is the need for a well structured and clear rule of law, within an efficient judicial system, which allows for contract repudiation and expropriation risk in this regard.

2.4.4.0 Capital markets development in Uganda.

The idea of establishing a stock exchange in Uganda dates back to 1989 and subsequent promulgation of the Stock Market statute of 1996, which laid the foundation for the establishment of the Uganda Stock Market Limited (USE) in 1997, Awori N, 2001.

Capital Markets Authority (CMA) was established in 1996 following the enactment of the Capital Markets Authority Statute 1996. It is an autonomous body responsible for promoting, developing and regulating the capital markets industry in Uganda, with the overall objectives of investor protection and market efficiency. Majority of its members are drawn from the private sector; Draws membership from brokers, dealers etc Cohn, 1999.

The Uganda Securities Exchange Limited was approved by the Capital Markets Authority in June 1997 as the only approved stock exchange in Uganda. This became the 17th licensed Stock Exchange in Africa. The members of the Exchange are from the private sector. Stock Exchange listing rules, rules and regulations governing members, operations and trading rules have been approved and adopted.

Majority of the companies listed today are commercial banks. In 2004, the USE an estimated 5 listed companies and a market capitalization as a percentage of GDP is as low as 1.4 in Uganda, Komla Adjasi, 2006.

A number of initiatives were introduced in the early 2000s to improve the efficient functioning the exchange. The first major change occurred in March 2001, when the Stock Exchange saw the first cross listing of the East African Breweries ltd, four others followed suit with the recent being Equity bank ltd in June 2009.

The USE runs an open cry trading system though it's now partially automated through an electronic clearing and settlement system that was launched on 18^{th} of February, 2010.

2.4.4.1 Structure, Operations, and Regulation

The Uganda Securities Exchange is the primary stock exchange of Uganda. It opened in 1998. It has facilities to trade corporate bonds, ordinary shares, preference shares, treasury bills, commercial paper, government bonds, and asset-backed securities, *Christopher Maggio, 2009.* The USE is a nonprofit private entity limited by guarantee and has six member firms. These member firms are licensed brokers and dealers in Uganda. The USE members and their clients (investors) must comply with trading and other rules set by the USE from time to time. The CMA acts as regulator of its members and ensures that markets operate in a transparent and fair manner ensuring investor protection. Similarly, issuers of securities must comply with the USE Listings Requirements which are aimed at ensuring sufficient disclosure in the public interest of all information relevant to investors.

The USE performs the role of regulating applications for listing, the continuing obligations of listed companies and the interpretation of USE listings requirements

There are currently 8 firms licensed to carry out the functions of broker/dealer and investment advisor and 18 firms or individuals licensed as investment advisors, 4 fund managers, I unit trust trustee and I unit trust manager. The industry players include the Uganda Securities Exchange and licensed professionals and these facilitate the operations of the capital markets industry.

2.4.4.2 The role of capital markets in economic development

In recent times, research interests have focused on investigating whether stock markets, especially in developing countries, have achieved the development-oriented goals for which they were originally conceived. Study results reveal that all over the world, the capital markets have played significant roles in national economic growth and development. One intermediary in the market that operates as a rallying point for the overall activities is the stock exchange.

2.4.4.2.1 Provide market liquidity

Essentially, the stock market provides liquidity *Block and Hirt, 2009,* contributes to capital formation and investment risk reduction by offering opportunities for portfolio diversification.

The liquidity role stands out clearly as the most significant among the numerous functions provided by the stock market. In the words of *Levine 1991, 1999,* without a liquid stock market, many profitable long-term investments would not be undertaken because savers may be reluctant to tie up their investments for long periods of time. The stock market mainly provides liquidity by enabling firms to raise funds through the sell of securities with relative ease and speed. Through this catalyst role, the stock market is also able to influence investment and economic growth in general.

2.4.4.2.2 Raising capital for businesses

The Stock Exchange provides companies with the facility to raise capital for expansion through selling shares to the investing public. Providing further illustrations on how this transmission takes place, Yartey and Adjasi (2007) argue that stock markets equally provide an avenue for growing companies to raise capital at a lower cost, while positively influencing individual savings in the economy

2.4.4.2.3 Mobilizing savings for investment

When people draw their savings and invest in shares, it leads to a more rational allocation of resources because funds, which could have been consumed, or kept in idle deposits with banks, are mobilized and redirected to promote business activity with benefits for several economic sectors such as agriculture, commerce and industry, resulting in stronger economic growth and higher productivity levels of firms.

2.4.4.2.4 Facilitating company growth

Companies view acquisitions as an opportunity to expand product lines, increase distribution channels, hedge against volatility, increase its market share, or acquire other necessary business assets. A takeover bid or a merger agreement through the stock market is one of the simplest and most common ways for a company to grow by acquisition or fusion.

2.4.4.2.5 Corporate governance

By having a wide and varied scope of owners as put by Henry, B Peter, 2000, companies generally tend to improve on their management standards and efficiency in order to satisfy the demands of these shareholders and the more stringent rules for public corporations imposed by public stock exchanges and the government. Consequently, it is alleged that public companies (companies that are owned by shareholders who are members of the general public and trade shares on public exchanges) tend to have better management records than privately-held companies (those companies where shares are not publicly traded, often owned by the company founders and or their families and heirs, or otherwise by a small group of investors). However, some well-documented cases are known where it is alleged that there has been considerable slippage in corporate governance on the part of some public companies, Erbet al 1996.

2.4.4.2.6 Creating investment opportunities for small investors

Yartey 2007, states that as opposed to other businesses that require huge capital outlay, investing in shares is open to both the large and small stock investors because a person buys the number of shares they can afford. Therefore the Stock Exchange provides the opportunity for small investors to own shares of the same companies as large investors.

2.4.4.2.7 Government capital-raising for development projects

Steil Benn, 2001, states that governments at various levels may decide to borrow money in order to finance infrastructure projects such as sewage and water treatment works or housing estates by selling another category of securities known as bonds. These bonds can be raised through the Stock Exchange whereby members of the public buy them, thus loaning money to the government. The issuance of such bonds can obviate the need to directly tax the citizens in order to finance development, although by securing such bonds with the full faith and credit of the government instead of with collateral, the result is that the government must tax the citizens or otherwise raise additional funds to make any regular coupon payments and refund the principal when the bonds mature.

2.5.0 Determinants of capital markets development

The previous section has provided enough evidence to make a convincing case that stock market development at least creates the enabling environment for a successful economic growth. The policy question, therefore, is what determines stock market development? The literature suggests that sound macroeconomic environment, well developed banking sector, transparent and accountable institutions, and shareholder protection are necessary pre conditions for the efficient functioning of stock markets in Africa.

2.5.1 Macroeconomic Stability

A stable macroeconomic environment is crucial for the development of the stock market.

Macroeconomic volatility worsens the problem of informational asymmetries and becomes a source of vulnerability to the financial system. Low and predictable rates of inflation are more likely to contribute to stock market development and economic growth. Both domestic and foreign investors will be unwilling to invest in the stock market where there are expectations of high inflation. *Garcia and Liu 1999* find that sound macroeconomic environments and sufficiently high income levels, GDP per capita, domestic savings, and domestic investments are important determinants of stock market development in emerging markets.

2.5.2 Banking Sector Development

The development of the banking sector is important for stock market development in Africa.

At the early stages of its establishment the stock market is a complement rather than substitute for the banking sector. Support services from the banking system contribute significantly to the development of the stock market. Consequently, liquid inter-bank markets, largely supported by an efficient banking system, are important for the development of the stock market. Conversely a weak-banking system can constrain the development of the stock market. On the empirical front,

Demirguc-Kunt and Levine 1996 found that most stock market indicators are highly correlated with banking sector development. Countries with well-developed stock markets tend to have well developed financial intermediaries.

2.5.3 Institutional Quality

Institutional quality is important for stock market development because efficient and accountable institutions tend broaden appeal and confidence in equity investment. Equity investment thus becomes gradually more attractive as political risk is resolved over time.

Therefore, the development of good quality institutions can affect the attractiveness of equity investment and lead to stock market development. *Yartey 2007* finds good quality institutions such as law and order, democratic accountability, bureaucratic quality as important determinants of stock market development in Africa because they reduce political risk and enhance the viability of external finance. *Bekaert 1995* provides evidence that higher levels of political risk are related to higher degrees of market segmentation and consequently low level of stock market development.

2.6.0 Indicators of growth

According to Poor 2000, the growth of the stock exchange can be measured through the following indicators.

2.6.1 Market capitalization

This is one of the traditional indicators of market development and is used in this study to assess the impact of listing regulations on the USE.

Stock variables are measured at the end of the period and flow variables defined to a period. GDP is a flow variable whilst market capitalization is stock variable. Thus, there is a stock flow problem with the capitalization ratio.

2.6.2 Value trade

Value trade is the number of shares traded multiplied by their prices. Value trade is an important indicator of liquidity or ability to buy or sell quickly without substantially moving prices

2.6.3 Turnover ratio

The turnover ratio is defined as the value of total shares traded divided by market capitalization that is the value traded per unit market capitalization. This is a measure of stock market liquidity since it is a ratio of capital being traded to total market capitalization. The significant stock market driver of economic growth in Africa is the ratio of value of shares traded to GDP. It is important to note that the ratio of value traded relative to GDP is an indicator of the activity and liquidity of the stock market. Hence improvements in trading of shares (in the number of shares traded, frequency and efficiency in trading) or liquidity on African stock markets will on the whole boost economic growth by 3.7 percentage points, Garcia, F. Valeriano and Lin Liu, 1999.

2.7.0 Relationship between listing requirements and capital market development

A recent study on 41 SME's reveal that only nine profitable indigenous companies meet all conditions necessary for immediate listing on stock market, while 25 prefer to be listed in the next 18months.This follows the loosening of listing requirements by USE in a bid to attract more local companies, a move that was lauded by Professor Ephraim, Maggio C, December, 2009.

According to Mulwana, 1998, very few companies in Uganda meet the capital requirements for listing and those which meet these conditions often fail to produce proper books of account. This hinders them from listing on the stock market. It's no wonder that there are no companies listed on the AIMS since its introduction in 2003 and only 11 companies listed on the USE, five of which are cross listed, S juuko, 2009.

Stringent requirements by the USE mean that the capital markets industry in Uganda remains small with few listed companies and low market capitalization. Market capitalization as a percentage of GDP is as low as 1.4 in Uganda, Yartey, 2008. Trading occurs in only a few stocks which account for a considerable part of the total market capitalization. Beyond these actively traded shares, there are serious informational and disclosure deficiencies for other stocks.

Some researchers have argued that the listing conditions constitute the key drivers of stock market development *Yartey, 2008*; others tend to argue that it is rather a combination of factors in the stock market *Filer et al., 2000.* Of the empirical evidences backing-up both claims, no sharp demarcation yet existed between developments in the financial markets, in general, and national or regional listing requirements. The fact, essentially, is that no matter the extent of causality that exists, the main essence of the affordable listing conditions is to consolidate growth in the capital markets, and enhance the consequent impact of the latter on SMEs wishing to access finance at the Exchange.

Kiwanuka, 2000, also explains that the government's efforts to promote development of capital markets through macroeconomic reforms such as; reduction in domestic debt, privatization, reduction of inflation, efficient delivery of public services seem futile as many indigenous companies fail meeting listing requirements. One such structure of the capital markets is the multi tiered USE with the main investment segment MIMS, the alternative investment market segment AIMS and fixed income securities market segment. It's a widely accepted that there are innumerable small local companies with narrow capital base are encouraged to seek listing on the USE through the AIMS as opposed to the MIMS, which has more demanding requirements. One of the attractions of the Alternative Investment Market, AIM, is that these requirements are significantly less onerous and less costly. This helps to attract younger and more rapidly growing companies to market, *Wafula, December, 2009.*

Kamulegeya 2004 observed that indeed a synergy exists between listing requirements and capital markets development because the loosening of these conditions provides a tremendous impetus to stock market activity.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter presents various methods to be used in the collection of data and analysis. It points out the type of data used, source of the data, data processing and eventual presentation of findings.

3.1 Research Design

The study was carried out mainly through participatory approach using both qualitative and quantitative results that were subjected to further analysis.

3.2 Study Population

The study covered a population of 50 respondents who included top management, middle-level managers and support staff of the Uganda Securities Exchange. Out of the population a sample of 10 respondents was selected using the scientific method. A total of 10 respondents were then selected from Uganda securities exchange. The researcher used simple random sampling technique to attain the purpose of the study

3.3 Sample size

The study focused on a sample of 10 respondents.

Table 3

Sample characteristics	Population	Number of the sample
Investment managers	10	2
Research director	5	1
Clerks	15	3
Research centre supervisor	5	1
Brokerage representatives	15	3
Tot al		10

Source: Uganda Capital Market

3.4 Data Collection Methods

The study will make use of both qualitative and quantitative methods of data collection. Qualitative methods used include interviews, observations and questionnaires. These were used separately and conclusively where need to enhance quality of work collected.

3.4.1 Interview

This was administered where questionnaires won't able to obtain additional information. It sought opinions of respondents on how listing requirements affect the development of capital markets. The researcher depended more on structured interviews in cases of descriptive scenarios to gain greater volumes of clear data.

3.4.2 Questionnaires

This was self-administered on the well versed CMA and USE employees. This aimed at saving time but with consideration of getting dependable and reliable information

3.4.3 Observation

For the researcher to have an independent hand in the study, he seeks to personally observe events in the capital markets. Review of vital sources of secondary information was also be important in drawing judgment about the trends in the capital markets.

3.5 Measurement of Variables

The study variables were measured using Likert scale. The researcher developed a questionnaire under the guidance of the supervisor which was given to the different respondents to evaluate the questions on the scale of 1-5.

3.6 Data Type

The researcher will make use of Literature review of previous research works and other related publications and analysis of raw data collected from the following institutions: Listed companies, Companies with potential for listing, Capital Market intermediaries, Policy makers, research institutions and other professionals

3.7 Data Analysis and presentation

Data outcome will be edited for accuracy, completeness, uniformity in line with the study objectives. The responses got will be compared to questions asked to avoid deviations. Analysis will be done using computer SPs and be presented inform of tables, percentages, frequencies and pie charts.

3.8 Limitations to the Study

Inaccessibility to information was problems faced by the researcher for most institution do not release information anyhow. To overcome this problem, the researcher attempted to assure the respondents that the research is purely for academic purposes only.

The researcher did not receive cooperation from the respondents since most people are already biased about the researchers and look at them as spies. However, the researcher applied research tactics to unearth information from the respondents.

Time factor was a major problem faced by the researcher to collect sufficient data. Here the researcher tried to overcome this limitation by confining himself to the time frame.

CHAPTER FOUR

PRESENTATIONS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter is based on the purpose, objectives and questions of the study as earlier stated in chapter one. This chapter is aimed at presentation of key summary issues, comparisons and contrasts of finings, besides new references.

4.1 Findings on Demographic Features

The personal data is presented to reflect the respondents' characteristics based on gender, age, level of education, work experience within the entity.

Table4: Showing gender of respondents

Gender	Frequency	Percentages
Male	6	60%
Female	4	40%
Total	10	100%

Source: Uganda Capital Market

From the extract above, majority of respondents 60% were males and remaining 40% were females. The results indicate that for every three men hired, two women are hired. This is in line with the affirmative action that seeks to empower women in the nation building. The USE and CMA have exhibited this step as seen in the sample above.

Table5: Age of the respondents

Age bracket	Frequency	Percentages
Under 25 years	0	0%
25-34yrs	3	30%
35-44 yrs	5	50%
Above 45 yrs	2	20%
Total	10	100%

Source: Uganda Capital Market

From the results above, majority of employees 50% are the age bracket of 35-44yrs but looking across all the composition of the workforce are in the active years of service and are more dynamic in dealing financial issues. USE and CMA can therefore depend on this workforce as a competitive strategy.

Table6: respondents' marital status

Marital status	Frequency	Percentage
Single	2	20%
Married	5	50%
Divorced	3	30%
Widow	0	-
Total	10	100%

Source: Uganda Capital Market

Findings above indicate that majority of respondents 50% are married, 30% are divorced, and 20% are single. This shows that the USE relies more on married and divorced people given their responsibilities and their ability to cope with diverse business environment as opposed to the single individuals who are restless driven by the urge to explore.

Table7: Respondents' work experience

Years of service	Frequency	Percentage
Below 2yrs	1	□□□□
2-5yrs	3	30%
Above 5yrs	6	60%
Total	10	100%

Source: Uganda Capital Market

From the results above, majority of the respondents 60% had work experience of over five years, 30% between 2-5yrs and 10% below 2yrs. A conclusion drawn relating to the results show that majority of the respondents have enough knowledge on stock markets issues as reflected in their response to the question asked.

Table8: respondents' education level

Qualification	Frequency	Percentage
Certificate	0	-
Diploma	2	20%
Degree	5	50%
Masters	3	30%
Total	10	100%

Source: Uganda Capital Market

The table results above show that majority of the respondents 50% are degree holders, 30% are masters' holders and 20% are diploma. This reveals a brilliant crop of employees that support USE and CMA move to enhance professionalism and efficiency in operations of capital markets in the country.

4.1.1 Findings relating to study objectives

i. To determine the major listing conditions

ii. To determine other factors that affect the growth of capital markets

iii. To assess the relationship that exists between listing requirements and capital markets development.

4.1.2 Findings on the major listing requirements

Any company applying for listing has to fully disclose its financial situation, this acceptable to potential issuers.

Table 9

Response	Frequency	Percentage
Strongly agree	1	10%
Agree	2	20%
Strongly disagree	5	50%
Disagree	2	20%
Not sure	0	-
Total	10	100%

Source: Uganda Capital Market

From the table results above, a majority of 70% find disclosure requirement the most contentious issue to most potential issuers, while 30% of the respondents agreed combined that disclosure condition is acceptable as aims at protecting investors' interests. This implies that USE should strive towards upgrading this requirement in tandem with international standards thus attract more issuers.

In respect to minimum capitalization requirements, percentage of stock to be listed and offered to the market, and especially fees. These procedures pose difficulties for new listing companies.

Table10:

Response	Frequency	Percentage
Strongly agree	3	30%
Agree	5	50%
Strongly disagree	0	-
Disagree	2	20%
Not sure	1	10%
Total	10	100%

Source: Uganda Capital Market

The results above reveal that 80% of the respondents agree most potential issuer find the requirements far beyond their means given the low capital base that fall below the required Ugsh200M, and can't really bear the costs involved let alone fulfilling their present debt obligations. It's therefore vital that USE relaxes these conditions to attract these small profitable companies.

4.1.3 Findings on other factors that affect capital markets development

Low market capitalization is a potential barrier to cross-listing as well promotion of free flow of investment internationally.

Table 11:

Response	Frequency	Percentage
Agree	3	30%
Strong agree	4	40%
Not sure	1	10%
Disagree	1	10%
Strongly disagree	1	10%
Total	10	100%

Source: Uganda Capital Market

From the results it's clear that majority of 70% agreed the government's move to promote capital markets through meaningful media campaign was good and has realised some fruits by reducing public ignorance. It's therefore clear that USE should keep up the government's move calling in more campaigners to reach a wider audience.

Table 12

Response	Frequency	Percentage
Agree	4	40%
Strongly agree	3	30%
Not sure	-	-
Disagree	2	20%
Strongly disagree	1	10%
Total	10	100%

Source: Uganda Capital Market

From the results, only 20% agreed that awareness on capital markets was the underlying clog capital markets growth as opposed to a majority 80% who felt stringent listing conditions affected more by keeping away potential investors, thus the need to review these conditions and further awareness.

4.1.4 Findings on the relationship between listing conditions and capital markets development.

The purpose of listing conditions is to ensure that all viable companies, capable of rejuvenating capital markets development list on USE.

Table 13

Response	Frequency	Percentage
Agree	5	50%
Strong agree	4	40%
Not sure	1	10%
Disagree	-	0%
Strongly disagree	-	0%
Total	10	100%

Source: Uganda Capital Market

The results above reveal an overwhelming agreement of 90% that listing conditions are meant to attract rather than bar potential issuers. Local companies should therefore list on the USE to help the Industry realize its full potential.

A comprehensive review of listing requirements in line with domestic needs will see more local companies list the USE.

Table14

Response	Frequency	Percentage
Agree	5	50%
Strong agree	5	40%
Not sure		0%
Disagree	-	0%
Strongly disagree	-	0%
Total	10	100%

Source: Uganda Capital Market

A critical look at the results above, it's clear a considerable reduction in requirements like minimum capital, among other tough conditions will see more firms list on the USE. This demonstrates a relationship between listing requirements and capital markets development.

CHAPTER FIVE

DICUSSION, CONCLUSIONS AND RECOMMENDATIONS

5.0 DISCUSSION

The study was based on CMA and USE and targeted companies with perceived minimum one billion; first tier, two hundred million for second tier. The researcher looked at the listing requirement as one of the factors that hinders companies from listing on the USE. Such requirements include among others, free transferable shares, the issuer must be a public company limited by shares, and minimum authorized, issued and fully paid up capital of the issuer must be at least 200m and 1b for small and medium size and blue chip respectively.

The study reveals that listing requirements keep many potential investors out of the capital market industry thus hindering development. In view of the nature of vast majority of companies, these requirements are onerous and thus, costly. Innumerable local small companies with a narrow capital base and poor accounting records are unwilling to disclose their financial positions.

The above raises the dilemma of promotion vis-a-vis protection. The question is whether the requirements should be lowered so as to make capital markets more accessible or should they be stringent to ensure maximum protection of investors and therefore build confidence in the market. Findings reveal that one cannot be traded for the other and the ideal here is to attempt to strike a balance such as the creation of tiered and segmented system with affordable requirements for each segment.

On the other hand, while it's true that listing requirements have been a hindrance to growth and development of stock exchange, but when these requirements are analyzed in isolation, they cannot satisfactorily explain the low development of capital market but rather the effect of all factors when put into consideration. When discussing listing requirements as a clog to growth and development of capital market, it should not be exaggerated.

Thus the researcher had to say that the development of the capital market is not tied up in the hands of CMA's regulatory framework of listing requirements, rather the effect of government policies, form of liberalization, privatization, fiscal policies and withdrawal of grants. Macro-economic factors of inflation, high transaction costs, high interest rates and unfavorable exchange rates all impede on the level of profitability which in turn pushes away potential investors leading to stagnation of capital markets. This implies that even though capital markets growth and development basically seems to be determined by the regulatory framework of CMA, choices and actions, this should not be taken in entirety. The role of government and market makers like dealers/brokers should not be underestimated in the development of capital markets. This shows that a combination of external and internal factors have an impact

5.1 CONCLUSIONS

The findings of this study to a large extent reveal that listing requirements among a number of impediments to capital markets development remain unresolved. Listing requirements were put in place to be met by companies wishing to go public *(USE: Quarterly bulletin 2000, Issue number 3 p. 4)*. The purpose of such requirements is to ensure interested companies are viable, well managed and capable of meeting expectations of investors.

Such other impediments include weak macro-economic environment, lack of awareness, state of market infrastructure, legal framework and limited scope of products and services.

The prevalence of such impediments among others may explain why companies have continued to prefer using retained earnings, family savings and bank loans (overdrafts) their operations to finance operations.

However as earlier emphasized, to realize the above, a combined effort from all the stakeholders in the capital markets is vital, and these include government, stock exchange, business community and general public.

The securities exchange should review its rules and regulations to conform to the growth and development of capital market industry to benefit Ugandan investors.

5.2 RECOMMENDATIONS:

Regulatory structure; listing requirements

The regulatory framework has been viewed as being too stringent to the extent that it discourages potential issuers

• Requirements like the debt ratios, minimum track history, minimum number of shareholders and capital requirements are considered limiting.

It is therefore recommended that:

• A comprehensive review of the regulatory framework is undertaken to be in tandem with the global trends without undermining the domestic environment needs;

• A new regulatory framework is established for products and services that are not currently available in our market.

5.2.1 Disclosure requirements

• The need to comply with regulations may be seen as a burden and there is stronger aversion to the disclosure and reporting requirements associated with a public listing.

• There are cases whereby these requirements may be seen as a loss of privacy and an exposure to the public domain, which can be seen as a loss of competitive advantage.

• It is such information that the competing non-listed companies might access and therefore it is appropriate to device ways through which such companies are compensated for the perceived loss arising from competition.

5.2.2 Loss of control

• Many firms especially family owned or closely held companies are reluctant to dilute ownership and lose of voting control.

• Tend to rely on bank finance as well as proven network of family and friends to raise additional capital when required.

• Capital market offers an opportunity not only to raise long term capital but it also ensures that the issuer benefits from good corporate practices, which all the listed companies are expected to adhere to.

5.2.4 Cost of going public

• There are direct costs of issuing shares to the public and listing at a stock exchange.

• This is perceived to be high especially because the companies have to pay annual listing fees.

• The process is subject to approval and sometimes can take too long (management time) before it is concluded which serves as a major disincentive.

• However, I established that the costs of equity and debt are comparatively lower to bank term loans.

• In addition to offering long term capital, capital markets facilitate issuers to raise such funds in large amounts that it would not be possible to get from the banks

• However, using the constant dividend growth model (Gordon's Model) the cost of equity is comparatively lower than the bank lending interest rates. That is;

• The cost of newly issued common stock; Kn is estimated with the constant dividend growth model so as to allow for floatation costs, as illustrated below:

$$Kn = D1/(P0 - F) + g$$

WhereD1= the next expected dividend {D0 (1+ g)}

g = the constant growth rate of dividends,

P0 = the issue price per share

5.2.5 It is therefore recommended that:

- The potential issuers are sensitized on the high perceived costs of floatation;

- The applications to both CMA and USE for approval to offer equity and debt capital should be expedited to minimize management costs of the issuers

- The market intermediaries are urged to strengthen their human capacity to ensure they attend to issuers accordingly; guide the potential issuers.

- Establishment of a reliable market yield curve.

5.2.6 Size of companies

- There is dominance of small and medium scale enterprises, which are dependent on bank loans and informal sources of financing.

- Many of these firms rely on overdrafts as a major source of finance, even for fixed capital.

- Although overdrafts are theoretically payable on demand, they are usually renewed every 12months and function as a source of permanent, long term financing as long as the borrower continues to meet the key covenants in the overdraft agreement.

In order to facilitate these companies to utilize the capital markets to meet their financial needs it is recommended that:

- The medium sized companies be sensitized on the to raise long term debt need capital through capital markets as opposed to relying on overdrafts to finance projects;

- During the review of the regulatory framework, it should be appreciated that majority of companies are small and medium sized therefore the legal framework sized, and should accommodate such entities.

5.2.7 Areas for further research:

The following studies should be carried out:

1. Capital markets and development of Small and Medium enterprises in Uganda

2. The relationship between development of capital markets and economic development

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Appendix 1: Research Questionnaire

Dear respondent,
I am a student at Kampala International University seeking information on the study topic: **listing requirements and development of capital markets industry** as preferential requirement for the award of bachelor's degree in international business administration.
My study is based on the assumption that a number of impediments did not allow the Ugandan financial market to develop properly over the last years. These may rest in the actual economic or legal environment; they may consist of stringent requirements set up by the USE for listing. In short, I assume there are bottlenecks to overcome if the CMA wants to achieve its goal to promote and facilitate the development of an orderly, fair and efficient capital market in Uganda.
All answers received through this questionnaire will be treated confidentially and processed anonymously.

SECTION A

Personal Data

I. Age ☐ 18 _ 24 ☐ 25 _ 30 ☐ 31_above

II. Sex ☐ male ☐ Female

III. Marital status ☐ Single ☐ Married ☐ Divorced ☐ Widow

IV. Responsibility held...

V. Work Experience ☐ 1_2 ☐ 3_4

VI. Education qualification ☐ certificate ☐ diploma ☐ degree ☐ masters

SECTION B

(Tick or fill in the blank spaces provided for this section)

I. To find out the major listing requirements and how they influence the development of capital markets

1. The listing of a company on a stock exchange is subject to a number of requirements. In fact any company applying for listing has to fully disclose its financial situation not only to the CMA and the Uganda Securities Exchange, but also to the public at large. This is acceptable to potential issuers.

☐ = Fully agree ☐ =Tend to agree ☐ =Tend to disagree ☐ strongly disagree

2. In respect to minimum capitalization requirements, percentage of stock to be listed and offered to the market, and especially fees, these procedures pose difficulties for new listing companies.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

3. If the overhead costs or other requirements of the Uganda Stock Exchange associated with listing small and medium companies were reduced for at least the first two years, I suppose they would still consider listing.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagrees

SECTION C

II Other factor affecting the capital markets development in Uganda

4. Product supply is a challenge that is faced by emerging exchanges like USE.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree.

5. Lack of liquidity stands out clearly as the most significant among other factors that has greatly hindered the development of capital markets.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

6. Underdeveloped debt markets have created an imbalance in the market and deprived capital markets of the much needed boost.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

7. Small companies in particular fear the loss of managerial grip on their companies a thing that kept away potential issuers.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

8. Low market capitalization is a potential barrier to cross-listing as well promotion of free flow of investment internationally.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

Objective three: To establish the relationship that exists between listing requirements and capital market development.

9. A comprehensive review of listing requirements in line with domestic needs will see more local companies list the USE.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

10. The purpose of listing conditions is to ensure that all viable companies, capable of rejuvenating capital markets development list on USE.

☐ Fully agree ☐ Tend to agree ☐ Tend to disagree ☐ strongly disagree

Thank you for your kind help in participating in this inquiry