

Manual trading hinders Uganda's stock market development

Trading of shares manually at the Uganda Securities Exchange is limiting the growth and development of the nation's only stock market, Japheth Kato the Chief Executive Officer Capital Market's Authority has said.

By [Walter Wafula](#) ³ Dec 2007

Kampala – The Uganda Securities Exchange (USE) still embraces the archaic and time-wasting physical trading system where stockbrokers trade by writing on a huge white notice board and notebooks at the organizations head office in Kampala.

Kato said, “One factor that is negatively impacting on the development of the market is the absence of automated, clearing and settlement system,” Kato said at the official launch of Dyer and Blair at the Kampala Serena Hotel, on November 30th.

The cumbersome trading system slows the exchange of shares, the compilation of data and leads to occasional inaccuracy in trading reports, and is hindering the planned integration process of the East African stock exchange markets.

“The Central Depository System (CDS), automation should be able to increase liquidity, efficiency and safety of transactions. This will also greatly improve the regional integration because; the Kenyan and Tanzanian markets are fully automated so we need to speed up this process to link up with these forces,” Kato explained. The CDS is an electronic book entry system used to record and maintain securities and to register their transfer.

He urged government to speed up the passing of the CDS bill so that all this can be achieved as soon as possible.

At the East Africa Securities Exchanges Association (EASEA) meeting in September this year, Simon Rutega, the Chief Executive Officer USE had predicted that the CDS would be in place by November this year. “We have done all that needs to put the automatic trading system in place but are only waiting for the CDS bill to be passed to finalize,” Rutega said.

On Friday, Dyer & Blair, one of the eight licensed capital markets brokerage firms in Uganda, was officially launched after four years in business.

“The timing is very good, because we anticipate that the market will become very active in the near future,” Njoroge Nganga, Dyer & Blair's GM said.

He emphasized that the firm was coming up now, because more companies are coming up for listing on the East African bourses and there is need to increase awareness. “Secondly, it is because Safaricom is coming up soon. It is part of the investor education to let the investors know what other options are available to them,” he said.

Safaricom, a mobile telecommunication company, is one of Kenya's most profitable investments and

intends to issue its much-anticipated Initial Public Offering (IPO) on December 10 this year.

“Since we are operating in an East African market, we thought that it was necessary to expand here as well. Safaricom is coming up and there is need to spread knowledge about the benefit of investing in the market. Nganga whose brokerage firm is also established in Kenya.

While commenting on the firm's grand launch, Kato said, “I would like to challenge Dyer & Blair and all the other market intermediaries that they need to establish presence outside Kampala and find means of reaching out to those other investors who need the services and have got the resource to invest.”

Other licensed brokers in Uganda include; Renaissance Capital, Mbea brokerage Services, Africa Alliance Equity Stock Brokers, Baroda Capital Markets, and Crane Financial Services.

These advise potential investors and investors on the USE on which listed company shares to acquire and sell; there are only nine listed companies, and over 20 bonds, in which to invest, on the USE. National Insurance Company, Kinyara Sugar Works and Uganda Telecom have also expressed interests to list on the Ugandan stock market. Manual trading hinders Uganda's stock market development

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