

SMI Markets: [Uganda](#)

Date: 10 Jun 2009

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Uganda to Establish CDS

The Uganda Securities Exchange (USE) plans to implement a new central depository system and the electronic trading system in the coming months. The Securities Central Depository System (CDS) bill was passed by the Ugandan parliament on 28 October 2008 and assented to by the President on 28 January 2009. The CDS bill pushes for the automation of the existing manual market.

The USE is expected to submit an application to Capital Market Authority this month to obtain a license to operate the CDS. The CDS Rules & Regulations will also be submitted for approval. The immobilisation of share certificates in the CDS will commence once the licence is granted. This will support the introduction of electronic trading, which is expected to go live in 2010.

Market Information Impact

Uganda

This information affects the data contained in the Stock Market and Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Uganda

Market Rating: B

Market Flash Impact: Positive

Impacted Risk Type: Liquidity Risk

Current Rating = CCC

Flash Impact = On Watch

Impacted Risk Type: Counterparty Risk

Current Rating = CCC

Flash Impact = On Watch

Impacted Risk Type: Operational Risk

Current Rating = BB

Flash Impact = On Watch

The implementation of a central depository should improve the custody of securities in Uganda. The plans to immobilise securities within the CDS should also improve the settlement arrangements for these securities as well as increase settlement liquidity. Settlement via a book-entry system instead of physical delivery should also decrease operational risk. Counterparty risk exposure will also be reduced as the exchange of cash and securities will be centralised in the depository rather than being directly arranged by counterparties.

At this stage, the risk impacts are set 'On watch' pending the availability of further information regarding the CDS operations.

Related Flash: [USE Plans to Introduce Electronic Trading - Update, 05/11/2008 \(click to view\)](#)

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