PRESS COMMUNIQUE OF THE 16th EAST AFRICAN SECURITIES EXCHANGES ASSOCIATION (EASEA) MEETING HELD AT THE GREAT RIFT VALLEY LODGE, KENYA FROM THE 15th – 16th OF APRIL 2010.

The East African Securities Exchanges Association (EASEA) held its 16th meeting in Great Rift Valley Lodge, Naivasha, Kenya from the 15th to the 16th of April 2010. The meeting was chaired by Mr. Gabriel Kitua, Chief Executive Officer of the Dar es Salaam Stock Exchange (DSE). In attendance were Mr. Simon Rutega, Chief Executive Officer, Uganda Securities Exchange (USE); Mr. Robert Mathu, Executive Director the Capital Market Advisory Council (CMAC) Rwanda, Mr. Peter Mwangi, Chief Executive, Nairobi Stock Exchange (NSE) and Mr. James Gikonyo, Head of IT, Central Depository and Settlement Corporation (CDSC) Kenya.

The Chairman, Mr. Gabriel Kitua noted that EASEA has come a long way and made good achievements thus far with regards to harmonizing development within the regional capital markets. Mr. Kitua however challenged the respective member Exchanges to move faster on the various initiatives and make a greater impact on the economies within the region. In particular, he noted that respective governments had embarked on raising capital in the domestic markets through infrastructure bonds. Mr. Kitua urged EASEA to work together towards removing the bottlenecks that impede the effective raising of capital.

Mr. Kitua emphasized on the need to continue pursuing integration of the markets across the region and noted that EASEA provided the respective markets with the opportunity to achieve this quickly.

REGIONAL INITIATIVES
The following issues were discussed and agreed upon by EASEA for pursuit and implementation at a localized level.

1. **Streamlining of regional IPOs**
   All members have agreed on the domestication of regional IPOs. Members proposed the development of practical strategies that would address or ease some the various challenges that IPOs faced. For example, members could seek to leverage on the regional banks as receiving banks to provide a more efficient service during regional IPOs.

2. **Regional awareness**
   There was a need to carry out a harmonized regional awareness programme. This would ensure that the same message was delivered to all the markets to facilitate the equitable distribution of information. This awareness programme is expected to roll out in the first quarter of 2011.

3. **Development of regional infrastructure bonds**
   Infrastructure is a crucial "non tariff barrier" to optimizing the benefits of EAC regional integration. Infrastructure bonds can be a more efficient form of financing as they meet the long term nature of infrastructure financing which is often not available from the banking system. EASEA members recommend that there is need to pursue further pension sector reforms to facilitate a steady supply of capital. Further, that a standard EAC policy on the legal and institutional framework required for the implementation of Private Public Partnerships (PPPs).

4. **Trading and Settlement of Cross listed securities**
   A number of challenges relating to the trading and the clearing and settlement of cross listed securities are being faced by the markets. The challenge is the ease with which an investor in one of the markets can trade his/her securities in another market, while having his/her securities housed in a depository of the first market. It was agreed that the cross border trading and settlement of cross listed securities would be harmonized to facilitate efficiency.

5. **Securities Industry Training Institute**
   The SITI board was constituted at the first AGM held in Kampala, Uganda on 9th December at the SITI headquarters, where Mr. Simon Rutega was elected board chairman. The curriculum is now fully being implemented across the region, following agreement on the training calendar, with projected trainings every quarter. To date, over 800 people have been trained across the region. The vision is to see SITI as the leading securities industry training institute in the region.

COUNTRY MARKET REPORTS

TANZANIA

The Tanzania economy has weathered the impact of the global financial crisis. The economy continued to experience inflationary pressures from food supply shortage in the neighboring countries and some parts of Tanzania, as well as from a rebound in the world oil price. Overall headline inflation decreased to 9.6 percent in February 2010 from 10.9 percent recorded in the preceding month.

The 3-month moving average annual headline inflation rate declined to 10.87 percent in February 2010 from 12.43 percent recorded in November 2009. The overall weighted average yields of Treasury bills decreased to 4.15 percent in March 2010 from 6.43

percent and 7.20 percent registered in February and January 2010, respectively. Generally, the Treasury bills yields are lower when compared with 12.53 percent and 10.99 percent recorded in January 2009 and December 2008, respectively.

The All Share Index (DSEI) declined slightly from 1,181.86 points in February to 1,174.89 in March 2010. This was owing to the declining stock price of CRDB bank, which accounts for a significant portion of market capitalization. The Domestic Share Index (TSI) ended quarter 1 of 2010 at 902.22 points. Total market capitalization was TZS. 4,953.15 billion while equity market turnover was TZS. 3,294.91 million at the end of March.

In the bond market, the Government continued to issue and list more Treasury bonds. Three issues worth TZS. 95.8 billion with different maturity dates were issued during the quarter ending 31 March 2010 compared to three issues of Treasury bonds of TZS 131.45 billion issued during the previous quarter.

In March, the Bank of Tanzania supplied the market with a 7–year Treasury bond worth TZS. 30 billion, while demand amounted to TZS. 149.67 billion, a substantial over-subscription. The Bank accepted bids worth TZS. 30 billion—same amount as auctioned—which was equivalent to TZS. 27.18 billion at cost value.

There were 156 issues of Treasury bonds with outstanding amount of TZS 1,043.23 billion listed on the DSE by 31 March, 2010.

There have been a number of recent market developments. The Electronic and Postal Communication Bill 2009 which was passed in January, 2010 (currently pending presidential assent) will pave way for listing of communication companies subject to meeting requirements of The Capital Market and Securities Act. This development provides investors an exit mechanism and allows them to realize value on their investment. In the next parliamentary session, the Tanzanian Parliament is expected to pass the proposed changes to The Capital Markets and Securities Act to facilitate the start up of Enterprise Growth Market (EGM) which will cater for medium sized and startup companies

KENYA

The estimated GDP growth rate for 2009 is placed between a conservative 1.8% to 2.5%, and the projected GDP for 2010 is 4%. Overall inflation is declining and stood at 5% for March from 5.2% in February. The 91 and 182 treasury bill rates are also on a decline, standing at 5.53% and 5.94% respectively as of the beginning of April 2010. The average weighted coupon on bonds is at 11.44%, making the bond market an attractive source of cost effective capital for the medium to long term.

Market performance for the first quarter, both for the bonds and equity markets has picked up considerably. The NSE 20 Share Index and NSE All Share Index are up 24.89% and 17.44% respectively, making the NSE the best performing top ranked African equity market for quarter 1 of 2010. Market capitalization is up 17.44% for the first quarter and has hit the Kshs. 1 trillion mark in April.

Bond market turnover is currently at Kshs. 52.14 billion for the period ending March 2010, and has been picking since implementation of the automated bond trading. Bond turnover figures were 26.5 and 41.64 billion Kenya shillings for the month of January and February respectively.

The NSE is pursuing a number of initiatives to boost the liquidity in the secondary bond markets. There is an immobilization initiative targeted at corporate bonds that seeks to have them trading on the ATS by the 22nd of April 2010. The introduction of Authorised Security Dealers (ASDs) as associate members of the NSE is aimed at facilitating access by the commercial banks to the fixed income market segment. This will enable the banks to trade on their own books and also cut down the costs of trading.

NSE is developing an SME market segment that will enable these enterprises to access capital that is necessary for them to grow their companies. Proposals on the proposed listing obligations, tax and policy incentives have been circulated for input by various stakeholders.

RWANDA

Despite the lower GDP growth rate posted in 2009 of 5.5%, inflation has significantly declined due to good performance in food production, a decline in worldwide consumer goods' prices, the stable exchange rate of the Rwandan Franc and the limited money supply growth. Prime lending rates have also been declining from about 15.77% in December 2009 owing to an improvement in availability of credit.

The Rwandan equity market, which was activated in June 2009 with the cross listing of KCB shares has recorded has a small turnover of Rwf 3,042,800 where 18,400 shares were traded in 17 deals between the month of November 2009 and March 2010.

The first domestic equity listing in Rwanda, BRALIRWA IPO, is expected in the near future as the work to sell 25% to the public started on 6th April 2010 with the appointment of various transaction advisors for the IPO.

In the primary market, the government has set up a bond issuance programme to assist the development of the capital markets. This will result in the development of a yield curve based on the different tenors and yields. In the secondary bond market, the active debt securities in the period under review are the three treasury bonds of which there are 2 year Treasury bonds with periodic interests of 8% and 9.5% per annum and a three year treasury bond with a coupon of 8.25 % per annum.

Treasury bonds worth Rwf. 2 million have so far been traded this year. The corporate bond market, which has one corporate bond by BCR bank, was not actively traded in this quarter.

The Capital Markets Authority Council (CMAC) has made proposals to the Rwanda Revenue Authority (RRA) and Ministry of Finance and Economic Planning (MINECOFIN) on certain fiscal and non fiscal incentives. These relate to VAT; stamp duty exemption, longer tenor bonds attract more withholding tax, costs of going public tax deductible et al. These incentives have been approved and are currently awaiting enactment by parliament.

UGANDA

The overall headline inflation rate is on the decline. Inflation rates fell from 13.4% in October 2009 to 7.5% in March 2010. This decline is consistent with a reduction in food crop inflation which fell to 16.8% in March from a high of 49.5% in September 2009. Inflation is however expected to rise as the effects of the weakening shilling and the fuel problem of late March 2010 outperform declining food crop prices.

Treasury bill interest rates are at their lowest since February 2002, with the March 2010 rates for the 91, 182 and 364 day T bill rates at 3.82%, 4.80%, and 5.67% respectively. There was a general decline in market activity for the beginning of quarter 1 of 2010 though trading volumes are picking up slightly. The USE All Share Index (ALSI) stood at 886.30 points as at 30th March, 2010.

With regard to market development, the Settlement and Clearing Depository (SCD) was launched on the 18th of February 2010. USE launched an innovative Biometric Identification system to assist in the identification of the CDS account holders. This has made it easier to carry out country wide CDS account activation.

Central Depository and Settlement Corporation (CDSC)

The number of CDS accounts is currently 1.88 million, with 1.41 million distinct accounts. The average number of new accounts per month is 1200. Immobilized shares currently account for over 85% of the free float. The depository has engaged in a number of risk management initiatives. These include; Introduction of settlement caps which went live on January 11 2010 and revision of the Guarantee Fund contributions from a minimum initial contribution of Kshs. 1.5 million to Kshs. 5 million for CDAs.

The CDSC is also actively involved in a number of regional projects. CDSC will offer depository services to Capital Markets Advisory Council (CMAC) and the operational framework is currently being finalised. CSDSC has signed a contract with Bralirwa in

Rwanda to offer share registry services in their upcoming IPO. CDSC is also involved in the project to integrate the East African depositories into a single depository under the East African Common Market.

The CDSC website went live in June 2009 and was officially launched in December 2010 on completion of the extranet. Extranet features available to all registered investors allows them to securely access their account portfolios and print their statements online. This enhances transparency and boosts investor confidence by keeping them informed whenever they need to. Investors are also able to change static account details, such as contact information. So far a total of 874 registered investors can now access their accounts portfolio online.

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