

Capital Markets Authority



Guidelines governing conduct of CMA Board and staff members in conflict of interest situations

Issued by: The Capital Markets Authority
Date: 30 May 2001.

Capital Markets Authority,
Plot 76-78 William Street,
Bank of Uganda Building,
P.O. Box 24565
KAMPALA

INTRODUCTION

The Capital Markets Authority (CMA) is responsible for promoting and setting high standards of conduct across the securities industry therefore the conduct of its Board and staff members is likely to come under close scrutiny. It is not the policy of the CMA to unreasonably restrict the investment activity of its Board and staff members but certain restrictions are necessary in view of the CMA's obligations as a matter of good business practice to put in place guidelines that will prevent actual or even an appearance or suspicion of conflict of interest. Although the Board and staff members are entitled to manage their affairs in privacy, the regulatory work of the organization must be carried out in an environment, which is free from any suggestion of improper conduct. Those providing information must be confident that it will be properly handled.

These guidelines are therefore necessary to give Board and staff members a framework within which to deal with conflicts of interest and other incidental matters. The guidelines are intended to protect Board and staff members and the CMA against any suggestions that regulatory decisions have been influenced by personal interests and that investment decisions of Board and staff members are made relying on information obtained by virtue of their connection with CMA and access to non-public information.

Although these guidelines cannot be imposed upon persons not in the employment of the CMA, Board and staff members must recognize the potential for criticism if a related party as defined herein is found to be benefiting as a result of information that is in your knowledge.

Board and staff members are reminded that under the Capital Markets Authority Statute (“the Statute”) it is a criminal offence punishable by a fine or imprisonment or both for a person who is, or has been connected, at any time in the six months preceding a specific transaction, with a body corporate if by reason of that connection he/she is in possession of non public price sensitive information (“insider information”) and he/she deals in any securities of that body corporate.

The Statute defines a connected person to a body corporate, to be an individual who occupies a position that may reasonably be expected to give him access to insider information by virtue of any professional or business relationship existing between himself, or his employer or body corporate of which he is an officer and that body corporate.

GENERAL PRINCIPLES

1. Board and staff members must not exploit or appear to exploit to their personal advantage any information to which they may become privy as a consequence of their connection with CMA.
2. Board and staff members must not exploit or appear to exploit to their personal advantage any personal or professional relationships with a regulated organization.
3. A conflict of interest arises when a Board or staff member's work is affected or influenced by a personal interest or an expectation of personal gain in any matter relating to a regulated organization or other third parties dealing with the CMA. Board and staff members should avoid circumstances where an independent third party might reasonably take the view that there is or there is likely to be a conflict of interest whether or not the Board or staff member's work is affected or influenced by personal interest.
4. It is the responsibility of Board and staff members at all times to ensure that they do not find themselves in conflict of interest situations. Therefore Board must disclose to the Chairman of the Board and staff members must disclose to the Chief Executive Officer (CEO) any situation that is encountered which could give rise to a conflict of interest, whether or not it is permitted or not covered by these guidelines.
5. All information required to be under these guidelines shall be recorded in the case of Board members by the Secretary to the Board and in the case of staff members by the Legal and Compliance Manager. The said information shall be treated at all times with the strictest confidence. However it may become necessary from time to time for the Secretary to the Board or Legal and Compliance Manager as the case may be to discuss aspects of concern with the Chief Executive Officer who will, where the information relates to a Board member notify the Chairman of the Board of the said concerns. Such action as appropriate in the circumstances of each case as recommended by the CEO shall be taken in such cases.

Caution:

Abuse of CMA regulatory capacity and the misuse of information by Board and staff members of CMA is prohibited and disciplinary action may be taken in such cases. Board and staff members who are uncertain of whether information they possess is insider information or whether they are in a conflict of interest situation should contact the Secretary to the Board or Legal and Compliance Manager for advice rather than rely on their own judgment or on advice from others.

POLICY ON EMPLOYEES' INTERESTS.

1.0 Application of Guidelines

These guidelines shall apply to all persons for the time being Board and staff members of the CMA and for avoidance of doubt includes members of the Authority as defined by the CMA Statute, 1996 as well as all staff members of CMA whether in a managerial or other position and whether such employment is permanent, temporary, contractual, probationary, short term or consultancy in nature.

2.0 Acknowledgement and Disclosure

- 2.1 All Board members shall sign an Acknowledgement set out in Appendix 1 of these guidelines undertaking to comply with the provisions these guidelines. The signed acknowledgement is to be lodged with the Secretary to the Board.
- 2.2 These guidelines shall form a part of the Staff Regulations and Conditions of Service applicable to all staff members of CMA. All staff members shall be notified of these guidelines and they shall sign the acknowledgement set out in Appendix 1 of these guidelines.
- 2.3 Upon the appointment of a Board or staff member, he/she should inform in the case of a Board member, the Secretary to the Board and in the case of a staff member, the Legal and Compliance Manager of all directorships held in Uganda within the past three years, any post currently held or held within the last three years in a regulated organization and any other significant relationship including professional, personal or familial held in connection with a regulated organization.
- 2.4 All changes in the information disclosed in 2.3 above must be disclosed to the Secretary of the Board or the Legal and Compliance Manager as the case may be.

3.0 Securities Transactions

- 3.1 These guidelines shall apply to dealing in all securities; which shall include shares, debt securities, warrants, options, futures and other derivatives but shall not include government securities.
- 3.2 No insider shall whether for an own securities account or on account of a related party effect dealing in securities in respect of which he/she is an insider.
- 3.3 No insider shall procure or counsel any other person to enter into a transaction of dealing in securities where that insider is prohibited by these guidelines from dealing in those securities.
- 3.4 All Board and staff members who have employee accounts at the coming into force of these guidelines or joining CMA thereafter are required to disclose to the Secretary to the Board or Legal and Compliance Manager as the case may be all details of the said accounts.
- 3.5 All Board and staff members having securities accounts or wishing to open securities accounts are required to sign an irrevocable standing order to the broker/dealer or bank with whom the account is maintained instructing the broker/dealer or bank to report all transactions on the account by sending copies of all confirmations and contract notes to the Board Secretary or Legal and Compliance Manager. It is the Board or staff member's responsibility to ensure that the confirmations and contract notes are provided promptly.
- 3.6 Board and staff members are free to participate in any dealing in securities in respect of which they are not insiders whether for an own securities account or for the account of a related party provided they notify the Secretary of the Board or Legal and Compliance Manager as the case may be not more than 7 days after the order or instructions being given to the broker/dealer or in the case of an initial public offering (IPO) within 7 days after the success of the share application.
- 3.7 The Secretary to the Board and Legal and Compliance Manager shall keep an updated register containing details of all Board members and staff members dealings in respectively.

4.0 Gifts

As a general rule acceptance of gifts by Board or staff members is discouraged where it may put the Board or staff member in a conflict of interest situation. Gifts other than of a token nature offered to a Board or staff member shall be disclosed to the CEO.

5.0 Default

- 4.1 Any staff member, who is found in default of any provisions of these guidelines, such default not amounting to insider dealing in securities, shall be liable to such disciplinary action as provided under the Staff Regulations and Conditions of Service.
- 4.2 Any staff member, who is found to be in default of the provisions of these guidelines, such default amounting to insider dealing in securities, shall be liable to disciplinary action including dismissal.
- 4.3 Where a Board member is found to be in default of the provisions of these guidelines, such default shall be reported to the Board by the Chairman. The Board may in any case reported to it take appropriate action, including advising the Minister under the Statute that the Board member should be removed.

DEFINITIONS

Board

Members: Means members of the Authority under S. 5 of the CMA Statute, 1996.

Securities

Account: Any securities transactions, including single or multiple orders or instructions to a broker/dealer or on account maintained with a broker/dealer, over which a Board or staff member may exercise any discretion or control whether such order or instruction *or* account is in Board or staff member's name or with or through another person, company or nominee.

Dealing in

Securities: For the purposes of these guidelines includes subscribing, buying, selling or other means of holding and disposing of securities or procuring others to buy or sell or hold the securities.

Insider:

An insider for the purposes of these guidelines is a person who as a result of their connection or employment with CMA or as a result of rendering a professional service or otherwise whether by virtue of a contract be it short term, consultancy or otherwise, becomes privy to specific information which has not been made public, relating to a particular security, which would have an effect on the price of that security if it were made public.

Public

Information: Public information is information that is published, contained in records that are open for public inspection, can be readily acquired by those likely to deal in the securities or is derived from public sources.

Regulated

Organization: Means an individual or company licensed by CMA, or a body corporate whose securities are listed on Uganda Securities Exchange.

Related

Party:

A person is deemed to be a related party to an insider by reason of a domestic or business relationship if it *can* be reasonably said that the insider has influence over the related party's judgment as to how to invest either party's property or exercise any rights attaching to either party's investments. A person connected by reason of a domestic relationship shall include a spouse, cohabiters and children.

Staff

Members: All persons falling within the category of employees under the Staff Regulations and Conditions of Service of the CMA.