

Crested Stocks and Securities Limited

COMMON QUESTIONS ABOUT THE UGANDA SECURITIES EXCHANGE AND THE ANSWERS

1. What is a stock exchange?

This is a place/market where stock/shares or other tradable instruments are traded. In Uganda we have the Uganda Securities Exchange (U.S.E.).

2. What is the difference between the USE and the CMA?

The USE is a place where stocks/shares are traded or market place for buying and selling of securities whereas the CMA is a regulatory body set by an act of parliament to oversee the participants and their dealings in the capital markets.

3. How do I buy a share?

Any investor can buy shares through a U.S.E. member stock broker who represents him/her at the exchange.

4. Can't the Greenland & Cerudeb scandal happen again when an individual investor buys securities?

The Greenland & Cerudeb scandal can't happen again because the market is now regulated by CMA and incase some anomalies happen, there is an investor compensation fund from which the complaining investor can always be settled.

5. How do I (Investor) benefit from buying shares?

There are two ways through which an investor can benefit from buying shares;

- a. When the company in which the investor bought share has made profit and the directors declare a dividend for all shareholders on the register.*
- b. The buyer can also benefit from a capital gain. Where the share value of the stock the investor owns increases, he/she can then sell their shares to make a gain.*

6. Why do I (investor) have to go through a broker?

This is the market structure of the USE that is intended to create order on the trading floor and provide standards for investment advice to the investing public.

7. How do I (investor) know that a company in which I own shares has made profits or not?

All the companies that are listed on the USE by definition become public companies and therefore they are required to publish their financial results at the end of every year or in the middle of every

year as agreed by the board. These results must be made public by printing in the newspapers and annual reports which are available to shareholders. Through such publications, shareholders can get all the necessary information about them.

8. Do listed companies ever stop having their shares traded, and if they do, how are shareholders compensated?

It is extremely rare, but yes they do. This can be an arrangement by the directors to accept a takeover by any one buyer who offers to buy the companies' shareholding at a price higher than the prevailing market price. In another case, delisting can occur by order of the Exchange or as a penalty for failure to adhere to the exchange's rules and regulations.

9. If I (investor) lost my share certificates, do I lose my shareholding too or, can I get duplicate share certificates? If so, how and where can I get them?

No you do not lose your shareholding. You can always table a complaint accompanied with a police letter and duplicate documents of ownership can be given to you.

10. If an investor dies, can his heir have any claim for his father's investment?

Yes, His heir can claim, after presenting death certificates and signed documentation from the executor/estates administrator.

11. If I had an immediate/urgent problem, can I sell my shares immediately and have cash as soon? If not, what do I do?

No. The selling process takes about 10 working days to complete.

12. How do I (investor) know the price of any security and can't the broker over price it to make a difference/gain from me?

The prices are quoted in the press and at the Exchange on a daily basis. Therefore the broker cannot over charge you. Also, if the broker does charge a client over and above the market rate, that broker is subject to fines and penalties from both the USE and CMA.

13. Where do sellers of securities collect their money after the trade?

Their brokers give them their money after the transaction has been concluded.

14. What is the stock exchange all about?

It is a place where buying and selling of securities takes place and it's regulated by the CMA.

15. How long does it take for clients to get their money after the sale?

The whole process takes about ten working days.

16. Does it necessarily mean that if clients' money spends a longer time in investment makes more money?

No. It depends on whether the company in which the client owns share has made profits and dividends announced or not.

17. Who issues securities on the Exchange?

Any publicly listed company that meets the USE listing rules can issue securities.

18. What is the proof of ownership of shares?

The share certificates.

19. Who is a stockbroker and what is his role?

A stockbroker is a licensed member who buys and sells securities on behalf of his/her clients.

20. How do brokers benefit from this business? Isn't it a trick to con money from your clients?

No, it's not a trick in any way. Brokers get money by charging a small commission from the total value of the consideration from their clients.

21. If an investor was defrauded, what do I do?

If a licensed member did the fraud, then the client can inform the USE and CMA that will take action against the fraudulent broker. The client can also get compensation in case the broker can't settle the problem.

22. Can I (investor) sell my shares for cash to another person without going through the exchange?
Or if I wanted to offer/give/donate to a friend, do I have to go through the exchange?

No. Donations to friends also have to go through broker to effect transfer of ownership. But for donations to Charities or non profit making organizations, it still has to go through a broker but there is a possibility for a reduced commission if accepted by the CEO of USE.

23. What happens when a transaction has failed? Do brokers refund the client whole money or do it minus a certain commission.

The brokers have to refund the whole amount. Commissions are only paid to brokers after a transaction takes place.

**** End of FAQ ****