



GOVERNMENT SECURITIES OVER THE COUNTER (OTC) RULES

## Table of Contents

|   |    |
|---|----|
| GOVERNMENT SECURITIES OVER THE COUNTER (OTC) RULES.....                   | 1  |
| 1. APPLICATION.....   | 2  |
| 2. TERMS, INTERPRETATIONS DEFINITIONS .....                               | 2  |
| 3. ADMISSION OF SECURITIES TO THE MARKET .....                            | 3  |
| 4. MAINTENANCE OF GOVERNMENT SECURITIES FILE .....                        | 3  |
| 5. ADMISSION OF PARTICIPANTS.....   | 3  |
| 6. TRADING OF GOVERNMENT SECURITIES ON THE USE .....                      | 4  |
| 7. DISCIPLINARY PROCESS .....   | 8  |
| 8. DISPUTE RESOLUTION .....   | 8  |
| 10. FEES.....   | 8  |
| 11. SETTLEMENT OF TRANSACTIONS .....                                      | 9  |
| APPENDIX 1 .....  | 11 |
| FORM OF APPLICATION FOR ADMISSION AS A GOVERNMENT SECURITIES DEALER ..... | 11 |
| APPENDIX 2 .....  | 12 |
| UGANDA SECURITIES EXCHANGE GOVERNMENT SECURITIES DEALER .....             | 12 |

## 1. APPLICATION

A) The Uganda Securities Exchange (USE) Government Securities OTC Rules 2025 have been developed to guide OTC trading of government securities on Uganda Securities Exchange. They form part of the Uganda Securities Rules and shall come into force on the date of approval of Capital Markets Authority.

## 2. TERMS, INTERPRETATIONS DEFINITIONS

“Ask price” means Sell price

“Bid price” means Buy price

“Bond Yield” means the return expressed as the percentage of the cost price of the bond

“Coupon” means the amount of interest paid periodically expressed as a percentage of the face value of the bond

“Government Securities/Bond Dealers” are dealers licensed by CMA and approved by USE to trade in government securities on behalf of investors

“Over the counter” (OTC) means trading participants negotiate trades between each other and report them on the exchange. Government securities trades on the USE will be executed using the OTC mechanism

“Redemption” means the process through which government of Uganda repays the bond holders the principal amount of the bond either at maturity or before maturity

“Dirty Price” means the full price paid by the buyer to the seller of the bond (clean price + Accrued Interest)

Tenor means 2 Years, 3 Years, 5 Years, 10 Years, 15 Years, 20 Years and 25 Years or as announced in the invitation to tender by the Government of Uganda

“Treasury Bill” Means short term instruments that allow the public to lend money to Government for a period of 91 days, 182 days, and 364 days.

“Treasury Bond” means long term investment instruments and allows the public to place funds with Government for periods of 2, 3, 5, 10, 15 or 20 years.

“The Business Conduct Committee” (BCC) is a committee of the USE board responsible for overseeing dealer operations and admissions to the market.

“The Bank of Uganda” (BOU) serves as the banking sector regulator and the government's agent responsible for raising domestic debt through fixed-income instruments known as treasury bills and bonds.

“The Capital Markets Authority” (CMA) is a statutory body that licenses, regulates, and develops capital markets.

“The Central Securities Depository” (CSD) is a system that maintains records of transactions involving treasury instruments for investors at the Bank of Uganda.

“The Fixed Income Market Committee” (FIMC) will consist of members from CMA, USE, BOU, MoFPED, and trading participant representatives responsible for developing government securities trading at the USE.

“Ministry of Finance, Planning, and Economic Development” (MoFPED), the issuer of instruments.

“Securities Central Depository” (SCD) is where all investor securities are held at the USE.

“The Uganda Securities Exchange” (USE) is a market where buyers and sellers trade securities such as equities, treasury, and corporate bonds.

“The Uganda Securities Exchange Automated Trading System” (ATS) facilitates OTC and ONEX trading. It connects to the SCD for smooth transaction settlements.

### 3. ADMISSION OF SECURITIES TO THE MARKET

Government securities shall be admitted to market in accordance with procedure provided under the USE Listing Rules as may be amended from time to time and shall be available for trading on the USE OTC trading platform.

### 4. MAINTENANCE OF GOVERNMENT SECURITIES FILE

The USE SCD shall maintain a file of government securities that may be bought or sold on the market in its record of listed securities.

### 5. ADMISSION OF PARTICIPANTS

#### **A) Government Securities (Bond) Dealers**

Brokers and or dealers, commercial banks in government securities shall be eligible to participate in the OTC trading of government securities on the Exchange, subject to the following conditions below.

- a) (a) Application for admission addressed to the Chief Executive Officer of the Exchange in the form set out in appendix 1 accompanied by the Admission Questionnaire set out in Appendix 2.
- b) CMA Government Securities Dealer license
- c) Incorporation documentation e.g. Certified copy of the certificate of incorporation and Memorandum and Articles of Association
- d) Copy of the latest Audited Financial Statement if the applicant has been in existence and trading for more than one year
- e) Directors' declaration
- f) Letter of no objection from Industry regulators, where applicable
- g) Detailed organizational structure of the applicant laying out applicants employee functions and responsibilities.
- h) Applicant's corporate structure in terms of board, management, and staff composition
- i) Applicants' capital structure
- j) Applicant's key personnel's Curriculum Vitae.
- k) Applicant's business plan clearly showing its revenue streams.
- l) Applicant's systems, procedures, policies, and controls
- m) Details of all licenses held by the applicant
- n) Any other information the Exchange may require

## 6. TRADING OF GOVERNMENT SECURITIES ON THE USE

The USE will operate an over-the-counter (OTC) market for trading government securities,

| <b>Trading Rules</b>               |   |
|------------------------------------|---|
| <i>Government Securities Board</i> | <ol style="list-style-type: none"> <li>I. Securities will be traded daily on the USE Automated Trading System (ATS)</li> <li>II. All transactions shall be settled <b>on T+0</b>.</li> <li>III. Trading Participants will provide indicative two-way quotes on instruments.</li> <li>IV. Trading Participants shall be obliged to provide indicative quotes for the Benchmark Bonds following these Rules before 9.00 am during all trading sessions.</li> <li>V. An Authorized Participant who is unable to update or remove quotes from the quotations board or access the quotations board through its designated access shall immediately notify the Exchange. The notification shall be directed to the SCD Manager or the IT Help Desk by telephone, in writing, by electronic mail.</li> </ol> |
| <i>Trading Hours</i>               | <ol style="list-style-type: none"> <li>I. Government Securities trading will begin at <b>9 a.m. to 3 p.m.</b> Monday through Friday, except weekends and public holidays, as communicated by the Chief Executive Officer of the USE.</li> <li>II. Time shall be determined by the clock displayed on the USE Automated Trading System.</li> <li>III. The Chief Executive Officer may vary the trading hours if an event prevents adherence to the set trading hours.</li> <li>IV. Where the Chief Executive Officer changes the trading hours, the Exchange shall immediately notify the Authority and the market.</li> </ol>   |
| <i>Order input-OTC trading</i>     | <ol style="list-style-type: none"> <li>I. I. All orders shall be posted by an authorised representative of a trading Participant through their reporting terminals, and the USE ATS shall then</li> </ol>   |

|   |   |
|---|---|
|   | <p>process them for validation, acceptance, and reporting to the Depository.</p> <p>II. Per these rules, the authorized trading representative shall be solely responsible for the accuracy of the details of orders entered into the USE ATS system.</p> <p>III. The minimum amount to trade is Ugx <b>100,000</b> in multiples of <b>100,000</b>.</p> <p>IV. The order entry instructions for fixed income securities shall include:</p> <ol style="list-style-type: none"> <li>1. Security code.</li> <li>2. SCD Account.</li> <li>3. An indication of whether it is a buy or sell order.</li> <li>4. Quantity/ Volume;</li> <li>5. Yield or price (dirty price).</li> <li>6. Counterparty to the transaction</li> </ol> |
| <p><i>Cancellation or<br/>Amendment of<br/>Orders: OTC</i></p>  | <p>I. Transactions may only be canceled in instances of fraud and with the approval of the Chief Executive Officer.</p>   |
| <p><i>Reporting of<br/>trades concluded<br/>on the OTC.</i></p> | <p>I. All trades concluded OTC shall be reported in the USE Automated Trading System.</p> <p>II. Authorized trading Participants must report OTC trades within 30 minutes.</p> <p>III. An Authorized trading participant who cannot access USE ATS shall immediately notify the Exchange. The notification shall be directed to the Exchange's Chief Executive, SCD Manager, or the IT Help Desk by telephone and in writing, by electronic mail.</p>   |
| <p><i>Reference Price</i></p>                                   | <p>I. The reference price of a debt security shall be the last traded dirty price, and for a newly listed debt security, it shall be the cut-off price received from the primary market.</p>  |

*Bond Pricing and  
Accrued Interest*

II. If no trades are completed during a given session, the reference price shall be determined by volume-weighted average according to the indicative yields.

*Trading Cum  
coupon*

I. Prices quoted on the USE ATS shall be dirty prices.

II. All fixed income securities shall be traded cum coupon up to the date fixed for the closure of books for determination of entitlements as communicated by the issuer.

*Trading Halts*

I. The Chief Executive may vary the trading duration and/or suspend trading for one or more trading sessions or any part of a trading session. Any such halts or variations shall be reported to the CMA.

II. The Exchange may impose a trading halt during a trading session or extend it beyond one trading session.

III. The Exchange shall notify the trading participants and the market about a halt in the trading session.

*Market Halts*

A market halt can happen during a trading session as a result.

I. Technical failure of the ATS.

II. Where, in the opinion of the Chief Executive, circumstances exist or are about to occur that could lead to anything other than the transparent, fair, and orderly trading of the listed securities.

*Security Halts*

I. The Exchange may temporarily halt trading in one or more securities in the following circumstances:

1. Upon the request of the Authority.

2. By the Exchange

3. Prior to obtaining a clarification from the issuer on a report regarding the company, which has been brought to the attention of the Exchange.

4. When there are unusual market movements in the price/volume of a security.

5. Where, in the opinion of the Chief Executive, circumstances exist or are about to occur that could result in anything other than the transparent, fair, and orderly trading of the specific securities.
  - II. Trading Participants shall be prohibited from effecting transactions in the security /securities for which a trading halt has been announced.
  - III. Where the Exchange has reasonable grounds to suspect collusion or market manipulation, the Exchange may delete the orders in the order book at the time of halt.
  - IV. Where the Exchange does not delete the orders, Trading Participants may withdraw their orders during the halt period. No other changes to the order book shall be permitted during the halt.
  - V. The Exchange may, upon the request of a Trading Participant, purge all the outstanding orders in the order book of the security /securities on which there has been a halt.
  - VI. The Exchange shall immediately inform the Issuer of any halt in the trading of its securities other than to make an announcement, and in any event, no later than 30 minutes after such halt is imposed.
  - VII. Trading in the security/securities will resume once the clarification from the Exchange or the issuer is disseminated to the market.
  - VIII. When the halt is lifted, security/securities trading will resume according to the current market status.
    - I. Authorized Participants and Dealers shall record and maintain the following information for each fixed-income securities transaction executed in their capacity as such:
      1. Date and time of transaction

*Recording  
keeping*

2. Parties to the transaction
  3. Bond identification (type, issuer, ISIN)
  4. Trade details (quantity, price, settlement date)
  5. Name of broker/dealer, if applicable; and
  6. Any other relevant information about the transaction.
- II. Authorized trading participants and Dealers shall adhere to the provisions related to the Act, Data Protection Act, and the Exchange and Trading participant rules.

## 7. DISCIPLINARY PROCESS

Where a government securities dealer breach any of the Exchange Rules including these Rules, the Exchange may commence disciplinary action against such government securities Dealer. After finding fault, the Exchange may impose appropriate sanctions including issuing warning notice, remedial measures, public statements of misconduct, public censures, financial penalties, and suspension

## 8. DISPUTE RESOLUTION

- I. The legal and compliance manager shall interpret the Trading Rules and settle all disputes that arise within the market.
- II. Any person aggrieved by the legal and compliance manager's decision may appeal to the Chief Executive Officer who will decide the appeal within (10) days from the date of receipt of the appeal. If the aggrieved party is unsatisfied with the Chief Executive's decision, they may appeal to the Business Conduct Committee, and the Business Conduct Committee will decide within 30 working days from receipt of the appeal.
- III. Where an aggrieved party is not satisfied with the decision of the Exchange Board, the aggrieved party may appeal to Capital Markets Authority

## 10. FEES

### A) Admission Fees

#### Trading participants

A one-off fee payable by licensed dealers in the market.

| No | Category | Amount (Ugx) |
|----|----------|--------------|
| 1. | Dealers  | 10,000,000   |

### B) Annual Membership Fees

#### Trading participants

An annual fee payable by licensed dealers in the market.

| No | Category | Amount (Ugx) |
|----|----------|--------------|
| 1. | Dealers  | 5,000,000    |

### C) Secondary Market Fees

The Exchange will charge quarterly fees based on the turnover generated for every million worth of securities executed, subject to a minimum and a maximum fee, according to the following tiers:

| Turnover UGX (Tiers) | No. of Millions | Fee (UGX) Per million per quarter | Currency Points | Minimum Charge | Maximum Charge |
|----------------------|-----------------|-----------------------------------|-----------------|----------------|----------------|
| < 5Bn                | 5,000           | 1,000                             | 0.05            | 2,500,000      | 5,000,000      |
| >5Bn < 50Bn          | 45,000          | 250                               | 0.0125          | 5,000,000      | 11,250,000     |
| >50Bn < 250Bn        | 200,000         | 100                               | 0.005ns         | 11,250,000     | 20,000,000     |
| >250Bn < 1Tn         | 750,000         | 40                                | 0.002           | 20,000,000     | 30,000,000     |
| >1Tn                 | 1,000,000       | 20                                | 0.001           | 30,000,000     | 40,000,000     |

**Note: Each currency point is equivalent to Ugx 20,000**

#### CMA Fees

CMA will charge 10% of the fees earned by the USE

| Turnover UGX (Tiers) | Minimum Charge | Maximum Charge | 10% Minimum | 10% Maximum |
|----------------------|----------------|----------------|-------------|-------------|
| < 5Bn                | 2,500,000      | 5,000,000      | 250,000     | 500,000     |
| >5Bn < 50Bn          | 5,000,000      | 11,250,000     | 500,000     | 1,125,000   |
| >50Bn < 250Bn        | 11,250,000     | 20,000,000     | 1,125,000   | 2,000,000   |
| >250Bn < 1Tn         | 20,000,000     | 30,000,000     | 2,000,000   | 3,000,000   |
| >1Tn                 | 30,000,000     | 40,000,000     | 3,000,000   | 4,000,000   |

## 11.SETTLEMENT OF TRANSACTIONS

Transactions will be settled through straight-through processing (STP) on the (SCD/CSD) capabilities for securities, with linkages to the real-time gross settlement system (RTGS) for payouts (sells, buys, coupons, and redemptions). Settlement will be on T; however, they must adhere to central banking processing timelines.



## APPENDIX 1

# FORM OF APPLICATION FOR ADMISSION AS A GOVERNMENT SECURITIES DEALER

To the Chief Executive Officer, Uganda Securities Exchange, Plot 3-5 New Port Bell Road  
UAP Nakawa Business Park, Block A, 4<sup>th</sup> Floor P.O. Box 23552, Kampala, Uganda

Dear Madam/Sir,

\_\_\_\_\_ (name of the applicant) of \_\_\_\_\_  
(Address of the applicant), hereby apply to become a Government Securities Dealer at the  
Uganda Securities Exchange. We hereby agree to abide by the Laws and Regulations  
governing the Exchanges that are in force now or which may hereafter be made from time to  
time.

We enclose herewith the stated application fee for admission and do wholly understand that  
this fee is not refundable.

We declare that upon admission, we shall.

- a) pay in full the fees from time to time prescribed.
- b) adhere to all the Rules of the Exchange for the time being in force.
- c) Conduct ourselves in a professional, transparent and fair manner.

We confirm that the facts given in the admission questionnaire completed by us are true and  
correct and accept that in the case of any statement being false, the Exchange has the right to  
reject this application or terminate admission if already granted.

Sealed with the common seal of \_\_\_\_\_ (name of applicant) this \_\_\_\_ day of  
\_\_\_\_\_, 20\_\_\_\_.

**Director**

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**Director/Secretary**

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## APPENDIX 2

# UGANDA SECURITIES EXCHANGE GOVERNMENT SECURITIES DEALER

### ADMISSION QUESTIONNAIRE

1. Name of the Company (the applicant)

|  |
|--|
|  |
|--|

2. Physical and Postal Address

|  |
|--|
|  |
|--|

3. Details of all Licenses Held

| Description of License | Issuing Authority | Date of Expiry |
|------------------------|-------------------|----------------|
|                        |                   |                |
|                        |                   |                |

4. Name and of Principal Particulars Officer

| Name | Nationality | Address | Professional Qualification |
|------|-------------|---------|----------------------------|
|      |             |         |                            |

5. Name of Compliance Officer

| Name | Nationality | Address | Professional Qualification |
|------|-------------|---------|----------------------------|
|      |             |         |                            |

6. Particulars of Directors

| Name | Date of Birth | Nationality | Profession | Address | Other Directorships Held |
|------|---------------|-------------|------------|---------|--------------------------|
|      |               |             |            |         |                          |

Name and Address of Auditors

7. Name and Address of Bankers

8. Subsidiaries and Associated Companies

| Name of Company | Relationship to Applicant | % Holding |
|-----------------|---------------------------|-----------|
|                 |                           |           |
|                 |                           |           |
|                 |                           |           |

9. Name and Address of Shareholders

| Name | Nationality | Address | Shares Held | Beneficial Owner of the Shareholder (if any) |
|------|-------------|---------|-------------|--|
|      |             |         |             |  |
|      |             |         |             |  |
|      |             |         |             |  |
|      |             |         |             |  |
|      |             |         |             |  |
|      |             |         |             |  |

10. Share Capital of the Company

| Authorized Share Capital | Issued Share Capital | Issued and Allotted Shares | Issued and Unallotted Shares |
|--------------------------|----------------------|----------------------------|------------------------------|
|                          |                      |                            |                              |
|                          |                      |                            |                              |
|                          |                      |                            |                              |
|                          |                      |                            |                              |
|                          |                      |                            |                              |
|                          |                      |                            |                              |

11. Has the applicant or any Director or Secretary of the applicant company within the last 10 years;

a) refused the right or restricted in its right to carry on any trade business or profession for which a specific license registration or other authority is required by law in any place?

Yes  No

b) suspended as a market participant of any securities exchange or otherwise disciplined by a securities exchange?

Yes  No

c) denied approval as a market participant of any securities exchange?

Yes  No

d) known by any name other than the name or names shown in this application?

Yes  No

e) had judgement including findings in relation to fraud, misrepresentation or dishonesty given against him in any civil proceedings in Uganda or elsewhere?

Yes  No

(If yes, give details)

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f) declared bankrupt or compounded with or made an arrangement for the benefit of his creditors, in Uganda or elsewhere?

Yes  No

g) engaged in the management of any company other than the companies referred to above?

Yes

No

h) refused a fidelity or surety bond in Uganda or elsewhere?

Yes

No

12. We certify that the above information is correct to the best of our knowledge and belief.

Yes

No