

## **UGANDA SECURITIES EXCHANGE LIMITED INSIDER TRADING RULES 2008**

(Under section 24 of the Capital Markets Authority Act, Cap 84 and regulation 14 of the Capital Markets Authority(Establishment of Stock Exchanges) Regulations, Statutory Instrument 84-3)

### **1. Purpose of the Rules**

The secondary market in transferable securities plays an important role in the financing of economic agents. For the market to be able to play its role effectively, every measure should be taken to ensure that the market operates smoothly, the market should be seen to operate fairly and on the basis of equal information. The purpose of these rules is therefore to:

- a) Boost investor confidence by creating conditions that ensure that fairness and equality of access to information exists in the market. The factors on which such confidence depends include the assurance afforded to investors that they are placed on an equal footing.
- b) Reassure investors that they will be protected against the improper use of insider information. By benefiting certain investors as compared with others, insider dealing is likely to undermine the confidence and may therefore prejudice the smooth operation of the market.
- c) To promote market efficiency, fairness and orderliness by ensuring that market participants privy to price sensitive information do not make use of it to the detriment of other investors before it is published.

### **2. Definition of insider**

An insider is a person who:

- a) is a Board member, member of senior management, an employee in the finance department or any senior manager who by virtue of their duties would likely gain access to unpublished price sensitive information. A senior manager is an employee who is part of the top management of the organization.
- b) has access to unpublished price sensitive information by virtue of his employment office or profession; or

- c) is an immediate family member of the persons mentioned in (a) and (b) above. For the avoidance of doubt “immediate family member” shall be construed to mean spouse and child.
- d) has access to unpublished price sensitive information from any of the persons mentioned in (a) or (b) above;
- e) all corporations, partnerships, trusts or other entities owned or controlled by any of the above persons.

### **3) Definition of price sensitive information**

Information is deemed to be price sensitive if there is a reasonable likelihood that it would be considered important to an investor in making a decision regarding the purchase or sale of securities. Price sensitive information is deemed to be non-public when it is not available to the general public. While it is not possible to define all categories of material information, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information include:

- a) Financial results
- b) Projections of future earnings or losses of an exceptional nature
- c) News of a pending or proposed merger
- d) Acquisitions/ divestitures
- e) Impending bankruptcy or financial liquidity problems
- f) New equity or debt offerings
- g) Significant litigation exposure due to actual or threatened litigation
- h) Major changes in directors and senior management.
- i) Rights issues
- j) Corporate actions that are likely to affect investment decisions.

### **4. The following tantamount to insider dealing:**

- a) Any person dealing in price affected securities as a result of non-public information that has come into his /her possession

- b) Encouraging another person to deal in securities that are (whether or not that other person knows) price affected securities in relation to the non-public information;
- c) The person dealing relies on a professional intermediary or is himself acting as a professional intermediary with regard to utilization of non-public information.
- d) Any person disclosing information otherwise than in the proper performance of the functions of his/her employment, office or profession to another person.

## **5. Closed periods**

An insider shall not trade in securities during the closed periods which shall be periods 8 weeks to the publication of financial information. However, the prohibition on purchases, sales, pledges and gifts of listed securities during closed periods does not apply to:

- a) Purchases made under an employee stock purchase plan operated by the company; provided however that the securities so acquired may not be sold during a closed period;
- b) Exercises of stock options or the surrender of shares to the company in payment of the exercise price or in satisfaction of any tax withholding obligations, in each case in a manner permitted by the applicable stock option; provided that the securities so acquired may not be sold (either outright or in connection with a “cashless” exercise transaction through a broker) during a closed period.

## **6(i) Notification requirements**

No person covered by these insider trading provisions may purchase, sell or otherwise acquire or dispose of securities of the company, other than in an exempt transaction(as defined below), unless he or she notifies the Chief Executive Officer, or in the case of the Chief Executive Officer, the Chairperson, prior to such transaction. For purposes of these rules, an “exempt transaction” shall mean:

- a) An acquisition of shares of a company common stock pursuant to an employee stock purchase plan.
- b) An acquisition of company securities pursuant to a stock split, stock dividend or pro rata distribution to company shareholders
- c) An acquisition pursuant to a dividend or interest reinvestment plan.
- d) An acquisition or disposition of company securities pursuant to the order of a court of competent jurisdiction.

**6(ii)** Each person covered by this rule shall also inform the Chief Executive Officer or the Chairperson in the case of the Chief Executive Officer, following the purchase, sale or other acquisition or disposition of securities of the company, other than an exempt transaction, as soon as possible following the transaction, but in any event within one business day after the transaction. This notification which shall be in writing shall describe;

- a) The type of transaction that occurred (an open market purchase, a privately negotiated sale, an option exercise, etc);
- b) The date of the transaction;
- c) The number of shares covered by the transaction, the purchase or sale price ( if applicable);
- d) Whether the transaction was effected by the Director, employee or officer or by a relative or affiliated entity.

For purposes of these rules, a purchase, sale or other acquisition or disposition shall be deemed to occur at the time the person becomes irrevocably committed to it; in the case of an open market purchase or sale, this occurs when the trade is executed ( not when it settles).

## **7. PENALTIES**

On suspicion of any contravention of these rules by an insider the Exchange shall carry out its investigations and depending on the outcome:

- a) Stop any trade by an insider if settlement of the trade has not yet been effected. Settlement refers to the end of the five day trading cycle when payment for the trade is made.
- b) Where the person involved is an employee or member of the Exchange, the Exchange shall commence disciplinary proceedings against such person;
- c) Freeze the securities that are the subject of investigation;
- d) Any person involved in the insider trade shall pay a penalty that shall be commensurate to the amount of money that he/she has made as a result of the insider trading
- e) Send a detailed written report of the case to the Capital Markets Authority.