

# BANK OF UGANDA



Remarks by

Prof. Emmanuel Tumusiime-Mutebile,  
Governor, Bank of Uganda

*The Annual Primary Dealer of the Year Award  
Ceremony*

03 April 2017

The Chief Executives and Senior Staff of Banks  
Present

Distinguished guests

Ladies and gentlemen

Good afternoon.

It is my pleasure to welcome you to the 12<sup>th</sup>  
Annual Primary Dealer Award Ceremony.

The Primary Dealer System aims to promote participation in government securities markets, to foster the development of financial markets, to improve the secondary market trading system as well as to ensure efficiency in the operations related to the Government securities market at the central bank.

Primary Dealers have contributed to the growth of the Government securities market by ensuring high demand during primary market auctions.

In 2016, the ratio of primary dealer successful bids in the auctions relative to the rest of the market was 61 percent of all auction bids.

The auction bid to cover ratio, which is the total size of bids relative to the amount tendered, for treasury bills and bonds in 2016 averaged 1.21, indicating that demand for government securities is strong and sufficient to accommodate the needs of Government for domestic finance.

Primary Dealers have also enhanced liquidity in the secondary market. Total turnover in the secondary market increased by 12.5 percent to UGX 3.6 trillion in 2016 from UGX 3.2 trillion in 2015.

However, there remain challenges in the distribution mechanism of Government securities, and we would like to see more vibrancy in the secondary market. Therefore, the Bank of Uganda (BoU) has introduced some changes in the way the primary dealership system will operate.

Going forward, all commercial banks will have similar access to the Central Securities Depository (CSD). All the banks will be able to open CSD accounts at the BoU for their clients, issue and accept bid submission forms on their client's behalf, and facilitate their clients' secondary market transactions.

Investors will also access their CSD account statements through their respective commercial banks.

Our expectation is that we will have more participants in the primary market and a more liquid, efficient, competitive, and attractive secondary market for Government securities.

The BoU will maintain a consultative approach with the market participants and other stakeholders so as to bring on board constructive initiatives that will further develop the financial markets in Uganda.

I applaud the contribution of the primary dealer banks towards the development of the Government securities market, and by extension, the financial markets in Uganda.

Before I conclude this speech, I also want to announce that after this ceremony there will immediately be a Press Release on the reforms to the primary dealer system.

The Press Release is meant to inform the public that all licensed commercial banks will now have direct access to the primary market for Government security operations and commercial banks are all eligible to open CSD accounts at BOU for their clients, they are all able to issue and accept bid submission forms on their clients behalf, settle their clients' successful bids and buy their clients' securities if the client wishes to sell. This is part of BOU's on-going commitment to make investing in Government Securities easier and more accessible to the public.

I also wish to acknowledge the role that this year's award winner has played, especially for its participation in the primary auctions, market making capabilities, consistent pricing as well as timely market intelligence.

Ladies and gentlemen, I am pleased to announce that this year's winner has emerged at the top for the fifth consecutive year, **Stanbic Bank Uganda Ltd** is the primary dealer of the year 2016.

I now invite the Chairman, Board of Directors of Stanbic Bank, Mr Japheth Katto, to receive the award. Congratulations to you and your team.

I thank you for listening to me.