



MARKET NOTICE

UPDATE ON ALTX DEVELOPMENTS FOLLOWING THE COURTS' DECISIONS OF 28TH FEBRUARY 2020

We wish to update ALTX investors, and the general public, who have approached us about the current status of our business and offerings following the High Court ruling that restored our right to operate a securities exchange in Uganda. In this notice we respond to the key questions that have been posed to us by ALTX investors and stakeholders.

1. HOW MANY RULINGS WERE MADE AGAINST THE CMA?

The High Court ruled in two Judicial Review matters, one filed by Tolea Securities Ltd. against the Capital Markets Authority (CMA) and another filed by ALTX East Africa against the CMA. The confusion seems to stem from the fact that CMA was involved in both cases.

Tolea is an intending issuer on ALTX that was not satisfied with the CMA's decision to reject its application to issue Exchange Traded Funds (ETF). The CMA evaluated the ETF application using regulations it had written for a different type of security known as Asset Backed Securities (ABS). The court ruled that CMA had applied the wrong law to evaluate the ETF application, and ordered CMA to evaluate the application using the ALTX ETF Rules.

In the second matter, the court ruled that CMA had acted illegally in cancelling ALTX' approval to operate a securities exchange in Uganda and duly vacated CMA's decision.

2. WHAT ACTIONS HAS CMA TAKEN TO SUPPORT ISSUANCE OF SECURITIES ON ALTX SINCE THE RULING?

No	Regulatory Issue	First filed	Status
1	Application to issue Depository Receipts backed by Kenya treasury securities	August 2019	ALTX issued Certificate of Compliance in July 2019 and the application was submitted in August 2019. CMA responded to the application in October 2019, raising a few matters which ALTX Clearing Ltd clarified in October 2019. Although CMA committed to completing such matters in 28 days, CMA is still unable to indicate when an approval would be granted.
2	Application to issue Exchange Traded Funds on ALTX by Tolea	December 2017	Court issued an order compelling CMA to review the application using the correct law on 28 th February 2020, that is more than 28 days ago, CMA has not yet complied with the order of court.



3. ARE THERE OTHER ISSUES ON WHICH ALTX HAS REQUESTED THE REGULATOR TO ACT AND WHAT IS THE STATUS?

The pending matters are below:

No.	Regulatory Matter	First filed	Status
1	Notice of Amendment of ALTX Fees and Penalties Rules	November 2017	CMA has attempted to approve this notice three times, each time committing legal errors, rendering their approved instrument unusable. The latest was a disapproval of major sections of the Notice citing Regulation 15 of the SCD Regulations. ALTX advised CMA that Regulation 15 contravenes Section 65 of the SCD Act and was therefore illegal. CMA does not agree with that assessment.
2	Notice of Amendment of ALTX Depository Receipt Rules	August 2018	CMA requested ALTX to consider amendments expanding the issuers under these rules. ALTX issued a Notice in August 2018 implementing the amendments requested. CMA rejected the amendments contrary to the law in April 2019. Recently CMA indicated they had approved them, but had included other items not requested in the ALTX Notice, which was contrary to Section 25 of the CMA Act. CMA does not agree with that assessment.
3	Application for Self-Regulatory Organization (SRO) status	April 2019	CMA indicated in April 2019 that the application was ready to be delivered to their board. In October 2019, CMA indicated that the Board had rejected the application citing three major reasons. Two of the reasons were false premises and the other related to a misreading of the licensing regulations on the issue of Net Capital enforced by CMA against brokers. ALTX responded to that letter in November 2019. CMA has now asserted that ALTX is not an SRO and therefore cannot make such an application. ALTX has not claimed to be an SRO, but is applying for that status.

4. DO YOU PERCEIVE CMA'S ACTIONS AND POSITIONS AS A PLOY TO FORCE ALTX INTO ANOTHER ROUND OF COURT ACTIONS?

Some of these matters could well end up in court if we exhaust the escalations we have available to us. If we have to go to court, we would consider either a Judicial Review, which we have pursued successfully to date, or a full suit against CMA, its directors, executives and staff



under Section 4 and Section 7 of the Capital Markets Authority Act. These sections emphasize the duties, obligations and expectations of those persons.

5. WHAT ACTIONS HAS THE CMA TAKEN SINCE ALTX' RIGHT TO OPERATE WAS RESTORED?

Soon after the ruling was made, CMA filed a notice of appeal and served the notice to ALTX' lawyers. This information was also widely available in the press. CMA also filed another notice to appeal the court's decision in the Tolea matter in which the court ruled that CMA applied the wrong law. We are not aware of any further action by CMA relating to the two rulings.

CMA moved quickly to file notices of appeal to the court rulings, but is working ever so slowly to dispose of ALTX applications or indeed that of Tolea.

6. WHAT HAS ALTX DONE TO GET CMA TO MOVE THE PENDING BUSINESS FORWARD?

We have sought updates on the outstanding matters. The updates we received were either inadequate or contained legal errors, which we notified CMA of. CMA management, in response, implied that they were not willing to adjust their positions in spite of the glaring legal errors on which they were based. Therefore, as a measure of escalation, ALTX has written to the Chairperson of the Board of CMA requesting a meeting with either CMA's lawyers or with CMA's directors responsible for legal matters in order to get an agreement on the reading of the relevant provisions of the law, and a more definite completion timeline.

7. WHAT OTHER DEVELOPMENTS HAVE THERE BEEN AT ALTX SINCE THE RULING OF COURT?

We reopened the exchange under the provisions of the Mandatory Injunction granted by Court in December 2019. As earlier advised, we also used that uncertain period to upgrade many of our facilities and services. We have been able to position our infrastructure to a 24-hour posture, which will enable us to offer a round-the-clock service in future. We have also agreed terms with a party who will join ALTX East Africa as a significant equity investor. The proceeds of this transaction shall provide a boost to the operations of the company.

We hope these matters can be resolved expeditiously, enabling us to continue the vital work of developing deeper, and more accessible, capital markets for investors across the country. We once again thank our ALTX investors who have been steadfast, never once doubting our commitment and our service, and those new investors who have subscribed to the unique, high quality offering only available at ALTX.

MANAGEMENT, 1st April 2020