

URBRA and Frontclear join to deepen secondary bond markets

6 May 2021 – The Uganda Retirement Benefits Regulatory Authority (URBRA) and Frontclear signed a Memorandum of Understanding (MOU) to support Retirement Benefits Schemes' participation in money and secondary bond markets. This MOU complements that signed between the Bank of Uganda (BOU) and Frontclear in 2019 and the pivotal role Retirement Benefits Schemes play in government securities markets.

The MOU has a clearly defined work programme. A key objective will be to inform the review and reform of primary and secondary legislation towards creating a more conducive legal environment allowing for Global Master Securities Lending Agreement (GMSLA) enforceability. In addition, the project will develop market principles and operational guidelines to ensure prudential participation by Retirement Benefits Schemes and establish standards of best practice to manage any risks that may arise from such transactions. Lastly, it is complemented by legal and operational training towards effective operationalization of transactions.

The URBRA carries strong ownership for the project and recognises the importance of Retirement Benefits Schemes' participation in securities markets. Retirement Benefits Schemes hold the lion's share of government securities, which when 'freed-up' in the secondary market would greatly improve overall capital market efficiency and liquidity.

“Over 70% of the retirement benefits schemes assets under management are invested in government securities, with majority held to maturity which aligns to the long-term objective and nature of retirement benefits schemes. Beyond adequate returns, diversification of investments and security of benefits, retirement benefits schemes seek greater transparency, efficiency and integrity in both the primary and secondary markets. URBRA not only aims at promoting the development of capital markets through RBS participation in the secondary markets but also at conducting regular assessments and reviews of investment activities in tandem to market standards of best practice.”

- CEO Martin Nsubuga, URBRA

For Frontclear, the partnership offers a great opportunity to engage with arguably the most important market players in government securities.

“Across many Sub-Saharan African markets, pension funds often hold to maturity and can carry up to 70%/80% of a market's public issuances. Responsibly removing the obstacles to pension fund participation in secondary bond markets, especially repo markets, benefits the financial system as a whole.”

- CEO Philip Buyskes, Frontclear

About URBRA

URBRA is an autonomous body established by virtue of section 2 of the Uganda Retirement Benefits Regulatory Authority Act 2011, Act No. 15 of 2011. It is responsible for regulating the establishment, management and operation of retirement benefits schemes in Uganda in both the private and public sectors. The Authority is responsible for supervising institutions which provide retirement benefits products and services. URBRA's strategic objective is to establish a strong regulatory and supervisory framework that enhances the protection of funds and interests of members of retirement benefits schemes; as well as ensuring the stability and integrity of the financial sector through the stability and security of pension funds. *For further information, please visit www.urbra.go.ug*

About Frontclear

Frontclear is a development finance organization dedicated to stable and inclusive money markets. Its investors are largely European development financial institutions and governments. Frontclear has unlocked access to global and local interbank markets for EMDC banks by providing credit guarantees to cover counterparty credit risk, on the condition that local currency assets can be used for collateral management purposes. Complementarily, Frontclear offers technical assistance and implements regulator roundtables, advisory projects on legal enforceability, industry training and market infrastructure development – all targeting the development of a healthy money markets. To-date, Frontclear has facilitated USD 1 billion in interbank money market transactions in 15 countries. It has trained over 1400 obligors and regulators in near 30 countries and signed near dozen partnerships with central banks and local beneficiaries. For further information, please visit www.frontclear.com.

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