Connecting Africa into international capital markets: the JSE experience

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Local and African environment

• JSE:
  – $1.6 trillion market cap
  – 501 listed companies
  – Trade in equities, warrants, ETFs, corporate debt, financial and agricultural derivatives
  – World class trading, settlement and regulatory environment
  – International affiliations : LSE, FTSE
  – Operate in a country with high technology and communications capability and good financial services infrastructure
Local and African environment

• Africa generally:
  – Poorly developed capital markets
  – JSE is biggest exchange
  – Inadequate and unstable telecommunications infrastructure
  – Patchy financial services provision
  – Not transparent to international investors
  – International perception as relatively high-risk
Africa needs

- Identified in New Partnership for Africa’s Development
  - poverty relief
  - primary health facilities
  - HIV/AIDS
  - infrastructure (rail, air, road, communications)
  - improved agricultural output
  - education
- All require funding
Funding

• Could be aid
• Could be OTC or loans from financial services companies
• There is a role for exchange traded debt and equity funding

• But, need to:
  – Accept benchmark levels of CSR practices
  – Need to address investor concerns
  – Leverage existing investments as far as possible
    • Single point of entry
    • Get economies of scale
JSE initiatives

• Provide a gateway
  – Linking region to global capital markets
  – Embraces global best practices
  – Addresses international perceptions of the continent
  – Provides access to our markets for foreign investors
JSE initiatives

- New trading system: JSE SETS from LSE
- New settlement system: STRATE
- New index calculator: FTSE
- Marketing of financial information
- Internationally comparable listings requirements – focus on disclosure and transparency
- Cross membership
- Dual primary listings
- Innovative products: ETFs, warrants
- Drive the debate on CSR and accountability:
  - King 2
  - SRI Index

www.jse.co.za
JSE initiatives

• Invitation to SADC exchanges to participate
  – Leverage our technology and expertise
  – Retain national identity
  – Namibian Stock Exchange:
    • JSE trading and settlement environment
    • FTSE/JSE Indices

• Education
  – Demystifying financial markets
  – JSE Financial Portal: website access to financial information, news, statistics
  – JSE / Liberty Schools challenge
Conclusion

• Provide an environment with which investors feel familiar and comfortable
• Leverage existing investments