

# **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

# 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