



THE STOCK EXCHANGE OF MAURITIUS LTD  
(Member of the World Federation of Exchanges)

# FINANCIAL SECTOR OPPORTUNITIES AND CONSTRAINTS IN SADC: THE STOCK EXCHANGE PERSPECTIVE

Presented by:

**Sunil Benimadhu**  
**Chief Executive**

Regional Financial Integration in SADC  
Conference 2012  
22 November 2012  
Balalaika Hotel, Johannesburg



## Presentation Outline

- An overview of the current state of SADC Stock Exchanges
- How do SADC Exchanges compare with a few smaller Emerging Exchanges?
- What is the status of cross-border flows among SADC Exchanges?
- Current constraints that are blocking the growth of SADC Exchanges and preventing cross-border flows
- Overcoming the constraints and setting the stage for a much improved SADC stock exchange environment
- A dynamic perspective of SADC Stock Exchanges
- Paving the way towards an integrated SADC capital markets environment



## An overview of the current state of SADC Stock Exchanges

YEAR 2011						
Countries	No. of Listings	Market Capitalisation (USD Million)	GDP @ Current Price (USD Million)	Market Capitalisation / GDP(%)	Turnover (USD Million)	Turnover Ratio (%)
Botswana	37	4,107	17,675	23	145	4
Malawi	14	1,384	5,607	25	53	4
Mauritius	87	7,845	11,268	70	559	7
Namibia	32	1,152	12,533	9	14	1
South Africa	406	855,711	408,689	209	372,177	43
Tanzania	17	1,539	23,851	6	34	2
Zambia	20	4,009	19,206	21	149	4
Zimbabwe	77	10,903	9,458	115	478	4
<b>TOTAL</b>	<b>690</b>	<b>886,650</b>	<b>508,287</b>			

Source: 1. Standard & Poor's Fact Book 2012  
2. International Monetary Fund ([www.imf.org](http://www.imf.org))  
3. ASEAN Yearbook 2012



## How do SADC Exchanges compare with a few smaller Emerging Exchanges?

YEAR 2011						
Countries	No. of Listings	Market Capitalisation (USD Million)	GDP @ Current Price (USD Million)	Market Capitalisation / GDP(%)	Turnover (USD Million)	Turnover Ratio (%)
Indonesia	440	390,107	846,450	46	139,618	36
Sri Lanka	253	19,437	59,152	33	4,941	25
Chile	229	270,289	248,431	109	56,899	21
Thailand	545	268,489	345,672	78	232,442	87
Malaysia	941	395,083	287,943	137	128,908	33
Philippines	251	165,380	224,771	74	32,851	20

Source: 1. Standard & Poors Fact Book 2012  
2. International Monetary Fund ([www.imf.org](http://www.imf.org))



## What is the status of cross-border flows among SADC Exchanges?

- Bulk of trades on SADC Exchanges are either locally-generated (60-70%) or foreign-driven (30-40%)
- Cross-border trading is virtually non-existent, except for narrow flows from South Africa to some SADC Exchanges, like Mauritius
- Dual listings among SADC Exchanges are rare



## Current constraints that are blocking the growth of SADC Exchanges and preventing cross-border flows

- Existence of Exchange Control in some SADC countries
- Absence of any form of link among SADC Stock Exchanges (technological, membership)
- Absence of a common currency, no convertibility of currency across some SADC countries
- Some Exchanges in SADC still have manual trading platforms
- Limited investible universe of securities
- Limited investor base as an average less than 3% of SADC citizens invest on Stock Exchanges



## **Current constraints that are blocking the growth of SADC Exchanges and preventing cross-border flows**

- Companies still tend to resort to bank borrowing even when capital raising may be cheaper through Stock Exchange may be cheaper
- Lack of awareness of equity investing
- Limited broker information about specific investment opportunities
- On the part of listed issuers, lack of appreciation of investor requirements



## Overcoming the constraints and setting the stage for a much improved SADC Stock Exchange environment

- Establish the necessary regulatory and operational framework to enable cross-Exchange memberships among SADC Stock Exchanges
- Eliminate all barriers to enable free-flow of capital among SADC Countries
- Trading fees on SADC Exchanges are relatively high and would need to be reduced, specially with regard to turnaround trades so as to encourage day-trading activities
- Promote remote memberships among SADC Exchanges (attract foreign memberships)
- Work towards the cross-linking of SADC Exchanges like the ASEAN link (Malaysia, Thailand, Singapore)





## A dynamic perspective of SADC Stock Exchanges

	No. of Listings		GDP (USD Million)		Market Cap (USD Million)		Turnover (USD Million)	
	2011	2022	2011	2022	2011	2022	2011	2022
<b>Botswana</b>	37	57	17,675	30,230	4,107	27,100	145	14,241
<b>Malawi</b>	14	22	5,607	9,590	1,384	8,597	53	4,518
<b>Mauritius</b>	87	134	11,268	19,272	7,845	17,277	559	9,079
<b>Namibia</b>	32	49	12,533	21,436	1,152	19,216	14	10,098
<b>Tanzania</b>	17	26	23,851	40,793	1,539	36,569	34	19,217
<b>Zambia</b>	20	31	19,206	32,849	4,009	29,447	149	15,475
<b>Zimbabwe</b>	77	119	9,458	16,176	10,903	14,501	478	7,621

### Assumptions

- No. of Listings will grow by 4 % annually.
- GDP of SADC countries will grow by 5% annually.
- Market Capitalisation of SADC Stock Exchanges in 2022 is determined by using the 2011 weighted Market Cap / GDP of the smaller emerging markets (Indonesia, Sri Lanka, Chile, Thailand, Malaysia, Philippines)
- Turnover of SADC Stock Exchanges in 2022 is determined by using the 2011 weighted Turnover / Market Cap of the smaller emerging markets (Indonesia, Sri Lanka, Chile, Thailand, Malaysia, Philippines)

<b>Weighted average Market Cap / GDP (%)</b>	<b>90</b>
<b>Weighted average Turnover / Market Cap (%)</b>	<b>53</b>



## **Paving the way towards an integrated SADC capital markets environment**

- Improve the national Stock Exchange environment through an overhauling of the operational, regulatory and technological framework
- SADC Exchanges should first upgrade their existing technologies to facilitate cross-linking on a bilateral basis first, and multilateral basis in a second phase (e.g. Mauritius & South Africa)
- The upgrading could be accelerated if funding was made available
- Explore the possibilities of encouraging SADC cross-listings
- Actively promote SADC cross-memberships
- World-class stock exchange infrastructure
- Lifting of unnecessary barriers to free-flow of capital in and out of SADC countries
- Work towards an integrated SADC Stock Exchange network while keeping the national identity of the Exchanges



THE STOCK EXCHANGE OF MAURITIUS LTD  
(Member of the World Federation of Exchanges)

THANK YOU