

BOTSWANA STOCK EXCHANGE



BASIC INFORMATION

The Botswana Stock Exchange (BSE) is a statutory body that was created and operates under the Botswana Stock Exchange Act Number 11 of 1994, which provided for the establishment of an independent exchange and made provisions for the running of the exchange.

However, the BSE is in the process of Demutualization. The BSE Transition Act commenced on 1st December 2015 paving way for the Demutualization of BSE into a public company to be registered in terms of the Companies Act. The Demutualization of the BSE is expected to strengthen corporate governance practices and enhance competitiveness of the exchange in line with other exchanges around the world that have undergone significant changes and transformation from being member-controlled to demutualized entities.

Address: Botswana Stock Exchange House
Plot 64511, Fairgrounds
Private Bag 00417
Gaborone
Botswana
Southern Africa

Tel: (+267) 367 4400
Fax: (+267) 318 0175
E-mail: info@bse.co.bw
Website: www.bse.co.bw

Trading hours: 10.00 am to 2:00 pm

Trading Days: Monday to Friday

Non-Trading Days: All public holidays in the year

Trading Structure: Automated trading which consists of auctions (volume maximizing matching criteria) and continuous trading ("price, capacity and time" matching criteria) sessions during trading day.

Membership: Corporate

Instruments traded: Equities (shares)
Government and Corporate Debt Instruments (bonds)
Exchange Traded Funds

Number of Listed Securities

Equities – 34 securities (24 local and 10 foreign)
Bonds – 41 instruments
Exchange traded funds – 4 instruments

Listed Companies: 34 companies listed on the BSE

Clearing: Electronic settlement by the Central Securities Depository Botswana (CSDB)

Settlement: T + 3

Depository: Securities held electronically by the Central Securities Depository Botswana (CSDB)

Custodians in the market: Standard Chartered Bank of Botswana, First National Bank Botswana and Stanbic Bank Botswana – each of these banks has a custodial department.

Members of the Exchange: There are four brokers (members) of the market being: Stockbrokers Botswana, Imara Capital Securities, Motswedi Securities, and African Alliance Securities Botswana.

An application for a licence to operate as a stockbroker shall be submitted to BSE and shall be required to meet the following requirements and provide the following details as per the BSE Members Rules:

- (i) age and employment
 - (ii) Undertaking during membership
 - (iii) Company membership
- (i) On admission each member shall be a natural person ordinarily resident in Botswana, of at least twenty-five (25) years of age and shall own in Botswana negotiable assets which exceed his liabilities by not less than fifty (50) thousand Pula.
- (ii) Throughout his term of membership each member:-
- (a) shall be ordinarily resident in Botswana,
 - (b) shall have as his principal business that of a stockbroker, shall be active in such business to an extent acceptable to the Exchange and devote a substantial portion of his time thereto,

- (c) shall not be engaged in any business, occupation, profession or other activity which has been disapproved by the Exchange,
- (d) shall not, without the prior written approval of the Exchange, change the name under which he carries on business, liquidate the assets of the business or cease to carry on business,
- (e) shall not without the written approval of the Registrar hold an interest in any other concern whose business, either directly or indirectly includes that of dealing in securities, acting as a commercial bank, an issuing house, merchant bank, discount house, financial institution or insurance company except as a holder of less than 5% of securities which are listed on the Exchange
- (f) shall not either by a shareholding in a management company or by a contractual relationship with a management company or in any other way hold an interest in the operations of a unit trust or mutual fund other than as a holder of units,
- (g) shall pay such annual subscriptions as shall be laid down by the Committee from time to time.
- (h) shall maintain in Botswana negotiable assets which exceed his liabilities by at least fifty thousand Pula (P50,000) provided that if he carries on business in partnership with any other member such partnership has negotiable assets in Botswana which exceed its liabilities by at least fifty thousand Pula (P50,000) multiplied by the number of partners. For the avoidance of doubt whatsoever, Proprietary Rights held by Members shall be excluded for the purpose of computing net assets.
- (i) from the date of his admission as a member shall be deemed to be conversant with, shall be bound and shall abide by the Rules and

usage of the Exchange, the Act and any regulations prescribed under the Act.

(iii)(1)(a) if an applicant:-

- (i) is a company incorporated in terms of any enactment in Botswana; and
- (ii) owns assets in Botswana which exceed its liabilities by not less than one hundred and fifty thousand Pula (150,000). This shall be determined on the basis set out in the format for the computation of net capital as provided for in the BSE Members Rules. For the avoidance of any doubt whatsoever, Proprietary Rights held by Members shall be treated as an intangible asset for the purpose of computing net capital.
- (iii) has as its sole object the business of stockbroking; and
- (iv) has complied with such requirements for registration as may be prescribed; and

suitable for
in writing to the
registered;

(b) the Committee is satisfied that the applicant is registration; the Committee shall recommend Registrar that the applicant be

(2) For the purposes of subparagraph (iii) of paragraph (a) of subsection (1) of the BSE Members Rules, any company applying for registration as a stockbroker shall submit a copy of its memorandum and articles of association to the Committee and the Registrar.

(3) If the Committee is not satisfied that an applicant –

- (a) meets the requirements set out in section (iii) (a) of subsection; or
- (b) is suitable for registration;
- (c) employs at least one registered stockbroker;

applicant in

the Committee shall forthwith notify the Registrar and the writing that it is unable, for the reasons set out in that notification, to recommend that the applicant be registered.

Application procedure:

- (i) Application for membership shall be made to the Secretary in the form of a letter and application set out in Appendix E and shall be signed by the application and also be a proposer and seconder.
- (ii) The applicant will attend a preliminary meeting of the Committee and shall answer such questions as may be deemed necessary.
- (iii) Every approved application for admission to membership shall be posted on the notice boards of the Exchange for not less than one (1) month and all members notified thereof. During this period members may make representations thereon to the Committee.
- (iv) The Committee will thereafter deal with the application in terms of Rule 3.09.

Regulatory environment: The BSE is regulated by the Non-Bank Financial Institutions Regulatory Authority (NBFIRA) under the NBFIRA Act Number 2 of 2007. The BSE has a Main Committee that consists of three members appointed by the Ministry of Finance and Development Planning, and between two and six other members elected by the members of the Exchange.

Tax: Investors are exempt from capital gains tax on securities listed on the Exchange if the securities are held for more than a year. If the securities are held for less than one year, the capital gain is taxed at individual taxable income rates.

	Domestic Investor	Non-Domestic Investor
Dividend Withholding Tax	7.5%	7.5%
Interest Withholding Tax	10%	15%

Please note that Botswana has double taxation agreements on withholding taxes with several countries which lower the withholding tax rates on dividends and

interest. The minimum (maximum) treaty rate is 5% (7.5%) on dividends and 7.5% (12%) on interest.

Company tax is 15%

VAT is a standard charge at 12%.

Exchange controls Botswana operates a fully liberalised exchange control regime, which gives investors doing business in the country the option to operate foreign currency bank accounts for smooth facilitation of international transactions.

Non-resident restrictions: There is restriction of ownership on only one listed company (BTCL), which was listed on April 8th 2016 as a result of government privatization. The restriction is that only citizens and 100% citizen owned companies can own the company's shares. Locally registered fund managers and pension fund managers are allowed to invest in the fund even if their clients (contributors to the managed funds) are not 100% citizens. All other listed securities have no ownership restrictions.

Repatriation of capital: There are no restrictions on the repatriation of capital, dividends or income.

Registration: There are four transfer secretaries in the market: Grant Thornton Acumen, Corpserve Botswana, Price Waterhouse Coopers, and DPS Consulting Services.

The BSE is 100% dematerialised so securities are held on the CSD system.

Trading cost Equities: The following are the applicable fees on the market:

Initial listing fees:

Equity	0.025% of the market capitalisation at the time of listing, subject to a minimum of BWP50,000 and a maximum of BWP200,000
Bonds	0.0175% of the nominal value of the Programme subject to a minimum of BWP60,000 and a maximum of BWP150,000, effectively waiving the listing fees on tranches

Annual sustaining fees:

Equity	0.025% of the market value, subject to a minimum of BWP50,000 and a maximum of BWP150,000
Bonds	0.0175% of the nominal value of bonds subject to a minimum of BWP40,000 and a maximum of BWP100,000

Brokerage Commission for Equity Securities

Minimum: 0.60%
Maximum: 1.85%

Brokerage Commission for Exchange Traded Funds

Minimum: 0.20%
Maximum: 0.50%

Brokerage Commission for Bonds

=<BWP499, 999.99: 0.25%
=>BWP500, 000.00: 0.10%

Handling Fee

Non for Deals <BWP50.00
BWP15 for buy orders
BWP10 for sell orders

The CSDB fees stand at 0.12% and BSE fees stand at 0.15%.

Value Added Tax (VAT) of 12% is applied on the total value of the transaction costs (i.e. applied on commission, CSDB fees and BSE fees).

With respect to transfers, any transfer in the market will attract a charge depending on whether it is a beneficial ownership or non-beneficial ownership. A transfer that is at beneficial ownership accrues a charge of BWP25 + VAT while a non-beneficial ownership transaction draws a 2% charge of the value of the transferred securities.

Trading, clearing and settlement procedure:

Trading at the BSE is carried out using an Automated Trading System (ATS) through client instructions that are executed by the stockbrokers. Trading at the BSE is performed at beneficial owner level and each order that is input into the ATS, must specify the account for which it is meant

The Bank of Botswana (BoB) has accordingly mandated the CSDB to operate a clearing settlement system in

accordance with the provisions enshrined in the National Clearance and Settlement Systems Act (No. 5 of 2003). The central bank regulates funds settlement processes whereas NBFIRA is responsible for the securities market processes.

The market follows a Delivery versus Payment (DvP) process with a T+3 settlement cycle. This is a modified BIS Model 2. Securities traded by Participants on behalf of account holders through the BSE shall be cleared (transferred from the seller's account to the buyer's account) on a Delivery versus Payment (DvP) basis. On Trade Day (T) the securities will be transferred to a "Pending Sell Account" within the seller's account and the corresponding "Pending Buy" will be credited in the buyer's account. The seller shall have a credit balance in his/her securities account in respect of the relevant security prior to placing a sell order. On settlement date the pending sell and buy accounts will be cleared and the securities debited from the seller's account and credited to the buyer's account at 09:30hrs subject to the settlement bank confirming that settlement of funds has taken place and the CSDB confirming that clearing of securities can take place. The inter-participant settlement of funds takes place on or before 09:00 hrs on settlement day.

Partial settlement: Partial settlement/delivery is allowed in the market

Securities lending: Not allowed in the market

Over the counter trading (OTC): Off the market trades for listed securities are allowed, however, they must be transacted within working hours and in consultation with the CSDB, since they are governed by the CSDB Rules, and are subject to a 2% fee.

Failed trades : The BSE has not had failed trades since 2010

Corporate actions: Listed entities are required to provide details of corporate actions to the BSE prior to implementing them. Depending on the nature of the action, some require approval and some may not. Publication of certain information may be published in the local press only after approval and is released first by the BSE.

The following dates apply to corporate events:

- Last day to register (LDR) is the date of entitlement, which must be a Friday.
- Ex-date is the next working day after the LDR.
- Date of payment is the value date and is to be within six weeks of the LDR.
- Proxy voting is allowed in the market.
- Transfer of ownership/entitlement occurs on settlement of trade.

Market index: The exchange has eleven indices defined as follows:

NAME	SHORT NAME	WEIGHTAGE	RETURNS	
			CAPITAL GAINS	TOTAL RETURNS
EQUITY INDICES				
Domestic Company Index	DCI	Market Cap	✓	
Foreign Company Index	FCI	Market Cap	✓	
Local Asset Sector Index	LASI	Market Cap		✓
Domestic Financial Sector Index	DFSI	Market Cap		✓
Foreign Resources Sector Index	FRSI	Market Cap		✓
Domestic Company Free Float Index	DCFFI	Liquidity		✓
Domestic Financial Sector Free Float Index	DFSFFI	Liquidity		✓
Local Asset Status Free Float Index	LASFFI	Liquidity		✓
BOND INDICES				
Composite Bond Index	BBI	Equally		✓
Government Bond Index	GovI	Equally		✓
Corporate Bond Index	Corpl	Equally		✓

Dual-listed companies: There are 2 outward dual-listings on the BSE being Choppies Enterprises Limited and Wilderness Holdings Limited which are listed on both the BSE and JSE. On the other hand there are 10 inward dual-listings on the BSE. These include foreign companies, mainly the mining and exploration companies; that are primarily listed in Canada, United Kingdom and Australia.