



STRONGER TOGETHER - LINKING SADC STOCK EXCHANGES

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Advances in technology and globalisation have steered capital markets around the world towards innovation and adaptation. Furthermore, stock exchanges are modernising their strategic operations to keep pace with the competitiveness of the capital markets industry. Against this backdrop, African stock exchanges are aptly working towards a harmonised, integrated and efficient single capital market to unlock industrial capacity, and operate as a unified conduit for mobilising much needed private capital for long-term infrastructure and sustainable development in a dynamic global financial climate.

The catalytic role and capacity of stock exchanges in bolstering economic recovery and prosperity is undeniable, as has been evidenced by the economic events surrounding the Covid-19 pandemic. While the capital markets in advanced regions rebounded in early 2021 amid the growing trajectory for an economic upswing after the pandemic-induced recession, it became increasingly clear that African capital markets need to fast-track the development of their domestic exchanges, with the ultimate goal to build a formidable integrated market. Integration and intra-regional cooperation have long been identified as an ingredient for Africa's economic breakthrough, hence the formation of several cooperation agreements across the continent, such as the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS) and the newest and most ambitious trade pact, that is the African Continental Free Trade Area (AfCFTA).

The AfCFTA Agreement poses numerous socio-economic benefits to the SADC region and the continent, depending on the successful implementation of policy reforms and trade facilitation measures on the ground. The AfCFTA agreement has created the largest free trade area in the world, measured by the number of countries participating, and established a market of 1.3 billion people with a combined Gross Domestic Product

(GDP) of about \$3.4 trillion. According to the UN Economic Commission for Africa (UNECA), the AfCFTA agreement has the potential to boost intra-African trade by more than 50 percent from the low level of 13 percent. The agreement aims to facilitate the harmonising of the regional and continental markets, as well as coalescing small, fragmented markets for improved investment flows, which will boost intracontinental exports by over 80% by 2035.

Capital Markets in Africa have adopted a similar approach to achieving market integration. Regionally, the establishment of the Committee of SADC Stock Exchanges (CoSSE), the East Africa Securities Exchange Association (EASEA) and the Bourse Régionale des Valeurs Mobilières SA (BRVM) which is a regional stock exchange serving 8 West African countries, are all founded on the commitment to collaboratively facilitate cross-border listings, trading and investments and enhance financial integration. At a continental level, the African Securities Exchanges Association (ASEA) - which is represented by 25 Exchanges serving 37 African countries - is spearheading its flagship project that kickstarted in 2018, known as the African Exchanges Linkage Project (AELP). The AELP seeks to facilitate cross-border trading and settlement of securities in Africa, thereby unlocking Pan-African investment flows, promoting innovations that support diversification needs of investors, and improving depth and liquidity in Africa's financial markets. In its initial phase, the Project will link seven African capital markets that represent more than 85% of Africa's market capitalization - which will boost trading, investment and information links.

Although electronic linkages have not yet materialised within SADC stock markets, the Committee has made some progress in prioritising other aspects pertinent to seamless integration and improving efficiencies through streamlining the capital markets' regulatory frameworks, operational structures and information systems. This is demonstrated by the demutualisation

of 8 out of 14 SADC Exchanges i.e. BSE, DSE, FINSEC, JSE, MERJ, NSX, SEM, and ZSE, which promotes corporate governance and aligns with global standards. Furthermore, the harmonisation of listing requirements and processes of the regional stock exchanges has gained buy-in, with the funding of a study to assess and analyse the SADC capital markets architecture in order to define a baseline for harmonisation of capital markets in the Region. Additionally, CoSSE's efforts to establish the SADC Brokers' Network which serves as a forum has provided a platform to inspire cross-border trading and exchange information. Other initiatives aimed to encourage harmonisation and integration include lobbying efforts to adopt capital market best practices, as well as partnership agreements (MoUs) to facilitate cross-border listings and information and technology sharing.

Interconnecting regional capital markets into a single market is a complex and long-term undertaking. A case in point is the decade-long automation project comprising of Rwanda, Uganda, Tanzania, and Burundi, as the 4 East African countries to successfully merge their capital markets into a single regional market. Beyond capital markets, integration requires market participants, stakeholders, investors and policymakers to recognise the different concepts and assess the resulting opportunities, risks and requirements in the new environment of linking stock markets using technology as an enabler. Moreover, different market models, legal and regulatory issues as well as organizational, technical and procedural aspects are pivotal to the integration process.

About CoSSE

CoSSE which was formed in 1997 is a collective and cooperative body of the 14 stock exchanges in the Southern African Development Community (SADC) region. CoSSE is charged with the responsibility to accelerate the development of the SADC capital markets through cooperation and collaboration between SADC stock exchanges and other key SADC institutions and stakeholders. The CoSSE Secretariat which is currently hosted by the Botswana Stock Exchange, has close working relations with the SADC Secretariat, and SADC Structures such as the Committee of Central Bank of Governors (CCBG), Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), the Committee of Ministers of Finance and Investment (CoMFI) and the Committee of Senior Treasury Officials (CoSTO).

For more information about CoSSE, visit our website at www.cosse.africa, or contact the Secretariat via telephone at **+267 3674421**, or email us at cossesecretariat@bse.co.bw.

