

## **BACKGROUND AND HISTORY**

The Swaziland Stock Market was established in 1990 as a non-bank credit institution in terms of the Financial Institutions (Consolidated) Order, 1975 under Section 18 (1) (b). It was not until July 1999 that a fully-fledged stock exchange, the Swaziland Stock Exchange (SSX), was inaugurated.

In 2003 the SSX was incorporated in terms of the Companies Act, 1912 as a public company (Swaziland Stock Exchange Limited) utilizing Central Bank staff as promoters for the purpose of its registration.

After the promulgation of the Securities Act, 2010, since January 2013 the SSX was transferred to the Financial Services Regulatory Authority (FSRA) and operated as a “quasi company” within the Capital Markets Development (CMD) Division.

From January 2017, the SSX moved out of the FSRA to be an independent institution, on the 3<sup>rd</sup> Floor, East Wing of Ingcamu (PSPF) Building. On March 2019, the SSX went through a rebranding exercise and changed its name to Eswatini Stock Exchange (ESE).

## **ESE HIGHLIGHTS**

- **Nkonyeni Pre-cast Listing on the ESE**
- **New Listings Requirements**
- **Automation of the ESE Trading System**
- **Dematerialisation**
- **Inaugural Green Indaba**
- **ESG Reporting**

## **NKONYENI PRE-CAST LISTING ON THE ESE**

On 20 September 2023, the Exchange Market Committee granted approval for the listing of 50 million ordinary shares at 100 cents each, amounting to E50 million issued capital of Nkonyeni Pre-Cast Limited (NPC). Commencement of trading of NPC shares is expected on 9<sup>th</sup> November 2023. The Exchange implores other local companies to open their doors to EmaSwati to be co-owners in their businesses as this translates to economic empowerment and financial inclusion of the general populace.

The Government of Eswatini is also encouraged to list strategic State-owned Enterprises (SOEs) as such listings could offer a potential divestment solution that not only would allow government to raise funding and harness the value of her SOEs but also reap the benefits for capital markets development. Due to their large size and value, SOE listings can significantly boost market capitalisation and broaden

the investor base, especially retail and foreign investors.

### **ESE AMENDED LEGISLATION**

The ESE Rules, comprising the Listings Requirements, Debt Listings Requirements, Automated Trading System Rules, and the Rule Book were gazetted following approval by the Financial Services Regulatory Authority on 9<sup>th</sup> May 2022. The gazetting of the above legislation meant that the ESE could push forward with the Automated Trading System (ATS) which is meant to improve liquidity, financial inclusion, price discovery, transparency, and to be in line with other stock exchanges that are already automated.

### **ESG REPORTING GUIDE LAUNCH**

The ESE had a successful launch of the Environmental, Social and Governance (ESG) Disclosures Guidance Manual for listed companies and other stakeholders on 19<sup>th</sup> May 2022. SNG-Grant Thornton Eswatini was part of the technical support that developed Eswatini Stock Exchange's first-ever ESG Reporting Guide. This guide aims to help listed companies on the ESE address Environmental, Social and Governance issues in their reporting to meet the requirements of institutional investors and build a Better Tomorrow by transforming their businesses for a more sustainable future. Special thanks were extended to the Global Reporting Initiative (GRI) and also its partners, the African Securities Exchange Association (ASEA) and the Swedish International Development Cooperation Agency (SIDA) for the endowment that allowed the fulfilment of this project.

Also, the ESE in collaboration with GRI Africa held a stakeholders capacity building workshop on ESG Reporting for listed companies and other industry players. The session was intended to apprise listed companies and other relevant stakeholders on the ESE guidance manual's core elements as well as reporting using the GRI Sustainability Reporting Standards. The GRI Standards, the world's widely used standards for sustainability reporting, are designed to enhance comparability, integrity and utility of sustainability information. Transparency is key in building resilient and responsible capital markets. Market regulators across the world now expect some level of Environmental, Social and Governance (ESG) disclosures by companies listed on their exchanges. Such disclosures foster transparency and good governance needed for better-functioning markets, while encouraging organisations to play their part in contributing to sustainable development.

## **AUTOMATION**

The Eswatini Stock Exchange (ESE) has commenced the usage of the live environment on both the Automated Trading System and the Central Securities Depository Systems (downstream CSD hosted at the Central Bank of Eswatini). This was done pursuant to a reaching consensus with market participants, in particular, the Central Bank of Eswatini (CBE).

The CBE and the ESE agreed to initiate processes that would enable the achievement of our first trade in an automated environment on or about the week of the 6th-10th of February 2023. The step-by-step initiation processes are:

- Step 1: Investor accounts creation.
- Step 2: Dematerialisation of selling investors securities.
- Step 3: Posting of buying and sell orders on the ATS.
- Step 4: Trade settlement at CBE's CSD.
- Step 5: Distribution of commissions.

More than a year later, trade volumes are improving as market participants warm up to the new automated environment.

## **DEMATERIALIZATION**

The Ministry of Finance issued Legal Notice No. 269 of 2022 titled *the dematerialisation of deposited, registered, or listed securities*. The notice laid down two instructions, firstly that *all securities to be traded on the Eswatini Stock Exchange (ESE) shall be issued in dematerialised form with effect from 1<sup>st</sup> August 2022*. Secondly, that *every deposited, registered, or listed security should be dematerialised within eighteen months (18) months from the date of coming into force of the notice*. The latter instruction means that the deadline for the mandatory dematerialisation of securities is 29<sup>th</sup> February 2024.

Legal notice No. 269 of 2022 is a mandatory instruction, so come rain or sunshine, one has to Dematerialise. The basic agenda is to smoothen the process of buying, selling, transferring, and holding shares and also about making it cost-effective and foolproof.

Current holders of securities are encouraged to dematerialise their holdings regardless of whether they want to sell them or not to make their trading seamless, should they decide to sell them in future.

### **AML/CFT/CPF WORKSHOP**

In an endeavour to combat money laundering, terrorist financing and proliferation financing as per the Financial Action Task Force (FATF) protocols, and in its steadfast commitment to assist the Eswatini Financial Sector Supervisors, the ESE collaborated with the Financial Services Regulatory Authority (FSRA) and Eswatini Financial Intelligence Unit (EFIU) to train ESE stakeholders on AML/CFT/CPF legislative requirements on 21<sup>st</sup> March 2023. This is in line with the expectation that all members of the exchange should be fully trained and compliant with the international standards of AML/CFT/CPF. The ESE members are expected to verify sources of funds and further make sure that all investors are verified in terms of Know Your Investor protocols.

### **ESWATINI INAUGURAL GREEN INDABA**

SNG Grant Thornton in collaboration with The Ministry of Tourism and Environmental Affairs, Eswatini Stock Exchange (ESE) and UNDP successfully held the first-ever Eswatini Inaugural Green Indaba on 22-23 May 2023. Our objective was to create awareness and understanding of the green finance opportunities available to mobilize private capital to finance climate action, promote a just transition and meet Sustainable Development Goals. The Inaugural Climate Finance Indaba was centred on the following four key conversations:

1. Climate Change National Context and what it means for the private sector.
2. Unpacking Climate Financing with a focus on Green Bonds and Carbon Credit Framework.
3. Environment, Social and Governance Safeguards.
4. The Role of Youth in the climate agenda.

### **ESWATINI INTERNATIONAL TRADE FAIR (EITF)**

After a three-year hiatus, the Eswatini International Trade Fair came back with a bang in Manzini City with a challenge to the nation particularly the business sector to envision and explore “Endless Possibilities” within their different sectors and business interests. The 2023 theme of “Endless Possibilities” can be said to be a well-conceived encouragement and inspiration for all entities and businesses in consideration of the covid-19 virus pandemic, which negatively affected not only Eswatini, but also the world at large.

The exciting 2023 EITF commenced on a high note on 1<sup>st</sup> September 2023 with the official opening of the event being on 2<sup>nd</sup> September 2023 and ended on 10<sup>th</sup> September 2023. This year’s event was held while the country was commemorating its “55<sup>th</sup> Year” of its Independence, which is a significant milestone for a country, that was once referred to as a “Swazi Territory” by the colonizers. As the sole

exchange in the country, we were humbly honoured to welcome His Majesty King Mswati III and His Dignitaries to our stand at the Trade Fair whereby our Minister of Finance, Mr. Neal Rijkenberg, welcomed His Majesty to the ESE stand before handing over to the Acting Head: ESE, Ms Bongile Kunene to present about the aspirations and endless possibilities of the Eswatini Stock Exchange.

### **ESWATINI GOVERNMENT RETAIL BOND**

For the longest period, investing in the fixed income debt securities market including Government Bonds has been a privilege that is accessible to only a small group of the overall retail investor population. This elite group consist of members of the society who have the financial means to meet the minimum required amounts and sufficient understanding of the fundamentals of financial markets, at least enough to explore and evaluate investment opportunities. On the other hand, there is a retail group that comprises of ordinary people on the street “luntfu”, those who do not only have limited financial capacity but also find the complication of the financial markets to be too difficult to comprehend. As a result, despite overall growth of the retail sector in global markets, some segments have been left feeling marginalized and alienated by the lack of investment opportunities which are tailored to their needs. This phenomenon is pervasive in most sub-Saharan countries, like Eswatini where economies struggle for growth and the majority of the citizen’s disposable income is under pressure. These countries are characterized by low investment and saving levels among the country’s citizens, which further hinders potential economic growth.

Introducing a retail bond in the Kingdom of Eswatini is predominately a social and non-profit driven initiative to incorporate those marginalized segments of retail investors into the financial markets landscape by removing entry barriers. It is important to appreciate that while funding is generally the prime objective of issuing Government bonds, social objectives are equally important and should form the basis of evaluating the success of the product. The Central Bank of Eswatini (CBE) as Government Debt Sponsor, working with the Ministry of Finance, Centre for Financial Inclusion and the ESE is spearheading this initiative. Once this product is introduced into the market, it will bode well with personal financial empowerment and financial inclusion of a larger population of retail investors and capture them into the capital markets net.