

Financial inclusion is a global goal that aims to ensure that individuals and businesses have access to affordable and useful financial products and services. One of the key drivers of financial inclusion is the development of inclusive capital markets, which can foster economic growth, innovation and resilience. However, many emerging and frontier markets face challenges in creating and deepening their capital markets, such as low liquidity, high costs, limited product diversity and regulatory barriers.

This is where alternative finance, which refers to financial channels, processes and instruments that have emerged outside of the traditional finance system, can play a role. Alternative finance can offer new sources of funding, risk management and investment opportunities for underserved segments of the market, such as small and medium enterprises (SMEs), social enterprises and retail investors. Some examples of alternative finance include crowdfunding, peer-to-peer lending, invoice financing, and asset tokenisation.

One of the pioneers of alternative finance solutions in Africa is Financial Securities Exchange (Private) Limited (FINSEC), which is licensed by the Securities and Exchange Commission of Zimbabwe as a Securities Exchange (Alternative Trading Platform). FINSEC was established in 2016 with the vision of creating an inclusive and efficient capital market that can support the development of the Zimbabwean economy. FINSEC offers a range of services and products, such as:

Equities Market: FINSEC provides an automated platform for the issuance, listing, trading and settlement of equity instruments. These instruments can be issued and traded privately or through public platforms. FINSEC also facilitates the listing and trading of exchange traded funds (ETFs), which are funds that track the performance of an index, sector, or asset class.

Debt Market: FINSEC enables the issuance, listing, trading and settlement of debt instruments, such as bonds, notes, and commercial paper. These instruments can be issued by corporates, municipalities, or the government, and can be traded on a fixed income platform or an over-the-counter (OTC) platform.

Alternative Market: FINSEC hosts an alternative market that caters to SMEs that seek to raise capital from investors using alternative assets, channels and market boards. The alternative market has lower listing requirements and costs than the main market, and allows for more flexibility and innovation in the structuring of the instruments. The alternative market also supports the listing and trading of asset-backed securities, such as property funds and commodities which are securities that represent ownership in a portfolio of real estate assets.

Mutual Funds Market: FINSEC operates a mutual funds markets where collective investment schemes instruments are traded. These funds function as channels for pooling investments from a diverse group of investors and redistributing these funds to enterprises in need of financial backing. Operating within a well-structured market, these funds are listed to gain visibility and ensure a secure exit mechanism for investors.

At the core of this system lies the role of intermediaries, particularly fund managers. These experts curate specialised funds tailored to investors' preferences, allowing them to invest in diverse portfolios. These funds, carefully managed by skilled professionals, are then strategically deployed to various enterprises requiring capital infusion.

FINSEC's mutual funds market stands as an alternative asset class and marketplace for investments. It operates as a conduit between investors seeking viable opportunities and enterprises seeking financial support. This marketplace not only diversifies investment avenues but also serves as a reliable mechanism for investors to deploy their capital while offering enterprises accessible channels for securing the funds they require to grow and thrive.

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Derivatives Market: The FINSEC derivatives market is an innovation within its financial landscape, currently offering alternative assets like futures and options on stocks and indices. These financial instruments derive their value from underlying assets or indices, empowering investors with unique strategies for risk management, diversification, and hedging.

In this market, derivatives play a crucial role in expanding investment portfolios beyond conventional options. They serve as tools to hedge against market fluctuations, leverage price movements, and manage risk exposure. The market's robust structure caters to various risk appetites, providing tailored instruments for different investment goals.

FINSEC's platform allows investors to trade these diverse derivatives, capitalising on price differentials and asset fluctuations. By offering this range of instruments, FINSEC enhances portfolio resilience and unlocks sophisticated investment strategies, granting investors access to alternative asset classes for greater financial flexibility and risk control. As an integral part of FINSEC's ecosystem, this market empowers investors to explore and engage with alternative assets, reinforcing their financial strategies.

Through these services and products, FINSEC has been able to attract and serve a diverse and growing clientele, including issuers, investors, intermediaries, and regulators. FINSEC has also been able to contribute to the development of the Zimbabwean capital market and the broader financial system, by providing innovative solutions, enhancing market infrastructure as well as promoting market education and awareness.

FINSEC's journey towards inclusive capital markets through alternatives is an inspiring example of how alternative finance can complement and enhance the traditional finance system, and how emerging and frontier markets can leverage technology and innovation to overcome their challenges and unlock their potential.

The Financial Securities Exchange (FINSEC) is a Zimbabwe registered securities exchange and a member of the Escrow Group. The Escrow Group has interests in the financial services and Escrow Systems are the other members of the group

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