



## **Maseru Securities Market Journey Since its Establishment**

### **1. Introduction**

Maseru Securities Market (MSM) is the initiative of the Government of Lesotho (GoL) aimed at improving financial sector in Lesotho. This initiative was meant to encourage the wider share ownership of previously privatized companies in Lesotho, and to facilitate raising of medium to long-term capital in an effort to increase private sector participation in the economy of Lesotho. It was established in 2014 through Capital Markets Regulations (2014) and subsequently launched on the January 26, 2016.

The main objectives of establishing this platform were to facilitate the raising of capital by the corporates in an effort to bridge financing gap and to enable trading of financial securities in a secure environment that enhances confidence while on the other hand not too strict to suffocate market development.

Like many other exchanges MSM is mandated to fulfil the following main functions:

1. To facilitate raising of new capital by companies through the sale of securities to investors;
2. Provide a secondary market for the subsequent trading of previously issued securities in an organized and regulated environment.
3. To regulate listing applications and other activities of listed companies and its members

### **2. Legal and regulatory framework**

The market was established legally in 2014 through the publication of Capital Markets Regulations of 2014 implementing the Central Bank Act. The regulations were complemented by development of guiding rules, guidelines, processes and procedures. These included amongst others, the listing rules for equity and debt instruments respectively, member rules and trading rules.

### **3. Market Infrastructure**

Since the development of stock exchange and the capital markets in general remain at nascent stage in Lesotho, the stock exchange largely operates on manual basis while efforts to increase listings are being made and therefore improve on trading volumes. The current trading volumes are too low to warrant the acquisition of electronic trading facilities. Therefore, the trading activities take place at a trading pit specifically established for this purpose. There is a Central Securities Depository (CSD) system that has been reconfigured to handle most types of securities and to effectively assist clearance and settlement processes following concluded trades on the trading pit.

### **4. Institutional framework**

To address the challenges of market integrity and abuse, the Capital Markets Regulations mandated the establishment of capital markets regulator to oversee the capital markets activities including the operations of the stock exchange. The regulations also legislate the establishment of other supporting institutions such as the stockbrokers, broker dealers, investment advisors etc. Currently there are two (2) stock brokers who also double down as listing sponsors for potential listing applicant companies. There is also seven (7) registered investment advisors operational in the market. All commercial banks act as settlement agents.

### **5. Investor Education**

Investor education initiatives are essential to improve the investors' financial literacy and empower them to make informed and sound investment decisions when managing their savings. Without basic knowledge on financial concepts such as risk diversification, different types of interest and real rate of return, Basotho would struggle to invest or make informed decisions. A lack of sufficient financial literacy in most African countries helps in explaining why the vast majority of households don't directly invest any of their savings in the capital markets. The MSM has been at the forefront of efforts to raise financial literacy levels in the general population, through widespread and improved financial and investor education initiatives that included road shows, the annual money month campaign, radio and television programmes and other campaigns addressing both the demand and the supply sides of the market. MSM undertakes regular visits to Institutions of higher learning to make its existence known while also imparting important knowledge about its mandate, functions, benefits and

what the Stock Market is in general. Furthermore, MSM participates in Central Bank of Lesotho's programs on consumer protection to advocate for investing in safer alternative investments other than the traditional raising of funds.

## **6. Listing and Trading Activities**

A stock market listing is normally used to raise capital for a business's consolidation and growth objectives, such as new production facilities, new products, expanding in overseas markets or paying back loans. Listing is also a way of attracting private investors into a business and for facilitating an owner to realize their investment. Listing on a stock exchange has always been assumed as unsuitable for many businesses, as the process involved can be time-consuming and costly. Additionally, investors are only interested in buying shares in companies that have secure earnings streams and strong growth prospects. This is the case with MSM as it has not been spared of this notion as its first listing only came in December 2021 following solid six (6) years since it was launched. The status quo remains unchanged even to this day, since there is still one company listed for equity security. The trading in this security is continuing though volumes are very low.