



SPEED+ SUPPORTING THE POLICY ENVIRONMENT FOR ECONOMIC DEVELOPMENT IN MOZAMBIQUE



- MORE AND BETTER BUSINESS, MORE EMPLOYMENT



7/6/2017



SPEED+ PROJECT



MOZAMBIQUE STOCK EXCHANGE REVIEW: INCREASING PRIVATE SECTOR PARTICIPATION IN THE STOCK EXCHANGE

- Mozambique: Underdeveloped Market
 - Small share of national income; Only 5 listed companies Illiquid market
 - Little capital raised over the long term
- Major Participants lack information and/or confidence
 - Public Unaware of potential for investment in capital market
 - Most companies not sure about the value of public listing and fear public disclosure and loss of control
 - Information about companies, trading prices and the value of shares
 - Banks/brokers not convinced of prospects for market

Indicators of Equity Market Development in Sub-Saharan Africa

4	Market Cap/GDP	Listed companies	Turnover Ratio
Ghana	8	31	3.5
Kenya	24	65	5
Mauritius	62	62	4
Nigeria	10	169	5
Tanzania	4	18	30
Uganda	31	8	0.4
South Africa	234	303	38
Zimbabwe	41	60	8.1
Zambia	14	16	20
Mozambique	4	4	0.3
Low & middle income countries	60		24

Capital Raised through Public Issues in Africa, 2012-16 (USD million)

Exchange country	2012		2013		2014		2015		2016		Total	
	Number of IPOs	Capital raised (\$m)	Number of IPOs	Capital raised (\$m)	Number of IPOs	Capital raised (\$m)	Number of IPOs	Capital raised (\$m)	Number of IPOs	Capital raised (\$m)	Number of IPOs	Capital raised (\$m)
South Africa	5	268	4	261	9	742	12	868	7	823	37	2 742
Johannesburg	3	247	4	261	8	734	9	640	4	706	28	2 588
Johannesburg AltX	2	11	0	0	1	8	3	18	3	117	9	154
North Africa												
Egypt	0	0	0	0	1	109	4	762	4	214	9	1 075
Morocco	1	3	1	122	1	127	2	91	1	186	6	538
Tunisia	2	8	12	191	6	126	2	43	1	21	23	388
Algeria	0	0	0	0	0	0	0	0	1	58	1	58
Sub-Saharan Africa excluding South Africa												
Nigeria	0	0	1	190	1	638	1	23	0	0	3	751
Mauritius	0	0	0	0	1	29	0	0	1	86	2	124
Kenya	2	75	0	0	1	7	1	35	0	0	4	117
Ghana	0	0	0	0	1	1	2	1	2	102	5	104
Botswana	1	47	0	0	0	0	1	9	1	42	3	98
BRVM	0	0	0	0	1	7	1	14	1	83	3	84
BVMAC	0	0	1	68	0	0	0	0	0	0	1	68
Uganda	1	68	0	0	0	0	0	0	0	0	1	68
Rwanda	0	0	0	0	0	0	1	39	0	0	1	39
Tanzania	0	0	1	2	2	6	1	15	1	6	5	28
Mozambique	0	0	1	11	0	0	0	0	0	0	1	11
Zambia	0	0	0	0	1	9	0	0	0	0	1	9
Zimbabwe	0	0	0	0	0	0	0	0	1	<1	1	<1

* Data includes IPOs listed on African exchanges and therefore excludes outbound IPOs. Companies listed on two exchanges or more are accounted for on each exchange.

Potential Role of BVM in Promoting Capital Market Development

- Lead Public Education Campaign
- Lead Structural/ Regulatory Reform of Capital Market
- Set High Standards of Corporate Governance for Listed Companies
- Advocate Improvements in General Business Environment

INCREASING PRIVATE SECTOR PARTICIPATION IN THE STOCK EXCHANGE

- Impact of Capital Markets on Business Environment
- Public Listing Encourage (Requires)
 - Transparent Accounting
 - Compliance with good Corporate Governance Practices
 - Enforcement of Laws on Investor/ Creditor Protection
 - Compliance with Laws Regulations on Environment
- Capital Markets Participants (Exchanges Regulators, Industry Associations) advocate a transparent and accountable Business Environment

– Level 2 bullet goes here.

Stock Exchange Listing & Corporate Governance

- Key Reference Points
 - G20/OECD Principles of Corporate Governance
 - The African Corporate Governance Network (ACGN)
 - Africa Peer Review Mechanism
- Key Issues
 - The Rights and Equitable Treatment of Shareholders
 - The Role of Stakeholders
 - Disclosure and Transparency
 - Composition/Responsibilities of The Board

BVM Role in Strengthening Overall Business Environment

- ***Although BVM only directly responsible for listed companies, it can be an advocate for a more transparent environment***
 - Transparency and Public Participation in the Legislative Process
 - Improving Accounting standards
 - Problems Identified by World Bank “Doing Business”
 - Obtaining Credit
 - Enforcing Contracts
 - Protecting Minority Investors
 - Resolving Insolvency

OBJECTIVE 1: REFORM OWNERSHIP/ GOVERNANCE/ SUPERVISION of BVM

- Temporary state ownership: Ultimately mutual or independent corporate structure
- Independent supervisory body (possibly under central bank tutelage) with outside directors and clear mandate for market supervision/ investor protection.
- Launch internal assessment of compliance with the IOSCO Objectives and Principles of Securities Regulation followed
- Consider Association with Regional/ Global Platform

OBJECTIVE 2: INCREASE NUMBER OF LISTED COMPANIES

- Work with IGEPE to develop schedule of companies for listing
- Encourage banks and insurance companies to list
- Encourage other companies to list:
 - Launch educational campaign on advantages of public listing.
 - Consider reinstating temporary tax incentives for listed companies
- Special Effort for SMEs to List on Second Market

OBJECTIVE 3: BROADEN INVESTOR BASE

- Retail Investors
 - Launch educational campaign in middle classes
 - Develop mutual funds (CIS) as a mass saving product
 - In coordination with IGEPE promote share ownership among employees of privatized firms and encourage trading of their shares
- Institutional Investors
 - Authorize pension funds and insurance companies to invest in equities and corporate bonds
 - Develop investor networks
- Foreign Investors
 - Review Exchange controls; Identify possible tax distortions
 - Launch campaign to persuade foreign institutional investors/ money managers of attractions of investing in Mozambique
 - Market to Sovereign Wealth Funds

OBJECTIVE 4: DEVELOP ACTIVE INTERMEDIARIES

- Require banks to form separate subsidiaries for investment
- Engage with Major Banks and Investment houses: Explain program? Identify Key Players
- Identify potential for revenue from non-banking sources
 - Investment Banking fees
 - Trading commissions
 - Asset management commissions
 - Mutual Fund fees
- Authorize Independent Brokers
- Consider a system of “market makers”

OBJECTIVE 5: DEEPEN INFORMATION INFRASTRUCTURE

- Credit Rating Agencies
- Financial Press
- Information Vendors (Reuters, Bloomberg etc.)
- Research by brokers on Bonds and Equity
- Capital Market Research Institute
- Financial Websites

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