



THE ROLE OF THE BSE IN CREATING VALUE FOR RETIREMENT SAVINGS



Presented by:
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Act. Product Development Manager

2 March 2016

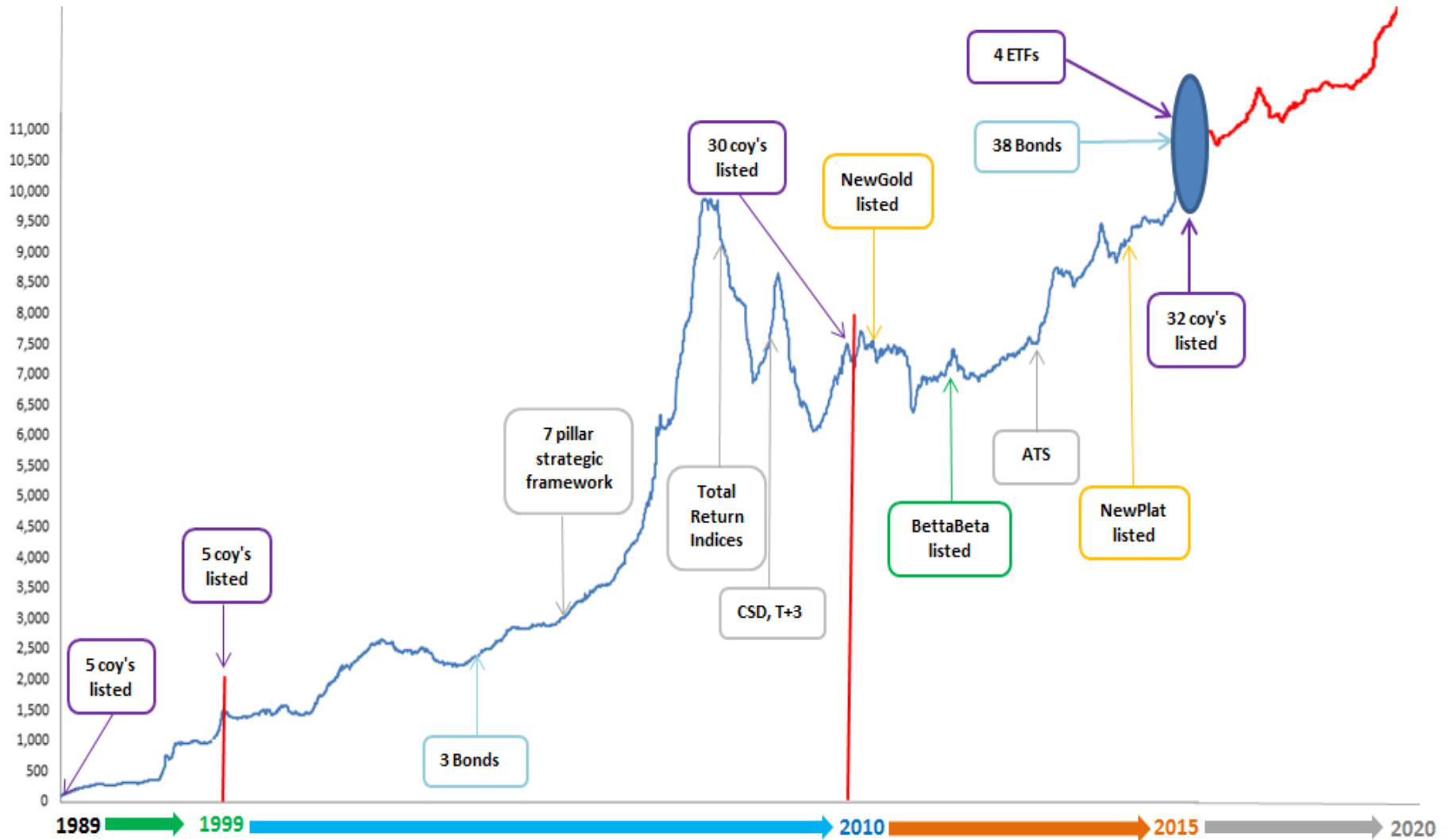
Agenda

1. The BSE's growth over time
2. State of liquidity on the BSE
3. Sustaining the growth momentum
4. Exchange Traded Funds
5. Developments on the bond market
6. The lessons we learnt
7. Conclusion

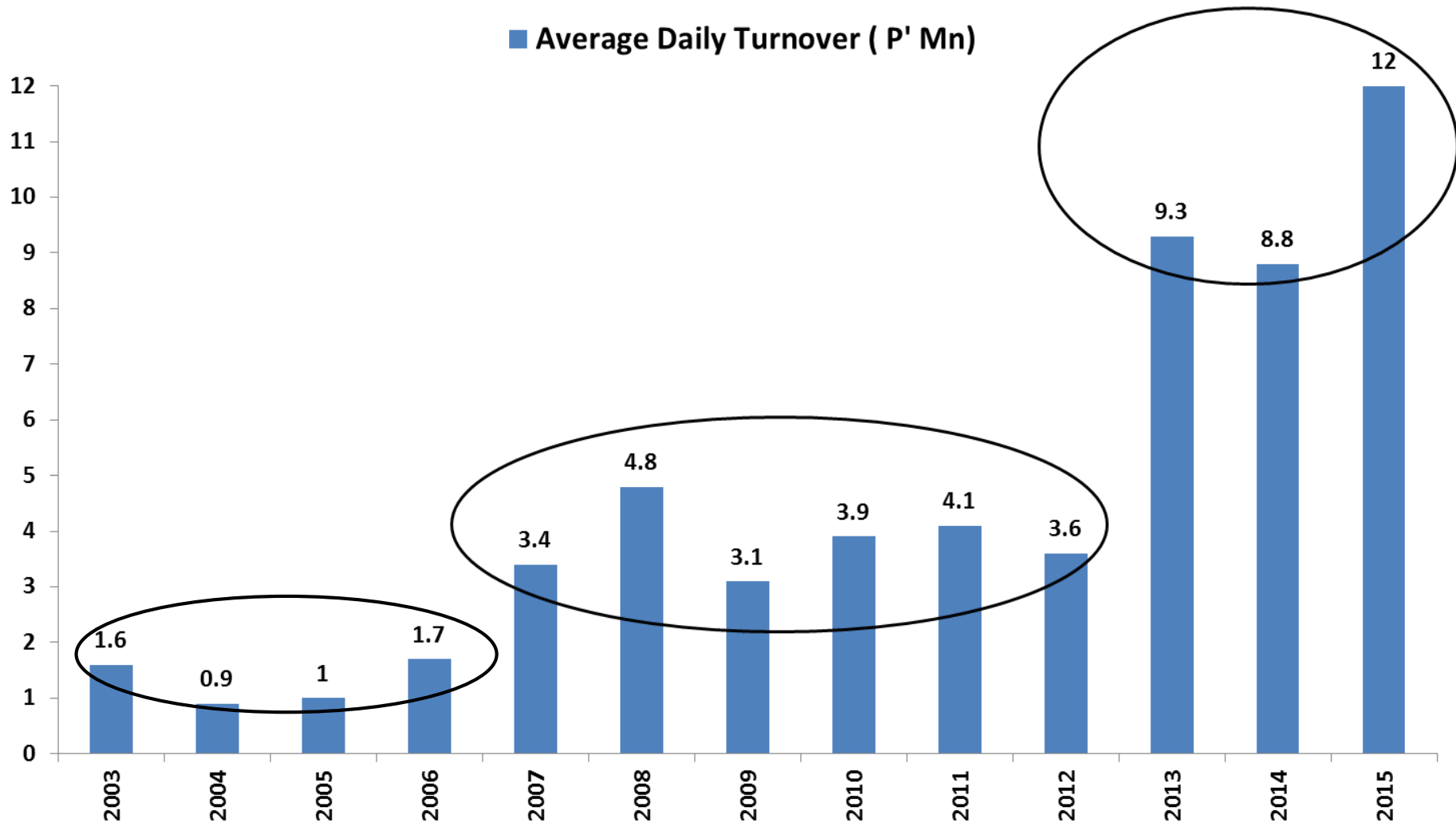
EQUITIES



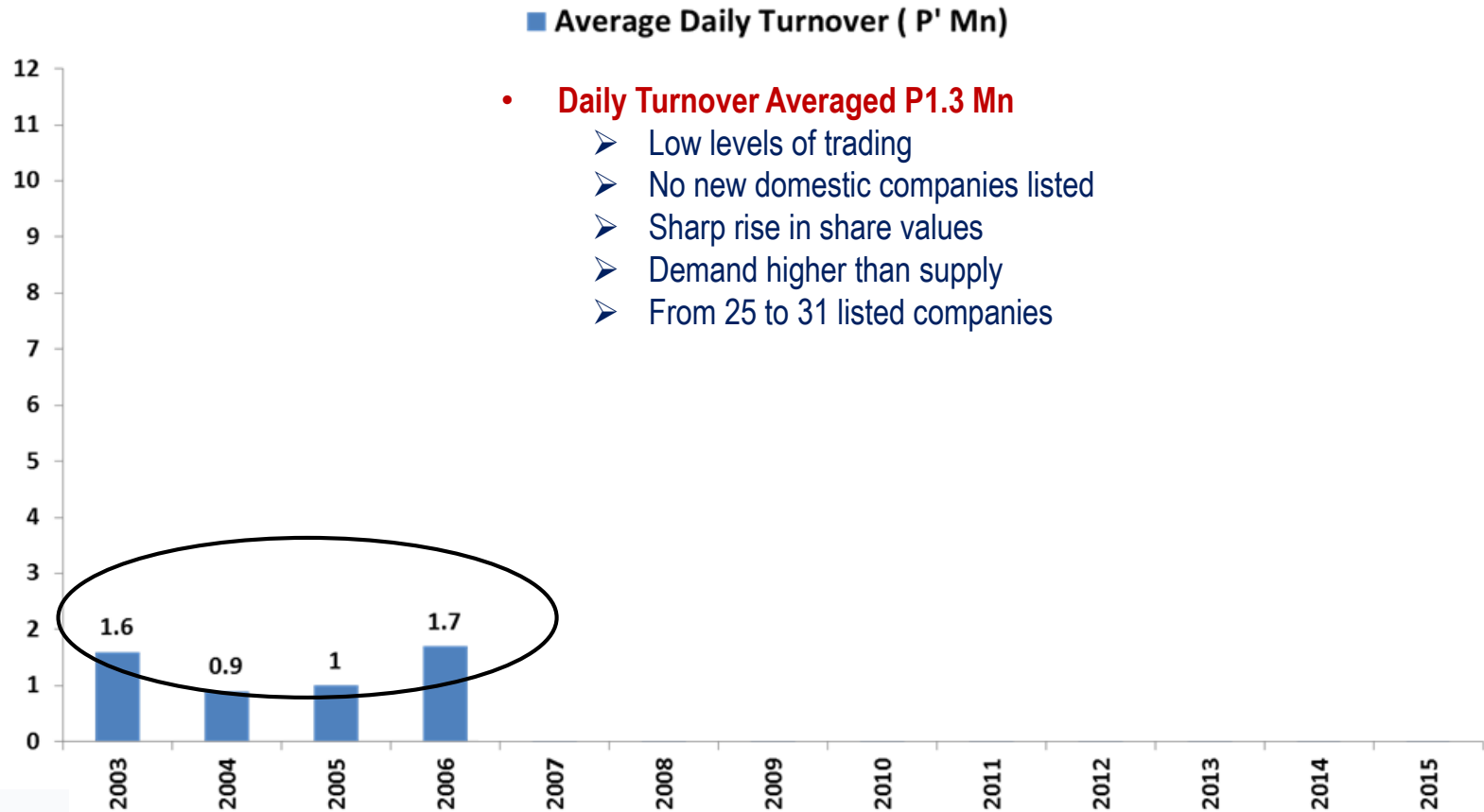
BSE's growth over time



State of Liquidity - *Equities*

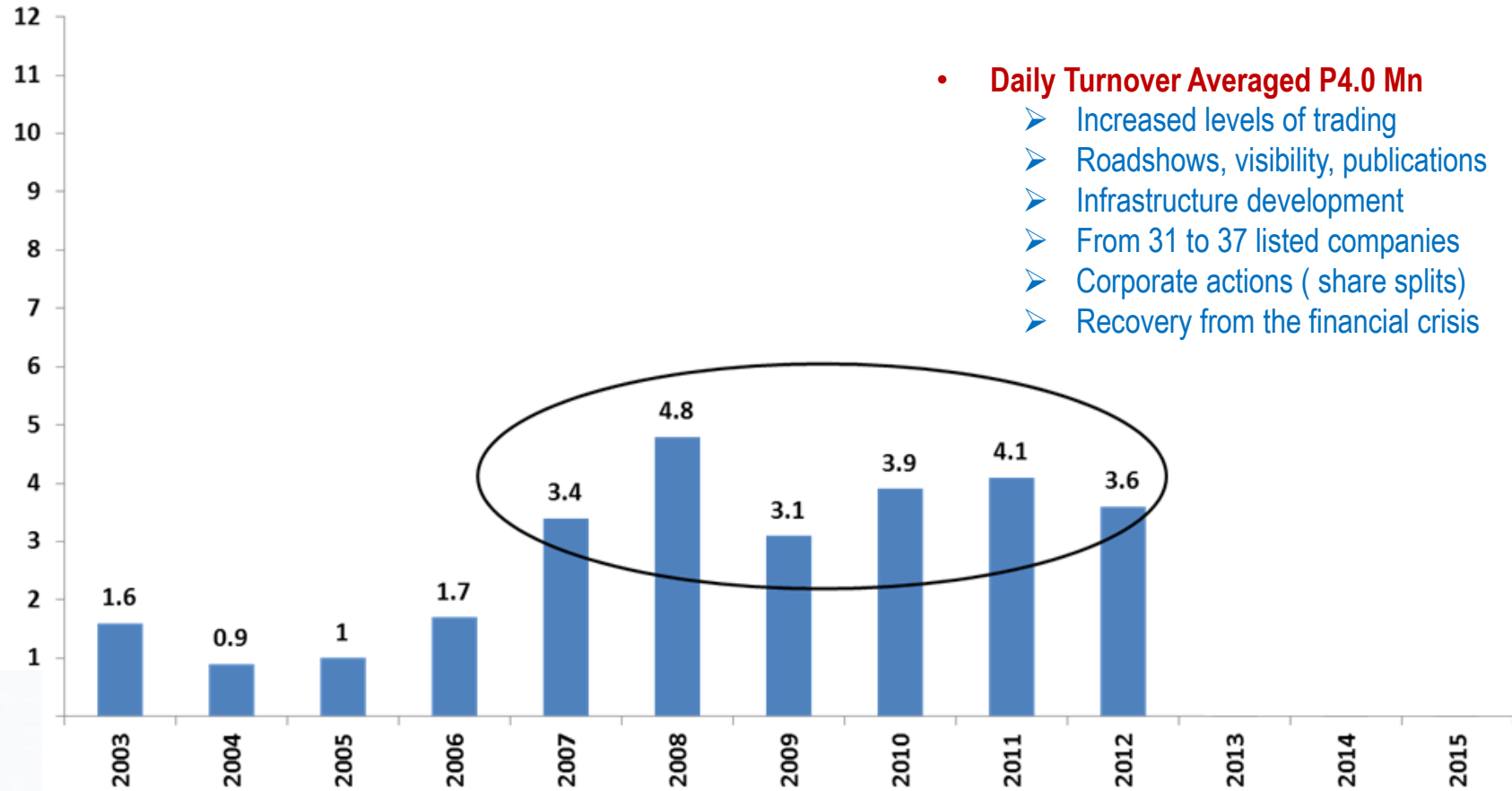


Liquidity in Equities – 2003 to 2006



Liquidity in Equities – 2007 to 2012

■ Average Daily Turnover (P' Mn)



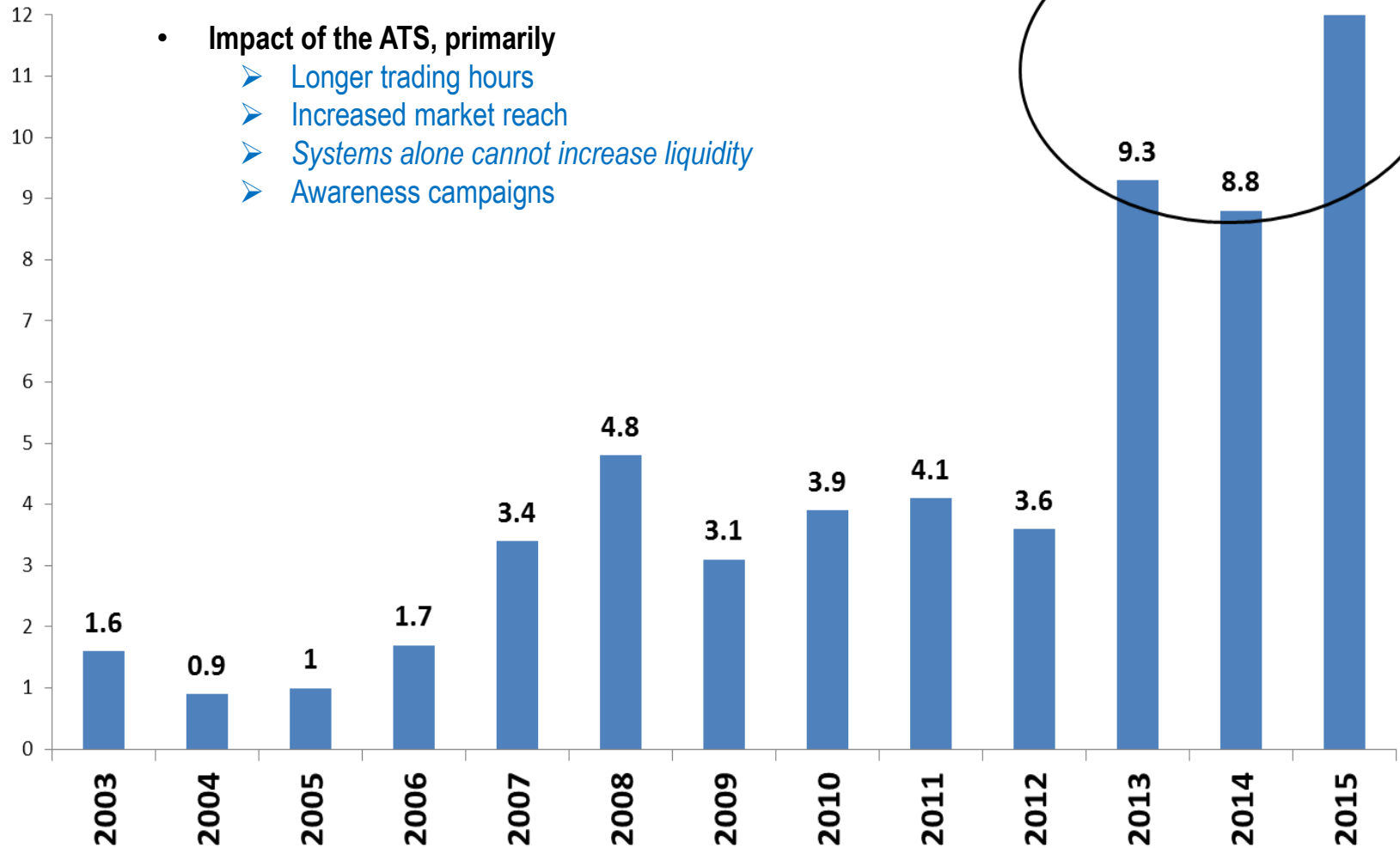
- **Daily Turnover Averaged P4.0 Mn**
 - Increased levels of trading
 - Roadshows, visibility, publications
 - Infrastructure development
 - From 31 to 37 listed companies
 - Corporate actions (share splits)
 - Recovery from the financial crisis



Liquidity in Equities – 2013 to 2015

■ Average Daily Turnover (P' Mn)

- Impact of the ATS, primarily
 - Longer trading hours
 - Increased market reach
 - *Systems alone cannot increase liquidity*
 - Awareness campaigns



Beyond 2015 - *Sustaining the growth momentum*

- **Product Development**
 - ETFs, GRDs, REITs
 - Indices (Total Return DCI)
 - New Listings (BTCL, Inaugural Listings Conference)
- **Market Development**
 - Financial Literacy Programmes (Radio, TV, High School Competition, Booklets)
 - Listings seminars & one-on-ones with prospects
- **Governance, Regulation, Listings & Trading**
 - New Listings Rules (Increased Public Float)
 - Market – Making
 - Demutualization – increased scope
- **Information & Technology**
 - Downstream Products (IBT)
 - Website revamp



Nurturing the Seedlings



Attracting Companies to List on the BSE



INAUGURAL LISTINGS CONFERENCE

SPEAKER PROFILES PART 1

Date: 10 March 2016
Venue: GICC

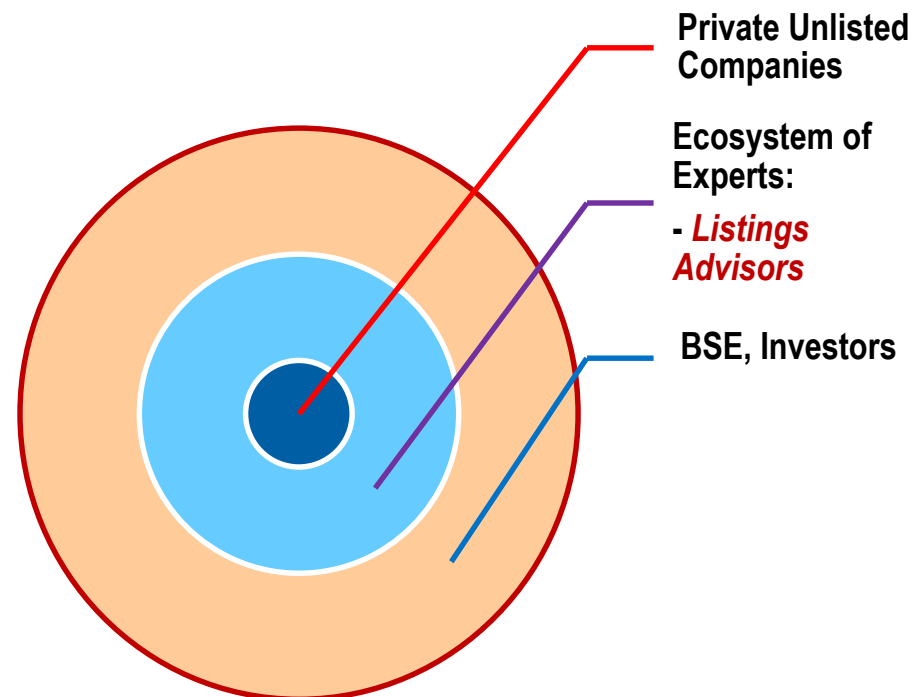
WELCOME REMARKS	OFFICIAL OPENING ADDRESS	VOTE OF THANKS
 <p>MR. GREGORY MATSHE VICE - CHAIRPERSON, BOTSWANA STOCK EXCHANGE MAIN COMMITTEE CHIEF EXECUTIVE OFFICER, SHANA CAPITAL SECURITIES</p>	 <p>MR. MOKUWETSI E.K. NKOMO VICE HONORARY, THE VICE-PRESIDENT OF THE REPUBLIC OF BOTSWANA</p>	 <p>MR. MARTIN MANKAGURE MEMBER OF BOTSWANA STOCK EXCHANGE MAIN COMMITTEE CHIEF EXECUTIVE OFFICER, MATSWENA SECURITIES</p>
CONFERENCE CHAIRS	BSE PRESENTATION	PRESENTATIONS
 <p>MRS. TSHIPENI MOKONE HEAD, COVERAGE AFRICA RAND MERCHANT BANK, SOUTH AFRICA</p>  <p>MRS. BOTUMELO MOLEFE CHIEF EXECUTIVE OFFICER BOTSWANA PUBLIC OFFICERS' PENSION FUND</p>	 <p>MR. THAPELO TSHOLE, CHIEF EXECUTIVE OFFICER, BOTSWANA STOCK EXCHANGE • Current status of the BSE & capital markets • Role of the BSE in facilitating capital raising and catalysing growth • Botswana's comparative advantages and the BSE's attractiveness as a listings destination • The importance of a listing and its contribution to the company's growth plans</p>	<p>• From Botswana to Africa: What are the opportunities for local companies to expand into Africa?</p> <p>• The stock market as a catalyst for growth • Utilising the stock exchange to pursue international growth opportunities</p> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>MRS. CELESTE RAUKONNAR AFRICA ANALYST FOR CHIEF GLOBAL MARKETS RESEARCH TEAM RAND MERCHANT BANK, SOUTH AFRICA</p> </div> <div style="text-align: center;">  <p>DR. MABROUBA DJAANE GROUP HEAD OF CORPORATE & INVESTMENT BANKING (CIB) BARCLAYS, PART OF ATLAS MARK</p> </div> </div>
<p>PANEL DISCUSSION 1</p> <p>• Transforming your company through a listing - growth story of a BSE listed company • Listing on a stock exchange and its impact in achieving exponential growth • From a private to a publicly listed company: the impact on strategy and expansion • Capitalizing on Botswana's comparative advantages to explore global/regional competitiveness</p>		
 <p>MR. BAKAING SETETSE MANAGING DIRECTOR AFRICA CAPITAL BOTSWANA</p>	 <p>MR. GULAAM HUSAIN ABDoola FOUNDING MEMBER & MANAGING DIRECTOR TURKSTAR HOLDINGS LIMITED</p>	 <p>MR. CHANDIRA CHURUMAN GROUP MANAGING DIRECTOR SERILANA GROUP</p>
 <p>MR. SAMACHANDRAN * RAMP OTSPANDU CHIEF EXECUTIVE OFFICER CHOPPIES ENTERPRISES</p>		
 <p>MR. COLAN RUTTERTON CHIEF FINANCIAL OFFICER LETSHIGO HOLDINGS LIMITED</p>		

16 THE BUSINESS WEEKLY & REVIEW
Friday 26 February 2016 - 03 March 2016

www.thebwnonline.com

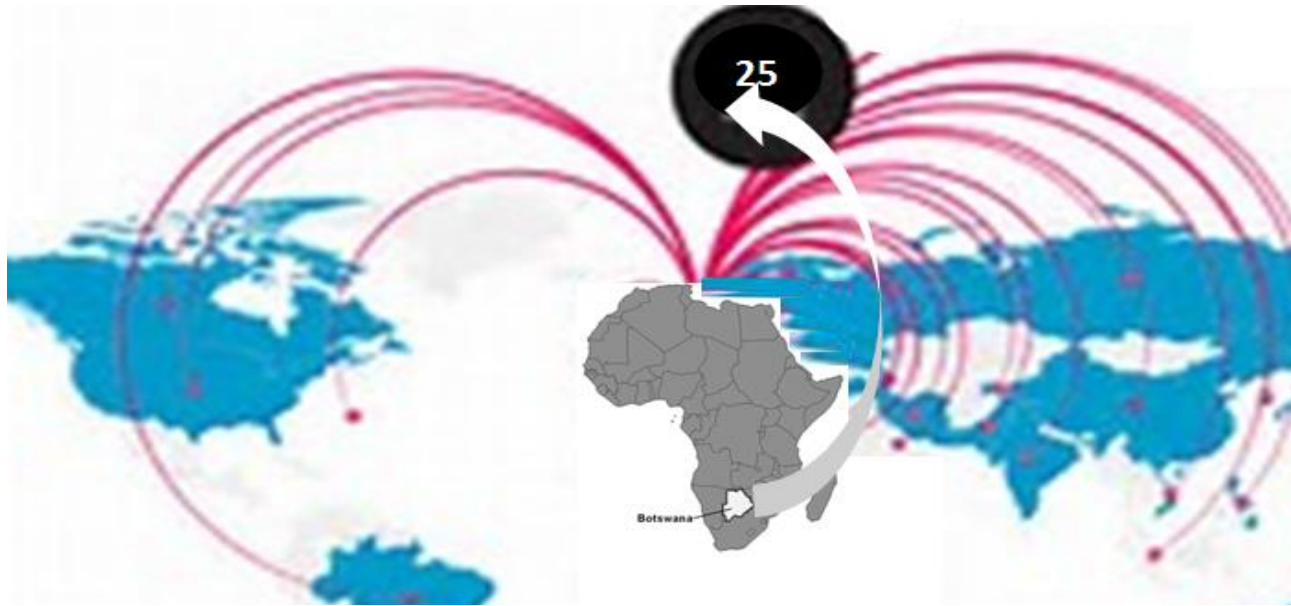
Companies & Markets

"THE STOCK MARKET AS A CATALYST FOR GROWTH" PART 4: THE BSE INAUGURAL LISTINGS CONFERENCE - SOME HEADS UP!



PART 2: UTILIZING THE BSE TO GROW BEYOND BORDERS

The BSE – as a Gateway to Offshore Markets



- Aims at using the BSE as an access point to international markets
- Leverages on Botswana's comparative advantages (domestic liquidity, liberal exchange controls)
- Strategic partnership with Saxo Bank
- Fund Managers have applauded the initiative
- We are still soliciting buy-in from large pension funds

Trustees



1. *The success of this strategy depends on the support from FM & Trustees*
2. *BSE will report progress, FMs to also keep Trustees updated*

EXCHANGE TRADED FUNDS



Beyond Equities – Promoting ETFs

An **ETF** is a security that tracks an **index** and represents a basket of stocks like an index funds, but trades like a stock on an **exchange**, with daily price fluctuations.

E.g. the **BettaBeta ETF** on the BSE that tracks the **BettaBeta Equality Weighted Top 40 Index** on the JSE.

Greatest Advantages:

- Low cost investment
- ETFs listed on the BSE are allocated Local Asset Status
- FMs with stringent allocations between domestic and foreign assets can allocate a portion of the domestic portfolio to ETFs without violating allocation limits
- ETFs have traded over P1.1 Bn cumulatively since listing

Trustees



1. *Liaise with FMs and Consultants – to what extent are these advantage being exploited*



BONDS



Botswana Bond Market Association



Office Bearer	Position	Organization
Ati Mannathoko	Chairperson	Alexander Forber A.C.
Carol-Jean Harward	Vice-Chairperson	Barclays
Ishmael Radikoko	Treasurer	University of Botswana
Kopano Bolokwe	Secretary General	BSE
Julia Ntshole	Additional Member	Botswana Building Society
Tshephang Loeto	Additional Member	Investec
Lorato Kedisitse	Additional Member	Fleming
Kwabena Antwi	Additional Member	Afena Capital

Botswana's Bond Market Landscape

Botswana's Bond Market has grown from P2.5 Bn to over P10.0 Bn in the past 10 years

Corporate bond market growing at a slow pace

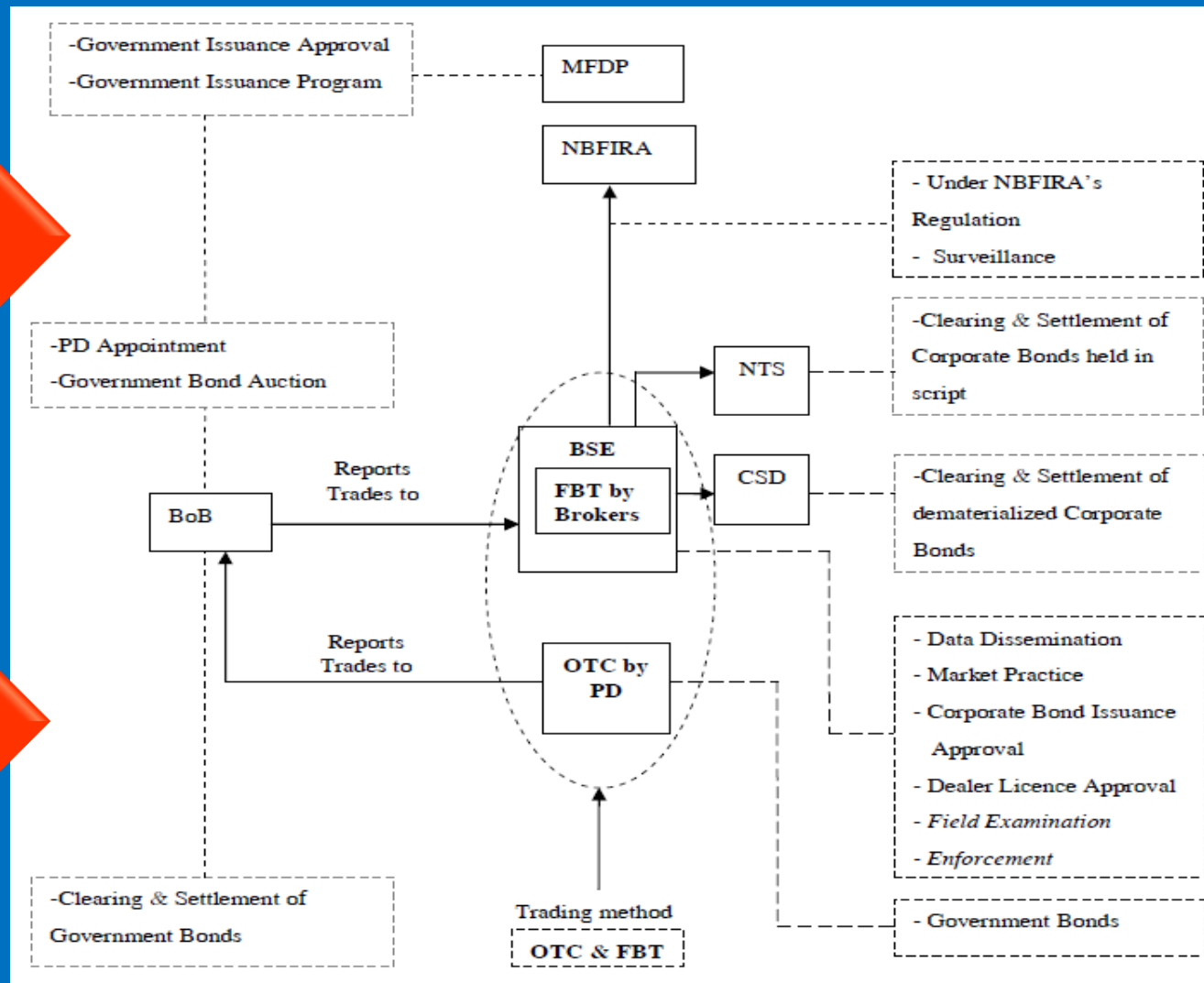
More scope for growth, but there are several challenges we encounter

	2011	2012	2013	2014	2015
NUMBER OF BONDS LISTED					
Government Bonds	7	6	6	6	6
Corporate Bonds	28	29	29	30	32
MARKET CAPITALISATION (P'Bn)					
Government Bonds	5.3	5.3	5.5	6.5	7.6
Corporate Bonds	3.0	3.2	3.2	3.3	2.5
TURNOVER (P'Mn)					
Government Bonds	325.1	314.2	33.7	321.6	858.0
Corporate Bonds	41.4	18.0			

Botswana Bond Market – *Who is Doing What?*

Opaque, Fragmented
Inefficiencies in price discovery
Poor information dissemination

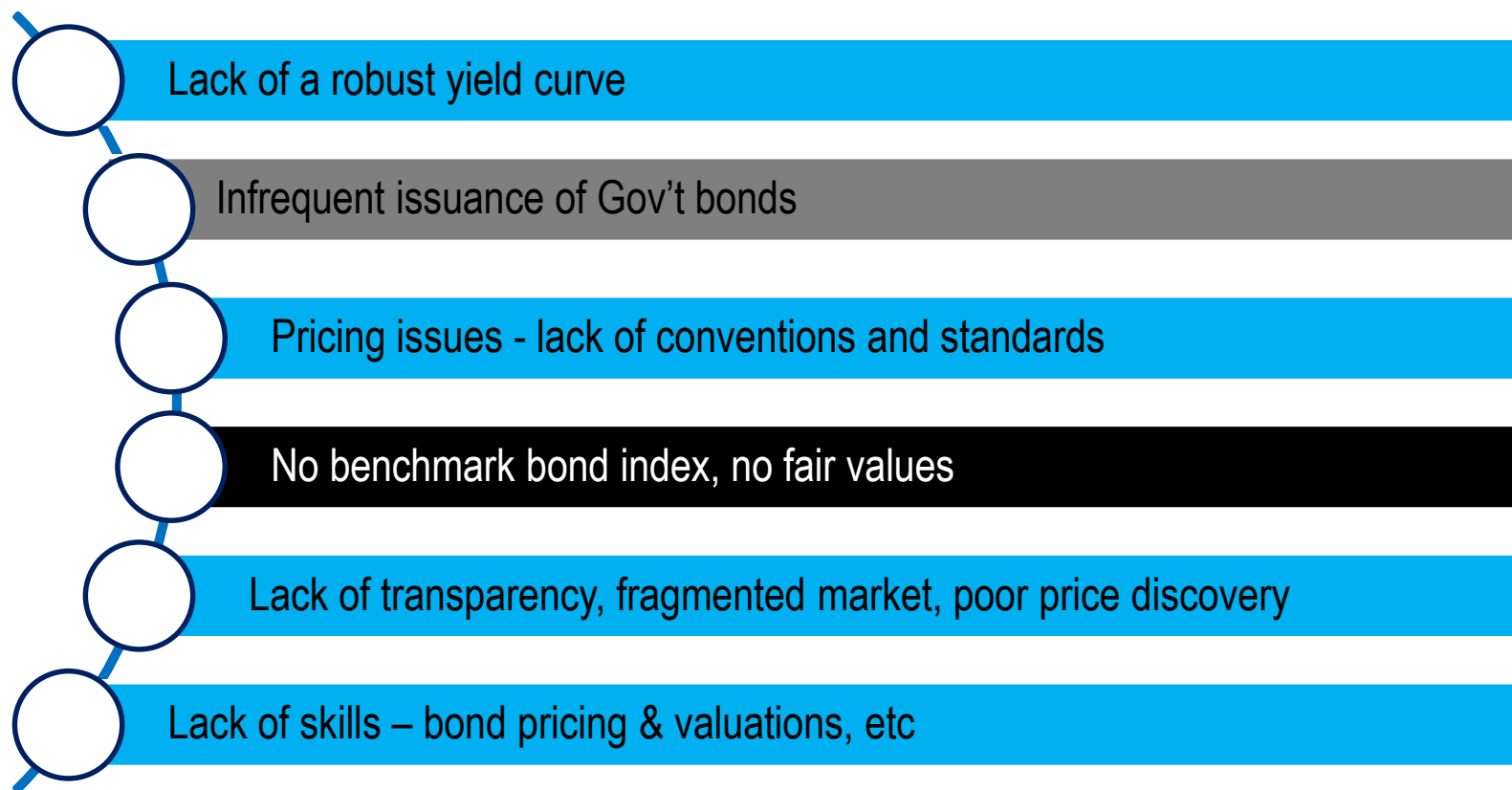
Lack of conventions
Illiquidity
Bilateral counterparty Risk



The Challenges Affecting Bond Market Development

In 2010, the BSE together with market participants identified and documented several challenges impeding bond market development in Botswana.

These included:



Strategies to Address the Challenges

CHALLENGES	STRATEGIES AND PROGRESS MADE
Undeveloped Risk free curve	This was for Gov't to close maturity gaps and issue across different maturities such as 2, 3, 5,7,12, 30, etc
Infrequent issuance	An issue taken up with Gov't. We now have quarterly auctions although hardly any new bonds are issued, sadly these are tap issuances.
Pricing issues	Standard bond pricing formulas and bond market conventions drafted in 2012
Bond Index	BSE introduced 3 bond indices in April 2013 and usage is improving
Information Dissemination	Daily dissemination of fair values and yields as well as market updates
Trading and Settlement	ATS and CSD capabilities to trade and settle bonds
Lack of Skills	BSE has been conducting fixed income courses since 2010. On average, 15 people attend each course. 4 courses each year.

Strategies to Improve Liquidity - *the Roadmap so far....*

2010

- **BBMA** conceived
- Bond Market Development Strategy finalized

2011

- Comparative study - of Botswana and 4 other African bond markets
- Recommended the **Centralization** of the **Domestic Bond Market**

2012

- Bond market conventions - built into the ATS
- Construction of **bond indices** in consultation with market participants

2013

- Launched 3 Bond Indices in April: **Corpl**, **Govl** and **BBI**
- **BBMA** officially registered in September

2014

- Centralization of bond trading and settlement in the **ATS & CSD** – due considerations

2015

- Debt listings rules
- BBMA branding

2016

- The Inaugural Fixed Income Conference
- Final draft of Debt Listing Rules

The Ideal Case – Centralization of Bond Trading at the BSE

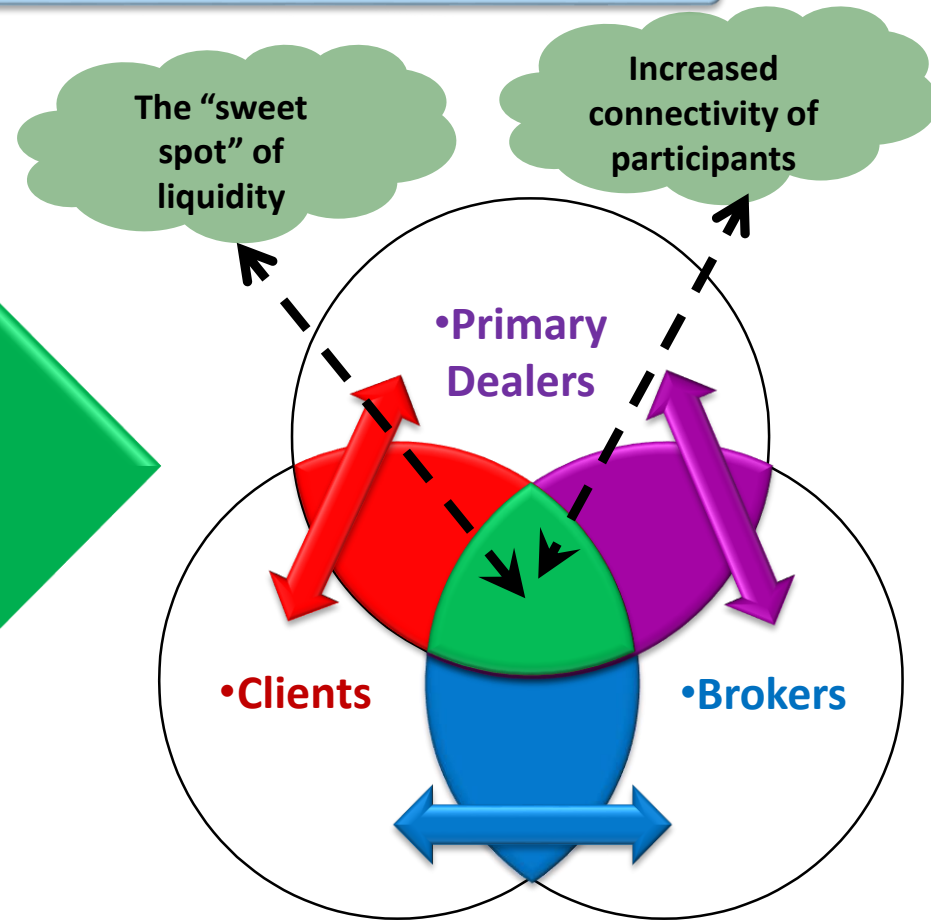
Centralized Trading, Clearing & Settlement of Bonds

Envisioned Situation:

Transparent Markets
Centralized Exchange Trading
Robust Information Dissemination
Price Discovery
Increased Liquidity
Central Clearing Counterparty

Current Situation:

Opaque Fragmented Market
Over-The-Counter(OTC)
Inefficiencies in price discovery
Poor information dissemination
Illiquidity
Bilateral Counterparty Risk



The Lessons We Learnt



Markets and systems cannot be forced on market participants

Aggression has to give way to diplomacy

Consultation & communication with the industry is the key to success

Success is attained through collective effort



Trustees →

1. *To what extent are the service providers participating in consultative forums*
2. *To what extent are they adopting BSE initiatives? (BBMA, Bond Indices, etc)*

Conclusion

- ❑ There is commitment and innovation to develop the capital market
- ❑ But can be better sustained when all stakeholders play their role
- ❑ Consistent interactions between market players through forums such as this remain very vital
- ❑ Trustees and service providers therefore have a role to play:
 - ✓ *The success of the “BSE-Saxo Project” will depend on the support from FMs & Trustees*
 - ✓ *We encourage report backs on progress on BSE initiatives by FMs*
 - ✓ *We are encourage FMs to exploit the advantage presented by ETFs*
 - ✓ *We encourage industry service providers to participate in consultative forums setup by the BSE*
 - ✓ *We encourage participation in & adoption of BSE initiatives (BBMA, Bond Indices, upcoming DCI TRI)*



Thank you

