



The Opportunities and Challenges in Integrating African Exchanges

November 12th, 2010

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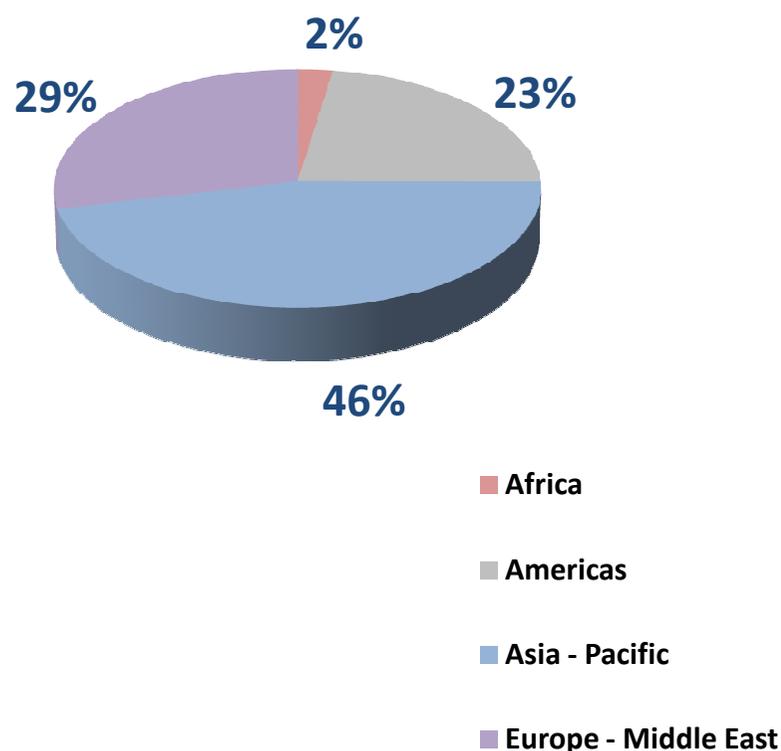
The Case for Integration



- How select African Markets combined compare with Markets in the Americas, Asia – Pacific and Europe – Middle East
- Analysis of Listed Companies, Market Capitalization and Values traded in Equity and Bond markets as at September 2010
- Key challenges and the opportunities posed.

Africa in Comparison to other Markets

No. of Listed Companies as at Sep 2010



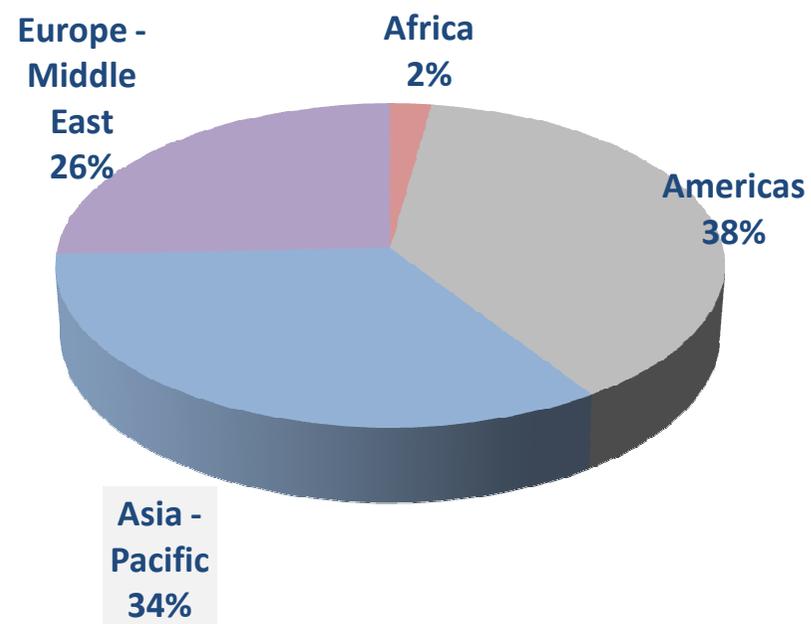
- Africa accounts for only 2% of listed firms as compared to other markets globally
- 75% (more than 842 companies) of which represented by the Exchanges in Egypt, SA and Nigeria

Source: WFE & Select Exchange Markets

Africa in Comparison to other Markets

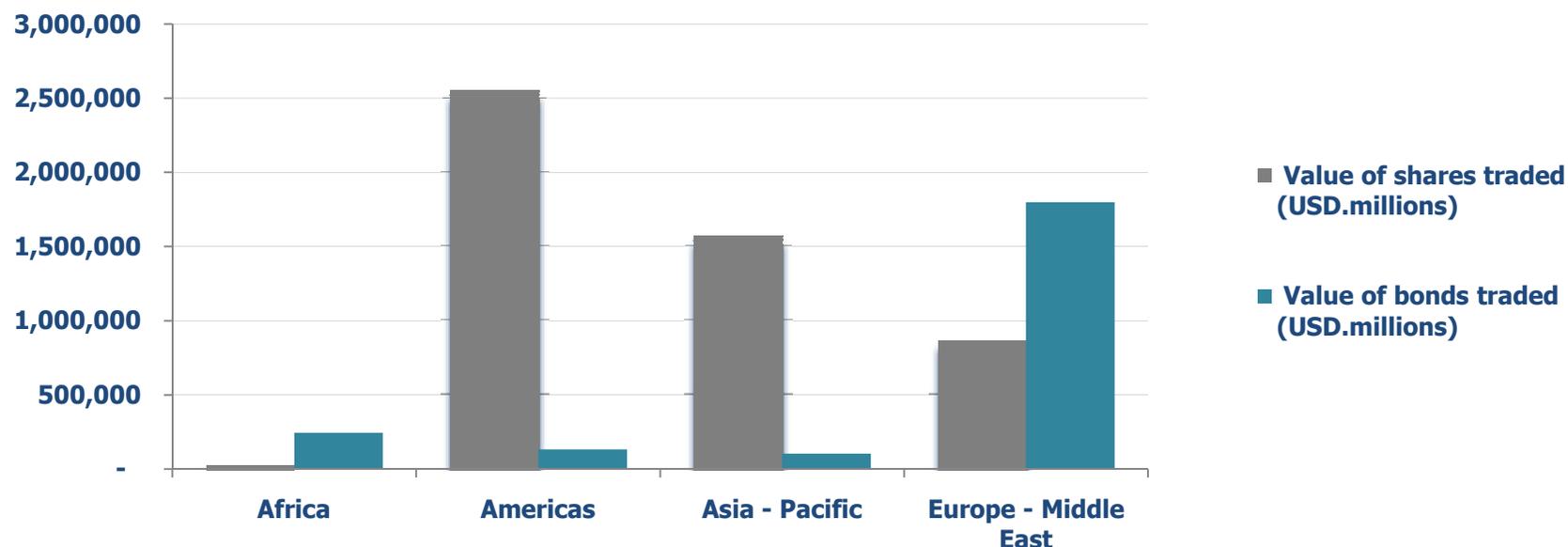
- Africa at approximately 2% (over \$ 1,144.23 bn) in Market Capitalization.
- The Americas is the largest at approximately \$ 20,147 bn as at Sep 2010

Market Cap.(USD. millions) as at Sep 2010



Source: WFE & Select Exchange Markets

Equity and Bond Trading Activity



Source: WFE & Select Exchange Markets

- Approx \$ 246 bn value traded in the bond markets in Sep 2010 in Africa as compared to \$ 1,798 bn traded in Europe and the Middle East
- Americas traded 51% total value of shares in the markets reviewed – Africa accounting for only 0.65% at approx \$ 32.5 billion

Key Challenges to Integration

- On a macro-perspective;
 - Biggest hindrance is in differences in political and macroeconomic setups,
 - Cultural barriers and national sentiments that undermine integration efforts.
- African Exchanges specific factors;
 - Many are young therefore are still grappling with the consequences of the demutualization process, with innovations in ICT, and with new demands regarding corporate governance,
 - There poses significant risks and uncertainty factors in the form of clearing risks within some exchange operations,
 - Some exchanges have manual trading and settlement infrastructure that limit instant trading ability that modern markets demand.

Abundant Opportunities through Integration



- Will enhance competitiveness through effective integration over national borders.
- Investors will enjoy high liquidity and efficient trading through common trading systems, harmonized trading rules, and practices in the African markets.
- Will facilitate the implementation of responsible investment strategies and increase the focus on environmental, social and governance (ESG) issues in Africa.

Abundant Opportunities through Integration



- Increased trading activity will definitely drive the revenues and operating incomes
- Will enhance ability to develop specialized products and markets for specific ‘sustainable investments’ e.g. carbon trading and cleantech

In Summary



- Given the challenges, the likely route would be to start through the regions (e.g. EASEA, CoSSE, BRVM, MENA).
- Integration will generate even more opportunities to position Africa in the global area and, accordingly, is also important for the development of the financial markets.
- It may provide an opportunity to restore some confidence, perhaps offer more transparency and a focal point for investment activity.



Thank You