



AFRICAN DEVELOPMENT BANK GROUP



# African Exchanges Linkage Project



Participating exchanges:



EGX The Egyptian Exchange  
البورصة المصرية



THE Nigerian  
STOCK EXCHANGE



BRVM  
BOURSE REGIONALE DES VALEURS MOBILIERES



Stock Exchange of Mauritius

Coordinated By:



Supported By:



# African Exchanges Linkage Project

## OUTLINE



- The African Exchanges Linkage Project (AELP) Objectives
- Expected Outcomes from the integration of African Stock Exchanges- AELP
- Value Add and Market Readiness Assessment
- Current Status & Next Steps
- African Development Bank's Approach to Capital Markets Development

# African Exchanges Linkage Project

## OVERVIEW

The African Exchanges Linkage Project (AELP) is a co-initiative of the African Securities Exchanges Association (ASEA) and the African Development Bank (AfDB) to facilitate cross-border investment flows through trading of securities across participating exchanges in Africa.

### Objectives

- Boost Pan-African investment flows through the creation of linked Stock Exchanges and wider investment ecosystem cooperating across Exchange trading platforms on the continent.
- Enable seamless trading of securities on participating Stock Exchanges in Africa.
- Facilitate access to, and free flow of corporate and sovereign information on African capital markets to investor community.
- Promote innovations in product creation that would support the diversification needs of investors in Africa.
- Address the lack of depth and liquidity in African capital markets.

### Participating Exchanges

The AELP Phase 1 will create linkages among seven (7) African stock exchanges representing ~90% of Africa's market capitalization.



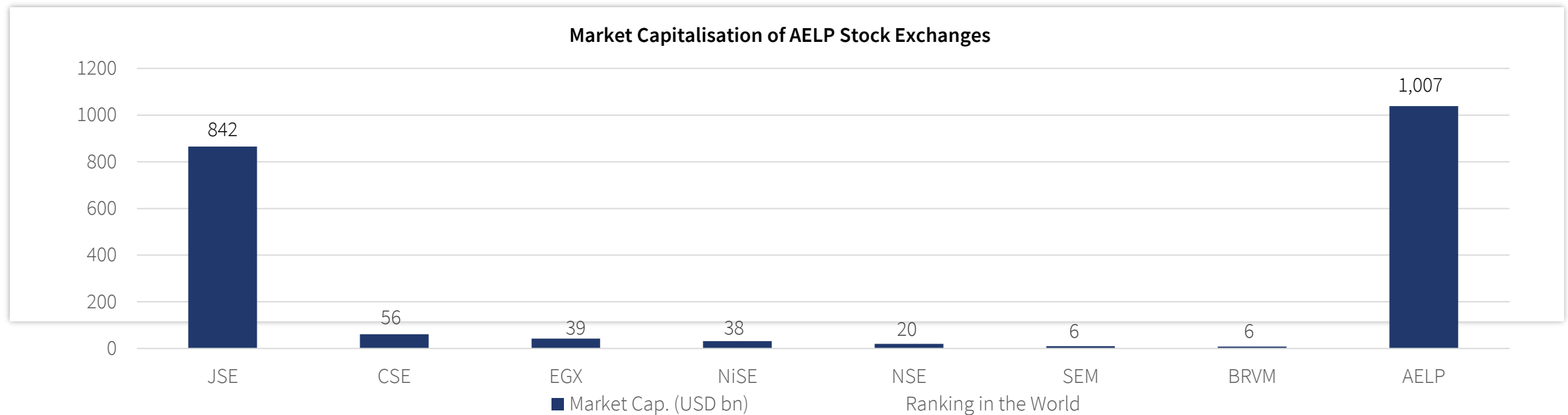
- **Nairobi Securities Exchange**
- **Johannesburg Stock Exchange**
- **Casablanca Stock Exchange**
- **The Nigerian Stock Exchange**
- **Stock Exchange of Mauritius**
- **The Egyptian Exchange**
- **Bourse Regionale des Valeurs Mobilières SA (BRVM)**



# African Exchanges Linkage Project

## EXPECTED OUTCOMES

- ✓ Linked stock exchanges with market capitalization >USD 1 trillion.
- ✓ Visibility to domestic and global institutional investors.
- ✓ Investment Products available on the 7 Exchanges include: Equities- 50%, Bonds-15%, Derivatives- 34%, ETF, REITS, and others- 1%.
- ✓ One-stop-shop to the most significant African markets saving transaction and operational costs.
- ✓ Business expansion for investor community through access to a larger market and improved liquidity.
- ✓ Innovations in services and investment products, thereby increasing and diversifying opportunities for Africa's investment community.



Figures as at September 2020

Source: World Federation Of Exchanges

# African Exchanges Linkage Project

## The Value Add of the AELP

Connecting African  
markets

7

Stock Exchanges

14

Countries

\$ 1 trillion

Market capitalization

Providing access to  
diverse products

Equities

Bonds

ETFs

Derivatives

REITs

Funds

and More..

Access to Africa's largest companies



# African Exchanges Linkage Project

## Survey of Market Readiness- Criteria for selecting participating markets for AELP Phase 1

- ✓ Criteria 1 – Regulatory considerations
- ✓ Criteria 2 – Custody & settlement
- ✓ Criteria 3 – Foreign exchange management /FX settlement
- ✓ Criteria 4 – Market environment
- ✓ Criteria 5 – Taxation on investments/securities dealing
- ✓ Criteria 6 – Order routing system for 3<sup>rd</sup> party trading

## Grant from the Korea Africa Economic Cooperation Trust Fund (KOAPEC)

~ USD 1 MILLION Grant To Cover:

- 1) Information Technology infrastructure for Stock Exchanges Linkage-** IT costs for Order Routing System (ORS), Market and Order-Book Data, post integration testing and data migration, Dispute Resolution Portal.
- 2) Capacity Building-** Training and stakeholder engagement in the participating countries in the AELP Phase 1.
- 3) Project Management Office-** Procurement of a Project Manager, Project Assistant and Audit Firm.

# African Exchanges Linkage Project

## CURRENT STATUS & NEXT STEPS

- **Establishment of the African Stockbrokers and Security Dealers Association (ASSDA).**
  - ASSDA: AfDB supported the establishment of ASSDA in 2019/2020, the first pan-African platform for security dealers to collaborate on capital markets integration and products innovation.
  - Sponsored Access Model- AELP Phase 1 is being implemented through a Sponsored Access model. Market participants (security dealers) through the ASSDA platform are supporting the implementation of the AELP.
- **African Continental Free Trade Agreement.**
  - AELP aligns with AfCFTA objective to establish a single and liberalized market; aid the movement of capital and people, facilitate investments and deepen the economic integration of the African continent.

## NEXT STEPS

### ❑ **Procurement of AELP Link Technology Platform (*Ongoing*)**

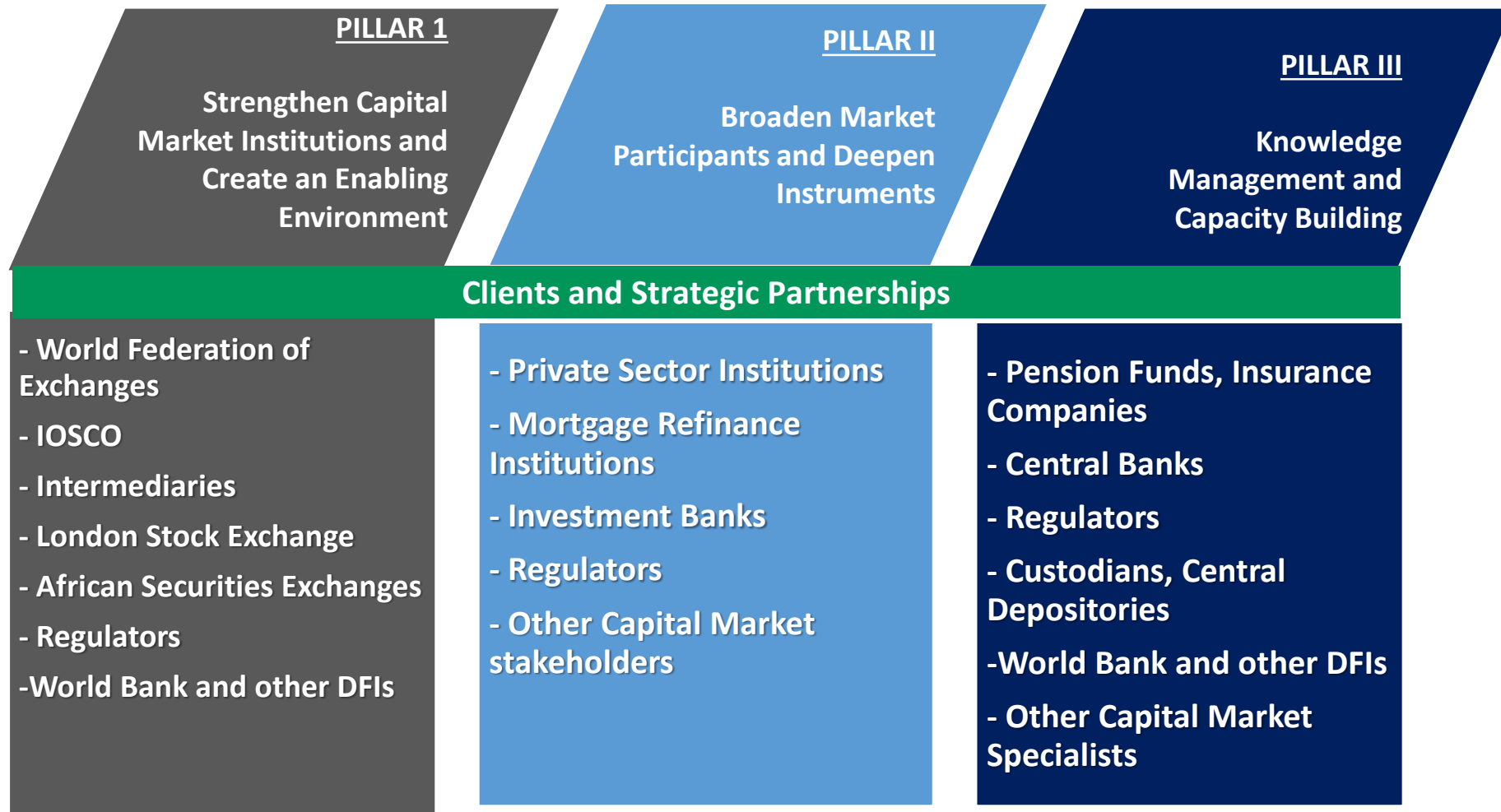
-Design, procurement and implementation of a technology solution to support Order Routing System (ORS), Market and Order-Book Data sharing among the stock exchanges.

- Technical, system and functional specification document has been designed by team of IT Experts from the Exchanges.
- **Launch of the AELP Platform** - Target date of H2-2021.

### ❑ **Communication and Information Dissemination-** Sensitization workshops in the 7 markets in AELP Phase 1 (*Ongoing*);

- Investor Appetite Survey of asset managers, pension funds, insurance companies.

## African Development Bank's Approach to Capital Markets Development





# African Financial Markets Initiative (AFMI)



## Knowledge Work ([www.africanbonmarkets.org](http://www.africanbonmarkets.org))

### African Financial Markets Database

- ✓ *A comprehensive database to provide updated, reliable and complete information on African domestic bond markets.*
- ✓ *Improving the availability and transparency of African fixed income markets-related data.*
- ✓ *Data Portal: An automated data collection tool for Central Banks and Debt Management Offices representing 43 countries.*

## Investment Vehicle

### African Domestic Bond Fund

- ✓ *AfDB/AFMI<sup>SM</sup> Bloomberg® African Bond Index (ABABI): Bloomberg ticker <BADBC>*
  - *Market capitalization index composed of local currency sovereign bonds of 8 countries (Mauritius and Morocco to be included in January 2021) ; Investable product measuring the value of the universe;*
- ✓ *African Domestic Bond Fund (Managed by Mauritius Commercial Bank Investment Management)*
  - *ADBF is an ETF replicating ABABI. It is listed on the Stock Exchange of Mauritius in USD. (launch date :September 2018)*
  - *Solid returns of 51% since inception and 15% year to date (USD) as of November 2<sup>nd</sup>, 2020*
  - *Expected Cross-listing: Botswana (2021)*

# Capital Markets Development Trust Fund (CMDTF)

- **Established for three (3) years as Phase I (December 2019-December 2022) with the Governments of the Netherlands and Luxembourg.**
- **2 Pillars:**
  - ✓ *Strengthening financial markets enabling environment and institutions*
  - ✓ *Disseminating Knowledge on issues that are of strategic importance to capital markets development.*
- **Eligible beneficiaries:** *Stock Exchanges, Capital Markets Authorities, Institutional Investors and their regulators, Central Securities Depositories, Central Banks, and Ministries of Finance, DMOs.*
- **Phase I(2019-2022):** *West Africa*
- **Calls for proposals launched in early November 2020**([Cmddf\\_secretariat@AFDB.ORG](mailto:Cmddf_secretariat@AFDB.ORG))



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