

The African Exchanges Linkage Project

Background

The African Exchanges Linkage Project (AELP) is a joint project led by the African Securities Exchanges Association (ASEA) and supported by the African Development Bank (AfDB), which seeks to facilitate cross-border trading and settlement of securities in Africa.

In its initial phase, the Project aims to create linkages between seven African capital markets - that represent >85% of Africa's market capitalization - which will boost trading, investment and information links. The participating exchanges are:

- Bourse Régionale des Valeurs Mobilières (BRVM) integrating eight West African markets
- Casablanca Stock Exchange (CSE)
- The Egyptian Exchange (EGX)
- Johannesburg Stock Exchange (JSE)
- Nairobi Securities Exchange (NbSE)
- The Nigerian Stock Exchange (NiSE)
- Stock Exchange of Mauritius (SEM)

The AELP seeks to unlock Pan-African investment flows, promote innovations that support diversification needs of investors, and address the lack of depth and liquidity in Africa's financial markets.

In November 2018, the project received a grant of USD 980,000 from the Korea-Africa Economic Cooperation (KOAFEC) fund via the African Development Bank.

Other African Stock Exchanges will be included in later phases of the project. Ultimately, the AELP is expected to help achieve African goals of deeper cross-border trade and investment, as embodied in treaties and the African Continental Free Trade Agreement (AfCFTA).

The Linkage Framework: 'Sponsored Access' and African Listed Securities

The framework for the Linkage is "sponsored access". This is based on the model where a registered stockbroker ("originating broker") in one participating securities exchange takes an order from a domestic client and asks a registered stockbroker on another exchange to execute the trade in that market. The executing or "sponsoring broker" is responsible for ensuring compliance to the rules, settlement and practice of the market where the security is bought or sold.

The securities are to be held in the central securities depository (CSD) where the security was traded, reducing cross-border movement of securities and streamlining settlement and clearing to comply with only one market – the market where the trade was executed and the security is held.

The linkage is set to offer investors access to all the securities on the participating exchange, at the discretion of the sponsoring broker. These "**African Listed Securities**" include more than 1,050 companies, including many of Africa's most promising and profitable companies and some global leaders.

Stakeholder Comments

Pierre Guislain, Vice-President, Private Sector, Infrastructure and Industrialization of the African Development Bank, told participants at a capital-markets stakeholders' roundtable at the Bank's headquarters in April: "The partnership between us and ASEA complements the Bank's interventions towards deep and resilient capital markets in Africa. The African Exchanges Linkage Project will contribute to a wider financing pool for African corporates and SMEs and help close Africa's

infrastructure deficit, estimated at US\$67–107 billion annually. Indeed, the continent needs deep, liquid and linked capital markets that will enable accelerated mobilization of domestic resources and incentivize private financing of infrastructure”.

Karim Hajji, ASEA President and Chief Executive of the Casablanca Stock Exchange, said at the same event: “Regional integration is a high priority continental agenda. By organically linking seven exchanges in Africa which collectively have a market capitalization of over US\$1.4 trillion, the AELP will stimulate intra-African flows and provide opportunities for investors and trading participants in over fourteen African countries. With the expected outcome of boosting liquidity in African capital markets, the AELP will unlock the powerful potential of African markets to access and redistribute domestic capital for economic development.”

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