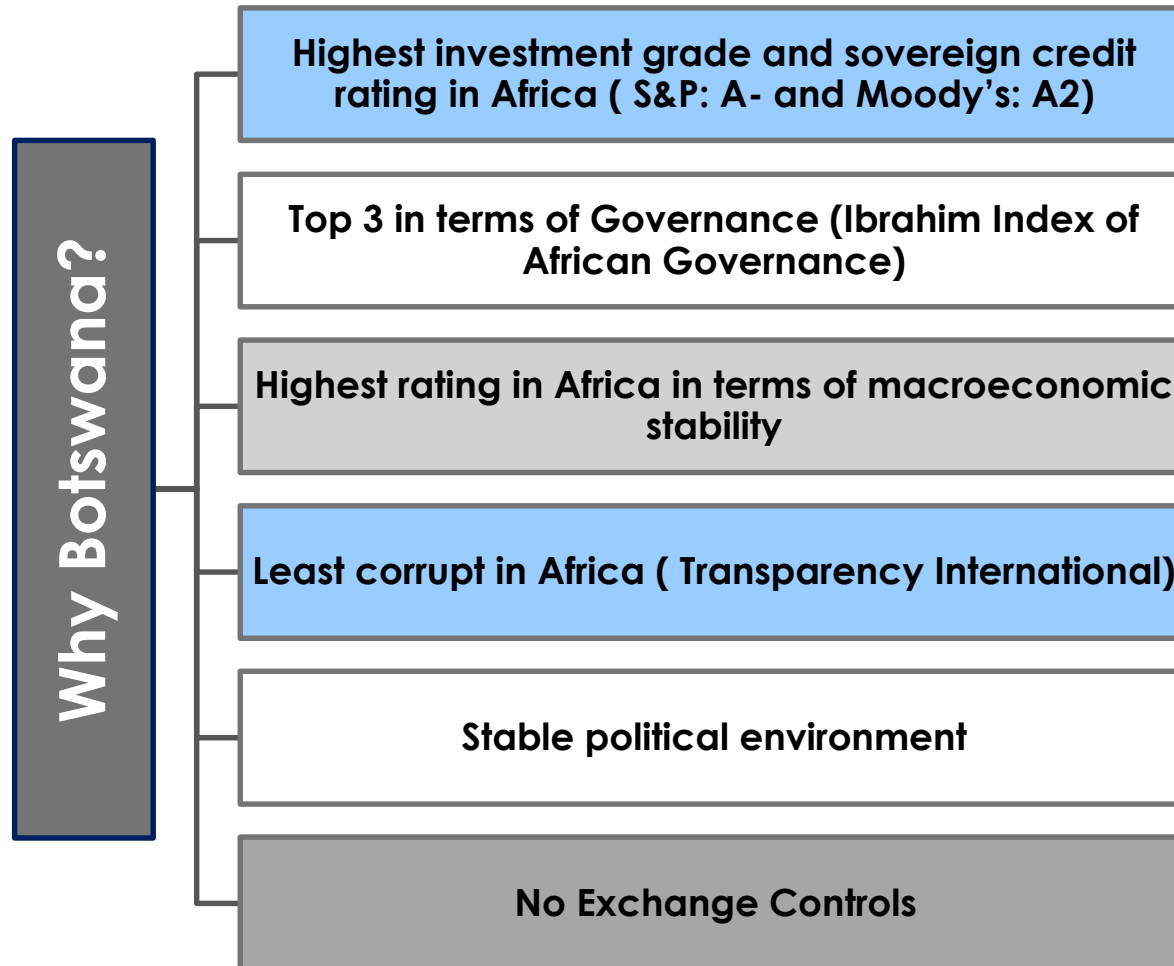




**ADDRESSING LIQUIDITY CONCERNS IN
EMERGING MARKETS – LESSONS FROM
BOTSWANA STOCK EXCHANGE**

*Thapelo Tsheole
Chief Executive Officer
World Exchange Congress
26 February 2019*

Botswana Comparative Advantages

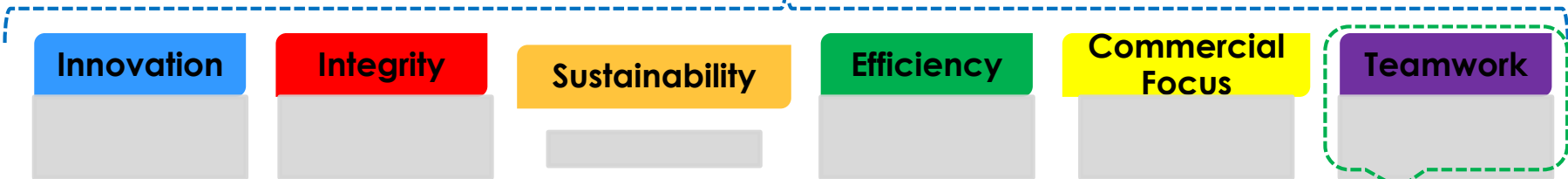


Overview of the BSE

Successfully Demutualized: Registered as a company limited by shares
(BOTSWANA STOCK EXCHANGE LIMITED) in August 2018

Our Mission	To drive sustainable economic growth by providing a gateway for raising capital and accessing investment opportunities.
Our Vision	To be a world-class securities exchange delivering innovative products and services.

Corporate Values

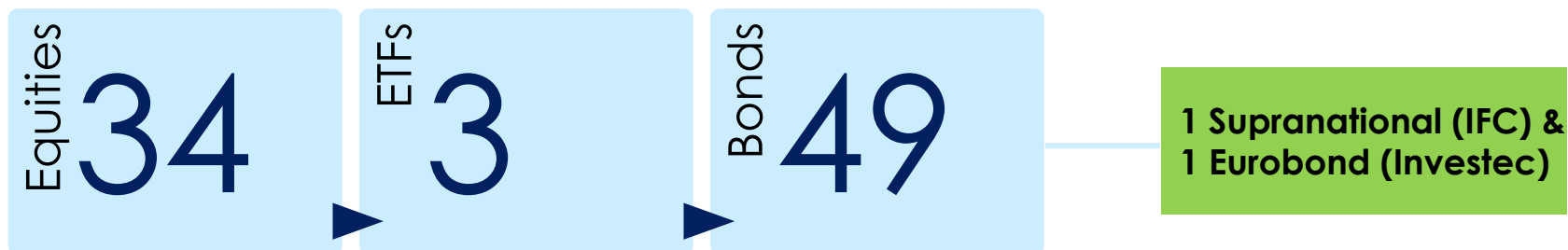


The BSE is a member of:

- Committee of SADC Stock Exchanges (CoSSE)
- African Securities Exchanges Association (ASEA)
- World Federation of Exchanges (WFE)
- Partner Exchange - UN Sustainable Stock Exchange (SSE) Initiative
- Recognised Stock Exchange – UK's HMRC

Market Indicators

BSE Limited is the 2nd largest Stock Exchange in Sub Saharan Africa



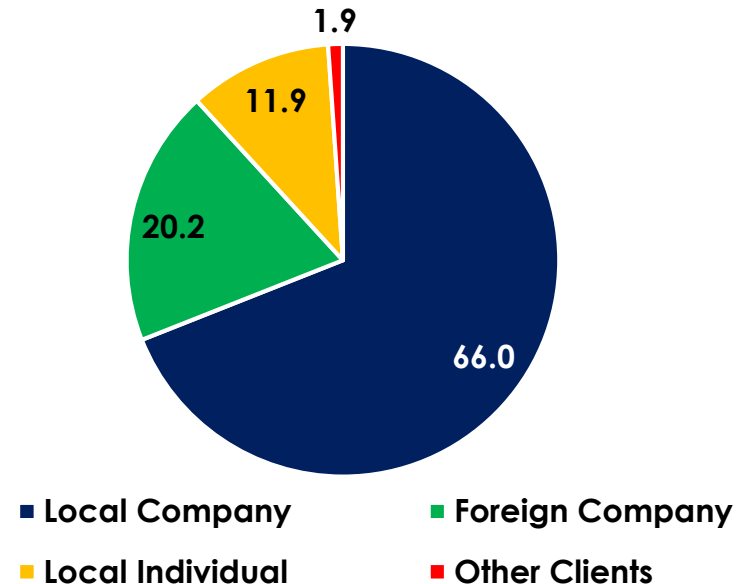
Indicators	2018
Market Capitalisation	
Domestic Companies (\$'Mn)	3,953.6
Foreign Companies (\$'Mn)	34,553.7
Total (\$'Mn)	38,507.3
Relative Performance	
Domestic Market Cap/GDP (%)	23.1
Turnover/Avg. Domestic Co Mkt Cap (%)	4.3
Turnover/ Avg. All Co Market Cap (%)	0.5

SECTORS (2018)	STOCKS	% MAR. CAP
Financial Services	4	6.2%
Retail & Wholesaling	6	1.8%
Property	6	1.6%
Banking	4	3.2%
Security Services	1	0.1%
Tourism	3	0.7%
Energy	1	0.4%
Telecoms.	1	0.2%
Agriculture	1	0.5%
Mining & Material	9	85.2%

Investor Profile

Investors	Contribution to Turnover 2018
Foreign Companies	40.6%
Foreign Individuals	1.3%
Local Individuals	4.5%
Local Companies	53.2%
Brokers	0.3%
TOTAL	100.0

CSDB Holdings by Client Category



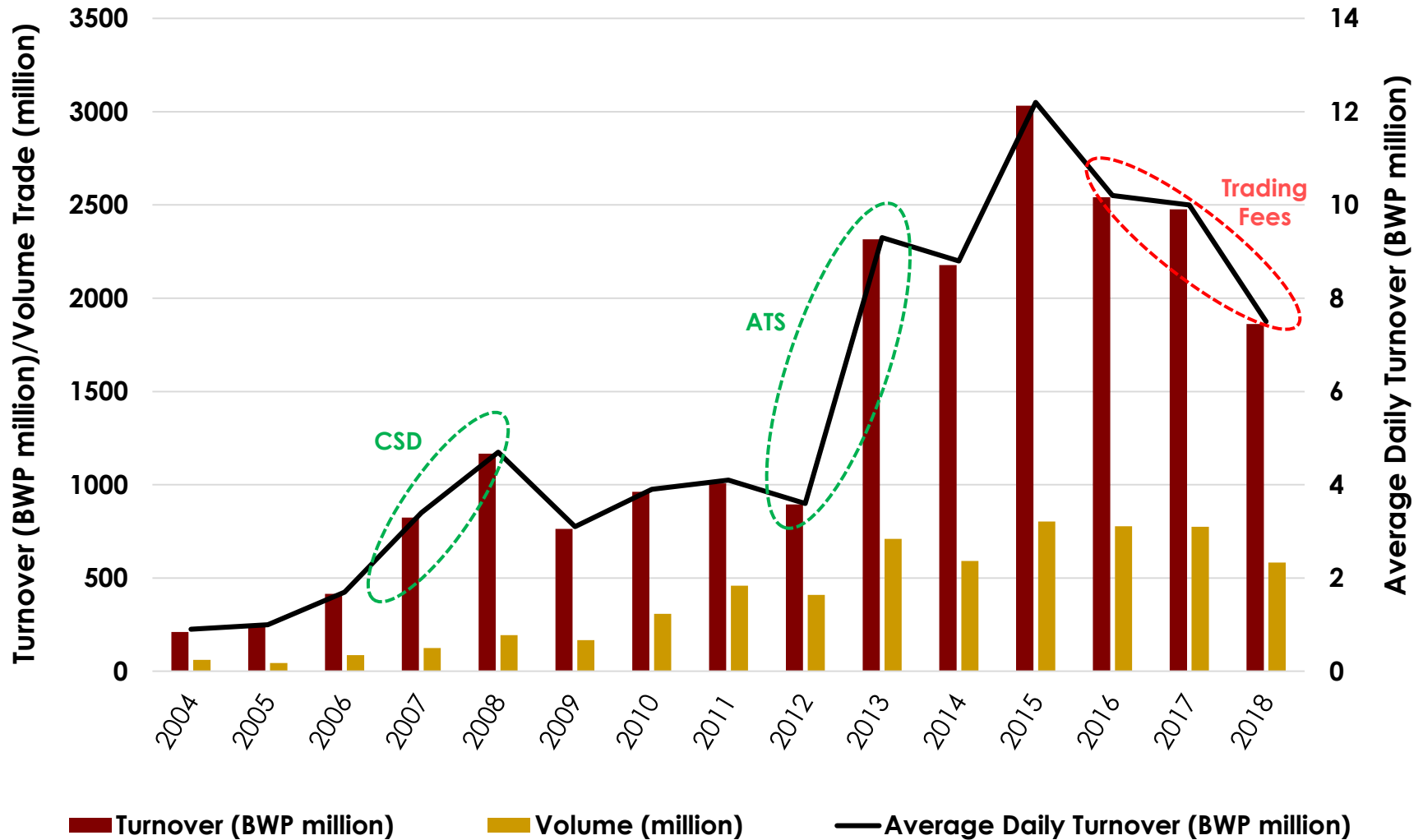
CSDB Client Holdings by Geography

Client Domicile	2018
Local Citizens	77.9%
US Citizens	1.4%
UK Citizens	1.8%
SADC Region	7.7%
Other Regions	11.1%
Total	100.0%

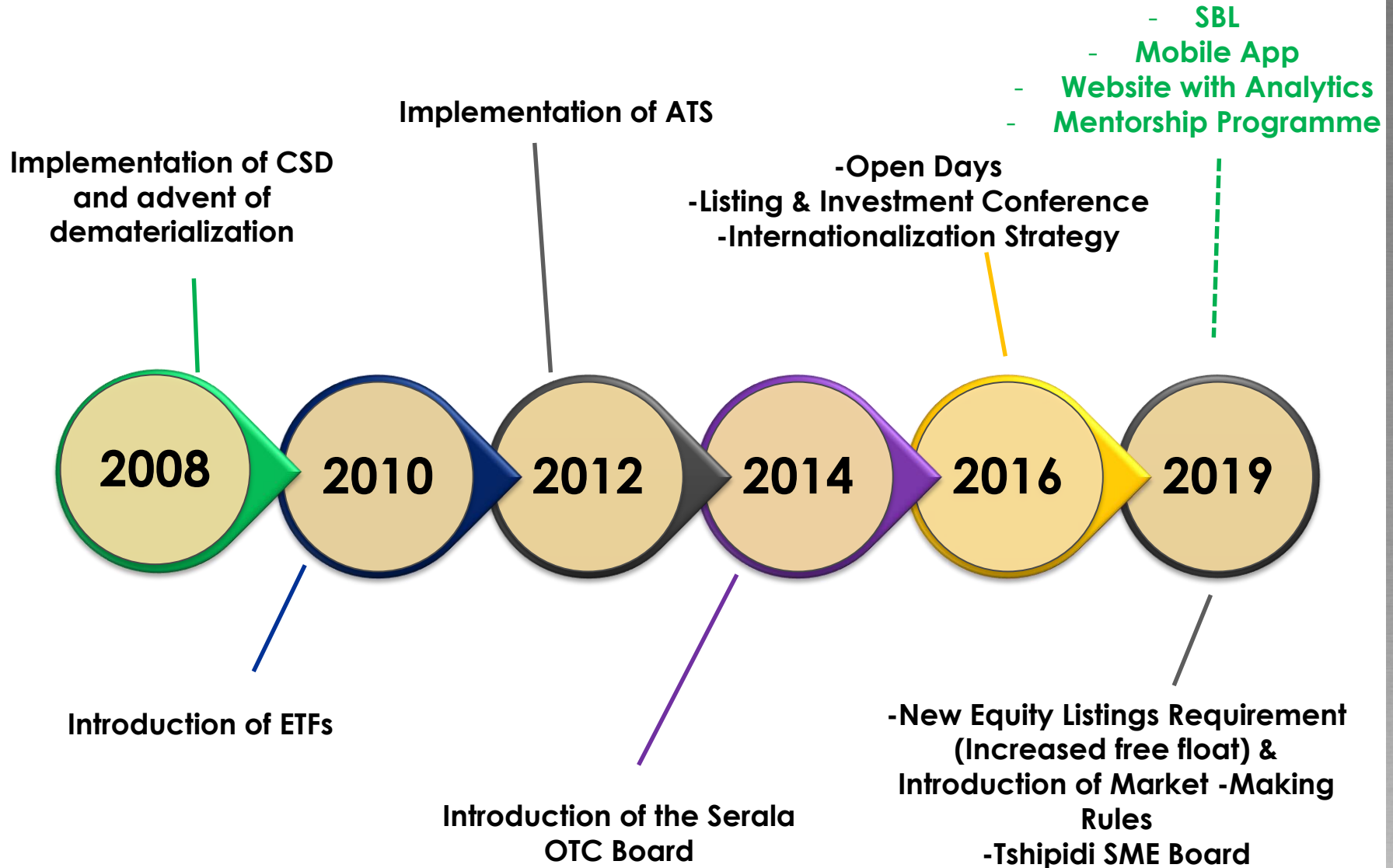
- Local fund managers dominated due to deep pools of liquidity
- Significant international participation
- High levels of retail participation by regional standards
- Retail investors account for 94.4% of the number of CSD accounts

Historical Liquidity Levels on BSE

Equity Turnover: 2004-2018



Promoting Liquidity Timeline



Promoting Liquidity

3 pronged Approach

Automation

- **CSD implemented in 2008**
 - Advent of dematerialization
 - Settlement easier and faster
 - Increased liquidity from BWP3.4 million per day in 2007 to BWP4.7 million per day in 2008
 - Led to introduction of ETFs – NewGold in 2010
- **ATS implemented in 2012**
 - Replaced the Open Cry trading
 - Typical longer trading session than the open cry
 - Increase liquidity from BWP3.6 million per day in 2012 to BWP9.3 million per day in 2013
- **More technology to implemented in 2019**
 - New CSD with SBL capabilities
 - New Website and Mobile app
 - DARS

Market Education

- **Open Days**
 - Introduced in 2016, held every year
 - Meant take the Exchange to the people
 - Taught about the BSE and its products as well as
 - Demystifying the listing value proposition
 - Between 2016 and 2018 Open Days have been held in 11 settlements
- **Listing & Investment Conferences**
 - Annual conferences held since 2016
 - Meant to attract more issuances

Regulation

- **Serala OTC Board (2014)**
 - Platform for trading unlisted securities to be trading
- **New Equity Listings Requirement (2018)**
 - Increased of free floats on the Main and Venture Capital Market Boards
 - New Tshipidi SME Board
- **Market Making Rules (2018)**
 - Formalized market making for any listed securities
 - Will ensure two way prices available at all times
- **Securities Borrowing & Lending (2019)**
 - To be implemented in 2019

Promoting Liquidity (cont'd)

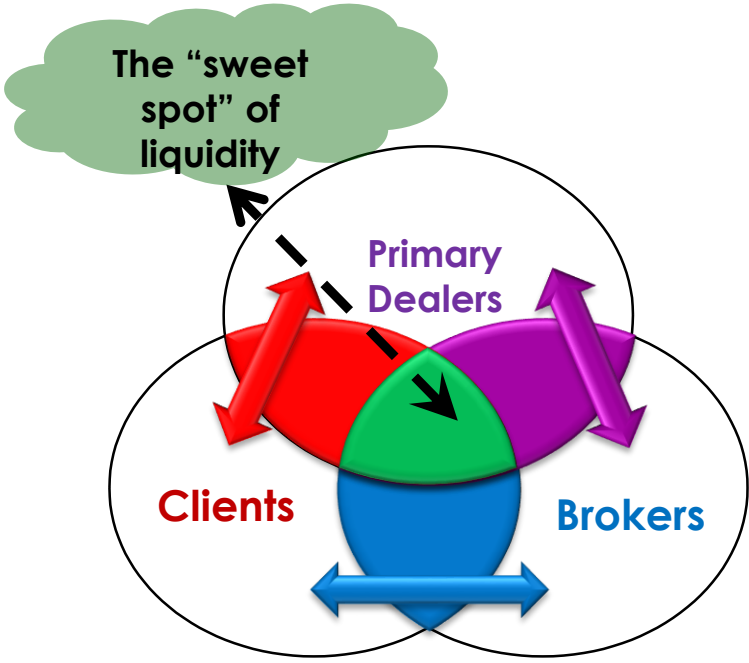
- The BSE is currently spearheading a project to centralise the bond market
- Key objectives:
 - Settlement in Central Bank Money – eliminates counterparty risk
 - Integration of CSD with Real Time Gross Settlement System (RTGS)
 - Primary Dealers to trade at BSE (secondary market)
 - Real time information flow, transparency, price discovery, liquidity
 - Improvement in IOSCO compliance, higher Thomas Murray Ratings

BUILDING BLOCKS OF A WORLD CLASS SECURITIES EXCHANGE IN A FRONTIER MARKET

SADC Bond Markets Centralisation Initiative Chaired by BSE



- CoSSE Secretariat
- CoSSE Prod. Dev Sub-Committee
- CISNA Capital Market Sub – Com



Thank You!!

