



Botswana International Financial Services Centre

Afrexim Bank Investor Forum
July 2009
Gaborone, Botswana





B O T S W A N A
I · F · S · C
Botswana International
Financial Services Centre



BOURSE
A F R I C A
African Markets. Global Opportunities.

Establishment of Bourse Africa in Botswana

Pan – African Commodities and Derivative Exchange

Agenda



- Botswana IFSC-Introduction
- FTIL Profile & Other Shareholders
- Overview of Bourse Africa (“BA”)
- Potential Benefits to Africa
- Why Botswana
- Regulatory Considerations
- Implementation Status
- Closing Remarks



Botswana IFSC Introduction



- A government sponsored initiative to facilitate delivery of a wide range of cross-border financial services in Africa.
- Develop Botswana as a significant cross-border financial services hub
- Promotes skills & technology transfer to deepen sophistication of financial sector
- Enabling IFSC legislation is contained within the Income Tax Act
- Targeting companies with a multi-country presence in Africa and abroad.
- An active financial services centre, & not positioned as tax haven.



Target Sectors



■ Financial Services

- Banking
- Investment Funds
- International Insurance
- Corporate/Regional Headquarters
- Leasing & Asset Finance
- Capital Markets

Business Process Outsourcing (BPO)

- Call Centres
- Back Office
- (Accounting & Admin)



FTIL Profile & Other Shareholders



- Financial Technologies Group
- (BSE, NSE) Mkt. Cap \$1.3bln
- Tech & software provider – financial exchanges
- Established Commodity Exchanges
 - Multi Commodity Exchange of India (MCX), 2003
 - Dubai Gold & Commodity Exchange (DGCCX), 2005 (JV Emirate of Dubai)
 - Singapore Mercantile Exchange (SMX), 2009

MCX is world's 7th largest

- +80% of India's commodity market
- 2nd bullion (Silver)
- 3rd Crude Oil
- Ave. daily turnover \$4-5 bln.
- NYSE Euronext, Citigroup & Merrill Lynch

- Pan-African Institutional Investors



Overview of Bourse Africa

- Pan African Commodity and Derivative Exchange
- Capitalization - \$100 mil
- Trade futures & spot contracts
- Gold, Crude Oil, Cocoa, Cotton, Maize, Wheat
- Powered by FTIL exchange technology/Electronic trading system
- Hub & Spoke Model
 - (i) Tanzania-Tanzania (*high cost*)
 - (ii) Tanzania-Nigeria
 - (iii) Tanzania-Canada
- Spoke Exchanges (Cote d'Ivoire, Ghana, Nigeria Kenya, Tanzania, Uganda & Zambia)
- Primary Regulator - NBFRA, Bank of Botswana



Potential Benefits to Africa



- Ownership of price discovery-more remunerative prices for African commodities
- Price risk management – hedging
- Increase intra-Africa trade & International trade
- No organized Pan-African commodity exchange (SAFEX)
- Develop Africa's Capital Markets
- Increase Economic Activity



Why Botswana



- **Investment climate & fundamentals for cross-border financial services**
 - Highest investment grade sovereign credit rating in Africa
(S & P – A/A -1 (Foreign Currency) & A+/A-1 (Local Currency)
Moody's – A2 (Foreign Currency) & A1 (Local Currency)
 - Economic & Political stability - 4 decades of uninterrupted civilian leadership
 - No foreign exchange controls (1999) – Pula freely convertible & economy based on free market principles
 - Least corrupt country in Africa (Transparency International)
 - Enabling Botswana IFSC framework

Why Botswana?

Politics: Stable, multiparty democracy since independence in 1966

Economy: Robust, open, low-tax economy with track record for over 40 years of impressive growth

Society: Free and open society; high standards of health and education; low crime rate;

Governance: Transparent, non-corrupt, growth-oriented modes of governance

Legal framework: Rule of law, effective judicial system (speedy recourse), a commitment to develop world-class regulatory frameworks

International relations: Perception of neutrality; seen as an 'honest broker' on the continent; non-threatening to the larger African countries

Strategic vision: Long-term commitment to develop the financial services sector for strategic diversification of the economy

Commodities: Large metal and mineral base; population substantially engaged with commodities (agriculture, livestock, metals & minerals)

Currency / Capital Flows: No restrictions on currency or capital flows; substantial foreign exchange cover and high credit rating

Natural environment: Attractive environment to establish a new financial services hub surrounded by diverse natural beauty already established as one of the world's premier high-end tourism destinations



Regulatory Considerations

- Achieve world class commodity exchange legal & regulatory framework
- Template for adoption in spoke exchanges

“Regulation underpins the confidence of actors to participate in markets with the knowledge that contracts are enforceable and prospective gains from trade are assured”

- Int’l Organisation of Securities Commissions (IOSCO) accreditation
- International benchmark for securities



Implementation Status

- Secure Botswana's commitment to BA
- Licensing regulations – Ministry of Finance
- NBFRA license Sept. 2008 - commodity & derivative exchange
- IFSC Certification Oct. 2008
- Recognition from Bank of Botswana
- Self-Regulatory Organization (SRO) Application



Implementation Status *cont.*



- Regulatory Authorities completing final stages of regulatory framework
 - Exchange surveillance systems
 - Develop licensing framework for brokers

- Technology-Trading System – August 2009
- Target launch- Q4, 2009/ Q1, 2010



Conclusion



- FTIL track record – establishing commodity exchanges
- New activity in Africa's capital markets
- Deepen the sophistication of Africa's financial sector-transfer of skills
- Complementary Industry
 - Brokers
 - Commodity Advisors
 - Research



THANK YOU.



B O T S W A N A
I . F . S . C
Botswana International
Financial Services Centre



**Your Preferred Partner in Facilitating
Pan-African Financial Investments**

Email: ifsc@ifsc.co.bw

Website: www.botswanaifsc.com

Tel +(267) 360 5000