



Photo: Yathin S Krishnappa

## BACKGROUND

The Namibian Stock Exchange ("NSX") is the only stock exchange in Namibia, with a total market capitalisation of US\$ 145 billion as at end 2014, making it the second biggest exchange in Africa in those terms. The reason for this size is the large number of dual or secondary listings. The NSX actively pursues dual listings and focusses on ease of listings to diversify its market as well as deepen it with more local content. In recent years the NSX has added more sectors to our boards through various listings as well as commodity ETFs. The NSX has recently published the Corporate Governance Code for Namibia ("NamCode") which is applicable on all listed companies as a replacement of the outdated King II compliance requirement. The IODSA co-authored the publication with the NSX.

The enhancement of the governance landscape has positively positioned Namibia on the African investment scene and resulted in the deepening of the Namibian capital markets as it opens our market to a larger international investing pool. Many more steps are required to truly open our markets, not least of which are the formalisation of our bond market and setting up a Central Securities Depository (CSD).

Within the Common Monetary Area the NSX is uniquely positioned as a stable and efficient market to address regional needs of Issuers as an alternative to the JSE.

## RECENT HIGHLIGHTS

**Highlights of the NSX contributions to deepening and diversifying the capital markets in Namibia include:**

- The successful launch of the Corporate Governance Code of Namibia - "NamCode";
- Total net assets of the NSX and its Guarantee Fund now exceed N\$ 49 million;
- Listing of four Commodity Exchange Traded Funds;
- Dual Listing of PSG Konsult Limited, Clover Industries Limited and Mediclinic International Limited;
- Partnership with the Johannesburg Stock Exchange extended;
- CSD market steering committee established and agreement reached with all market participants for the NSX to establish and operate the CSD for Namibia;
- Admission of a new Sponsor in 2014;
- New bond programmes approved for Namibia Water Corporation and Oryx Properties Limited;
- Partnership established with FTSE to create and market NSX indices

The *over the counter* ("OTC") market was launched in 2013 when Agra Limited shares started to trade on this market.

The Development Capital Market or DevX, at the end of 2014 comprises of four dual listed uranium companies, one gold company and one oil company. Shares listed on the DevX are not included in either of the NSX indices which are calculated by FTSE in London.

## FUTURE OUTLOOK AND INITIATIVES

The NSX is a not for profit members association, but is, as many other exchanges in the region, in the process of demutualisation and intends to self-list. It is in a position do so as it is cash positive and self-funding. The NSX has, from its reserves, funded the project to launch a Central Securities Depository in the Namibian market in partnership with the Bank of Namibia. Formalisation of the bond market and eventual launch of derivatives are expected to follow the CSD launch. The NSX is proud to be leading both these projects with the CSD expected to go live in the latter part of 2016.

The implementation of the CSD is expected to open the Namibian market to additional interest from the international market which would increase the demand even more, not only for shares, but specifically on the bond market. It is clear that more Namibian companies need to come to market and expand their shareholding base if the liquidity problem is to be addressed.

**The NSX also engaged in the following items which are work-in-progress:**

- Revision of the bond trading activities and how they can be amended to accommodate on market trading and full reporting of trades;
- Clarification and planning for demutualisation as envisaged in the Financial Institutions and Markets Bill; and
- Additional trading system functionality for bond and derivative trading in conjunction with the CSD project.