

Mary C Nkosi: Promoting the development and regulation of capital markets in Malawi

Speech by Mrs Mary C Nkosi, Deputy Governor of the Reserve Bank of Malawi, at the official launch of African Alliance, Blantyre, 14 January 2009.

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The Chairman of Malawi Stock Exchange;
Board Members of African Alliance;
Chief Executive Officer of African Alliance Malawi & officials from African Alliance Group;
Distinguished Guests;
Ladies and Gentlemen.

It is an honour to be at the official launch of African Alliance Securities Ltd. As you are all aware, the Reserve Bank of Malawi is the regulatory and supervisory authority and is therefore charged with the responsibility of promoting the development and regulation of capital markets, amongst others. This is done through exercising entry control, on-going supervision, policy development, enhancing competition and market development, consumer education and protection, and exit administration. In this connection therefore, we are very pleased to be here to witness the birth of a new baby (the media often refers to such new babies as “new kid on the block”). For the benefit of the audience, African Alliance Malawi was licensed in September 2008.

Mr Chairman, Ladies and Gentlemen, we have observed in the recent times the favourable macroeconomic condition in the country and this has been instrumental in spearheading the expansion of capital market operations. The financial market has experienced rapid growth of market intermediary businesses and public participation witnessed by oversubscriptions during initial public offerings (IPO). The Bank has received a number of enquiries and applications geared towards carrying out brokerage, asset management and advisory services besides banking. The recent developments are an indication of potential and existing resources that need to be channelled from surplus units to deficit units and this is therefore an opportunity and also a challenge to all intermediary market players to facilitate the movement of these funds.

Mr Chairman, Ladies and Gentlemen, on the supervisory side, the Reserve Bank shall continue to carry out its responsibilities to achieve its mission of ensuring the existence of a fair, safe, sound and stable non-bank financial services industry in Malawi in line with international supervisory standards. Critical in this regard and in order to protect investors, the Bank shall only allow eligible market players to operate on the market. It is expected that the players will conduct themselves in line with expected professional standards and conduct. I want to assure you that the Reserve Bank will perform its work with professionalism, integrity, impartiality and in a friendly and cooperative manner without compromising its authority or mandate. Our core strategic objectives which represent essential elements of our mission shall continue to evolve around developing capital markets and enhancing stakeholder confidence; providing a quality, professional supervisory and regulatory service; ensuring the existence of an all inclusive and regulated financial sector; and fostering a competitive, cost effective environment in the financial industry. The aim is to safeguard the financial sector and facilitate economic development through broadening and deepening of the capital market.

In order to enhance the regulation and supervision of capital markets in line with international developments and standards, the Reserve Bank initiated the formulation of a new legislation, the draft Securities Bill. The Bill intends to repeal the Capital Market Development Act No 17 of 1990 (CMDA) which is considered to be less comprehensive in terms of coverage. The Bill is currently awaiting enactment by Parliament. These legislative reforms including the

“Retirement Funds Bill” will provide an opportunity for new and extra resources in the securities market that will require your expertise to tap them on.

Mr. Chairman, Ladies and Gentlemen, the coming in of an additional player onto the market will bring competition, increase trading activity and improve price discovery which is an important function of an organized stock market. African Alliance Securities Ltd brings with them a dimension of “research” on the listed companies, which appears to be one of their fundamental skills, which has been erratic on the market. Thus we believe that credible and high quality research will keep investors more informed about the opportunities on the stock market and therefore stimulate well informed trading activity. We expect healthy competition whose benefits will trickle down to the investors and consumers of financial services.

Mr Chairman, Ladies and Gentlemen, before I end my speech, let me take this opportunity to express a concern. Last year (2008), the Reserve Bank received reports of fraud relating to share certificates allegedly perpetrated by senior members of the brokerage houses. Clearly, the reports tarnished the image of the market. While the market did not suffer severe damage, we wish to advise all players to ensure that there are internal controls within your institutions, to adhere to best corporate governance standards and to ensure that procedures are followed when handling clients’ funds. Let me appeal to African Alliance and all other market professionals to continually invest in their employees to ensure high standards in the market. Lastly, but not least, I wish to advise all capital market professionals to timely comply with the requirements of the Capital Market Development Act and its subsidiary legislation.

Mr Chairman, Ladies and gentlemen, with these few remarks, I wish to officially welcome African Alliance Malawi to the Malawi Capital market and wish them the best of success.

I thank you for your attention!