

## **Victor Mbewe: Committee of SADC Stock Exchanges**

Speech by Mr Victor Mbewe, Governor of the Reserve Bank of Malawi, at the opening of the Committee of SADC Stock Exchanges (COSSE) 2008 First Meeting, Lilongwe, 31 January 2008.

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The Chairman of the Committee of SADC Stock Exchanges;  
Delegates to the Meeting;  
Distinguished Ladies and Gentlemen.

I welcome all participants to this meeting, aware that some of you are visiting Malawi, the warm heart of Africa for the first time. I wish you all a pleasant stay.

Allow me to start by mentioning that we are privileged to host this meeting as it helps us all to take stock of how far we have recently moved towards creating a common market in Southern Africa.

Progress toward integration of capital markets on a regional basis will help spur accelerated economic integration goals in other areas. The harmonization of stock market regulations and trading practices that would accompany any regionalization of exchanges could deepen regional integration more broadly in policy areas such as foreign exchange, taxation, accounting standards, corporate governance and legal practices.

I am aware that SADC exchanges have been working toward adopting a common framework for clearing and settlement. Among other options under consideration are the establishment of a linked network of individual Central Depository Systems tailored to the specific needs of member exchanges.

I hope that the Committee of SADC Stock Exchanges is also drawing up common standards for all stockbrokers operating in the SADC region. This would enable brokers based in one SADC member state to establish a presence in any other member state.

Regulation and surveillance of national exchanges ultimately will be carried out on a regional level. I hope that national exchanges will formalise the practice of regular reporting on your national surveillance and regulations. The exchange of information on national surveillance policies and practices will be used to devise a harmonised system of surveillance and regulation for the SADC region.

The Committee of SADC Stock Exchanges should also aim to develop the region's bond as well as other securities markets, and you must continue encouraging national authorities to actively issue government securities on the region's exchanges.

There is broad agreement that foreign exchange control, regulatory and tax frameworks must also be harmonized before financial markets can actually link up. More specifically, this would involve harmonizing not only stock market regulations, listing requirements, and trading, clearing, and settlement procedures, but also transaction fees, accounting standards, corporate governance standards, disclosure requirements, common standards for stockbrokers, and national rules for capital gains and withholding taxes. More importantly, there should be a liberalised framework of capital flows across national borders within SADC.

In order to carry out and clear cross border securities trade efficiently, electronic trading, clearing, and settlement systems must be synchronized. Technology in use on the national exchanges seeking to integrate operations must be harmonized as the systems used across the exchanges are not identical, they must at least allow for an efficient, uninterrupted flow of information across borders. This requires an upgrade of technology used by smaller exchanges in particular.

You will contribute to regional financial stability by fostering market discipline, resulting in sound and safe markets. We expect the Committee of SADC Stock Exchanges to work creatively, proactively and effectively in assessing and addressing risk to the securities markets, the public and other market participants.

The older and more mature markets should share their experiences and resources with the emerging partners in a spirit of equality and common destiny.

The Committee of SADC Stock Exchanges should also specifically advocate a regulatory framework for the region's financial markets that conforms to international best practices.

In ending, I thank you for your attention and wish you fruitful deliberations.

I declare the 2008 first meeting of the Committee of SADC Stock Exchanges open.