AMERC Quarterly Review

A PUBLICATION OF AFRICA MIDDLE EAST REGIONAL COMMITTEE OF IOSCO

53rd Edition / January- March 2019

HIGHLIGHTS OF THE 43RD AFRICA MIDDLE EAST REGIONAL COMMITTEE MEETING 13 MAY 2019 SYDNEY, AUSTRALIA

FOR AMERC PRIORITIZATION AND FOLLOW UP

Dear AMERC Colleagues,

I was delighted to chair the 43rd Africa Middle East Regional Committee (AMERC) in Sydney, Australia on Monday, 13th May 2019. The meeting took place within the 44th Annual Meeting of the International Organization of Securities Commissions (IOSCO). On behalf of members, I wish to convey AMERC's appreciation to Chairman of the Australian Securities and Investment Commission Mr. James Shipton, and IOSCO Secretary General Mr. Paul Andrews for putting together a successful annual meeting.

Discussion on Emerging Risks in AMERC Region

The 43rd AMERC Meeting provided an opportunity for members to reflect on emerging risks, vulnerabilities and trends in our region, which call for regulators' attention. The deliberations took place within the context of the development of IOSCO's Risk Outlook for 2020. I note that the Risk Outlook provides an important basis for determining the Priorities and Work Plan of the IOSCO Board in 2020. Input from the members is therefore critical in ensuring that the work of IOSCO Board remains relevant to the realities we experience in our region. Members will recall that the IOSCO General Secretariat and I recently called for the submission of Issue Notes. Issue Notes are short descriptions of issues, which detail the potential of a risk, trend or vulnerability to interact with the objectives of each jurisdiction, the region and IOSCO as a whole, with the possibility of impeding achievement of outcomes. A template of Issue Notes was circulated to members and as at the date of the 43rd AMERC meeting, we had provided three submissions from Capital Markets Authority, Saudi Arabia; Conseil du Marché Financier, Tunisia; and Securities and Commodities Authority, United Arab Emirates.

The AMERC members were fortunate to engage with Chair of the Committee on Emerging Risks (CER) Mr. Paul Redman during the meeting. Mr. Redman articulately detailed the process that is involved in development of the Risk Outlook, which is submitted to IOSCO Board for adoption annually in October. Mr. Redman observed that seven Issue Notes were received from the IOSCO membership as a whole. Allow me to congratulate and also convey the commendation of IOSCO Secretary General to the AMERC membership for providing majority of the draft Issue Notes presently under consideration by the CER. The submissions by AMERC members speak volumes about the level of engagement members are having within the Committee. Mr. Redman confirmed that based on preliminary review of the seven Issue Notes, there were continuing themes from the Risk Outlook in 2018 and 2019. The continuing trends on risks observed are on:- online distribution and product governance, crypto assets, rise of new technology which could alter how markets work such as artificial intelligence and machine learning; and sustainability finance. New themes on emerging risks observed include - market integrity and financial stability, risks of macroeconomic dynamics and how they influence investors' risk appetite, intersection of real estate and securities market and concerns that may arise from this, credit default swaps trends and leveraged loan market.

Members also had an opportunity to interact with Issue Notes from Saudi Arabia, United Arab Emirates and Tunisia in detail. Further, we shared experiences and insights on what we perceive to be the pressing risks members are grappling with in our respective jurisdictions. Mainly, members observed that the decline in new listings, reduced liquidity, inadequate transparency on transaction costs, overregulation, regulatory staff capacity to deal with emerging and complex products and regulatory arbitrage by financial conglomerates and crypto assets posed the greatest challenge in the region. Privatisation, good corporate governance, supportive monetary policy, and better coordination among financial sector regulators through a 'twin-peaks' model were proposed as viable opportunities. The need to rely on data to inform

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risks was also emphasised.

Given the extensive effort that CER has invested in considering input from regional committees in the design of the Risk Outlook 2020, I appeal to AMERC members to develop robust Issue Notes and submit the same to the Committee by 31st May 2019. This will ensure that IOSCO Board's Priorities and Work Plan are aligned to respond to the context and realities in our region.

Key Matters for IOSCO Board Meeting in Sydney

Mr. Andrews updated AMERC members during the meeting, on the key issues that IOSCO Board would be considering on 14th May 2019 and in particular, the input that would be required from AMERC representatives in their capacity as members of the IOSCO Board. Six matters were outlined for discussion namely:-

1) Margin requirements – Mr. Andrews informed AMERC members that the IOSCO Board would consider an update on analyses and options proposed by the Working Group on Margin Requirements (WGMR), on potential adjustments to the margin requirements framework for non-centrally cleared derivatives and their impact to the end user. The Board would be expected to clarify whether it supported any of the options highlighted by WGMR.

2) Asset management leverage – the IOSCO Board would also consider the use of leverage in investment funds in a way that could support financial stability, including measurement of leverage across all funds and jurisdictions. Committee 5 Chair will present ideas to the IOSCO Board on how to tackle this issue, taking into account the expectations of Financial Stability Board. The key focus was noted to be establishing consistent rather than identical arrangements given the very distinct types of funds and uses of leverage.

3) Market fragmentation – Mr. Andrews indicated that this was a key issue for the Group of 20 (G20) Presidency of Japan. He indicated that the IOSCO Board approved a mandate relating to market fragmentation in securities and derivatives markets in December 2018. The IOSCO Board established a Follow-Up Group to the Cross-Border Regulation Task Force ("FUG") and tasked the Group to (i) conduct a short survey of IOSCO Board members to understand where market fragmentation may have taken place within securities and OTC derivatives markets and (ii) to identify any new developments in cross-border regulation since the publication of the 2015 Report (defined below). Beginning in January 2019, the FUG carried out its initial work and has prepared a draft report on Market Fragmentation and Cross-Border Regulation ("2019 Report"). In the 2019 Report, the FUG, among other things, highlighted potential measures that IOSCO and its members could explore further. These measures include ways to foster mutual understanding between members, deepen existing regulatory and supervisory cooperation and help make deference processes and the tools associated with this concept more efficient. The IOSCO Board will discuss whether and how to take the next steps forward given the Report is a G-20 deliverable, whether IOSCO can publish the Report and send it to the G20 Finance Ministers and Central Bank Governors ahead of their meeting on 8-9 June 2019.

4) Fintech - The Chair of the Fintech Network will present the Network's first output produced to date and to seek the IOSCO Board's decision/feedback on next steps. The Fintech Network's main purpose to date has been to facilitate the sharing of information and expertise amongst its membership during conference calls, and to undertake substantive work to bring important Fintech-related issues to the attention of the Board. With respect to the latter, the Board approved, in October 2018, four priority themes suggested by the Fintech Network Steering Group as initial areas of focus. Each of these themes resourced work streams that have now produced their first outputs. The outputs comprise four papers on use cases of Distributed Ledger Technology (DLT), specifically, World Bank bond issuance on a DLT network, ethics and trust in Artificial Intelligence and Machine Learning (AIML), Coding of regulations and machine-readable rulebooks RegTech and lessons learnt by members in encouraging Innovation. The Board will provide feedback on publication of the reports.

5) Crypto assets – The Chair of Committee 2 will present a paper on issues and risks related to crypto assets trading platforms. Mr. Andrews noted that initial coin offerings had decreased in popularity and prevalence. The IOSCO Board will consider a Consultation Paper for market participants and the public clarifying how digital assets were traded and valued. The purpose is to formulate a final paper for submission to G-20 before the end of the year.

6) Sustainable Finance – Mr. Andrews acknowledged the GEMC and especially Malaysia and Argentina for their leadership in developing a Final Draft Report on Sustainability Finance and for coordinating with members of the Sustainable Finance Network of IOSCO. He observed that the Board would consider what the Network had been able to achieve to date, as tackled by Work Stream 1. Work Stream 2 will consider what other global leaders such as the United Nations, have done and what securities market regulators can learn from those efforts such as the Principles for Responsible Investment and Global Reporting Initiative Standards. The Board will consider whether IOSCO has a role to play and how to accomplish such a role if it does exist.

It is also important to note at this point that Committees 2 and

8 are undertaking thematic reviews on two issues: - market liquidity and investor education on crypto assets. Committee 2's thematic review seeks to gain an in-depth understanding on potential issues on market making and liquidity in the equities market. The Committee's findings will inform preparation of a report to recommend targeted work that may be necessary and identify whether regulators have a role to play in improving liquidity. Committee 8 will focus its thematic review on exploring how investor education on the marketing, buying and selling of crypto asset products, including benefits and pitfalls of various emerging products could be more robust.

Noting the desire expressed by a few AMERC members to undertake self-assessment against the Assessment Methodology of IOSCO Principles of Securities Regulation, the IOSCO Board is considering how its Assessment Committee (AC) could assist members. The AC under the leadership of Director, International Affairs, Autorité des marchés financiers, Quebec Mr. Jean Lorrain, conducted a capacity building for IOSCO members from 16 jurisdictions over an 18-month period.

The capacity building on self-assessment took place in three phases. Phase one, a three-day workshop centred on explanation of the Assessment Methodology. Participants engaged with each aspect of the Methodology including explanation on the linkage between different elements of the Principles, in detail. The workshop was recorded on video to enhance the reach of the training resources and benefit a wider group of IOSCO members. The videos are accessible by clicking the link in the footnote. In Phase two participants put the knowledge gained into practice. They had two options: - to undertake a full assessment or; to undertake a targeted assessment. The assessments were desk-based reviews. Majority of the participants elected to undertake full assessment of their organizations. Reviews were completed within nine months in 2018. In Phase three, participants met to present their findings. The sessions were recorded on video in order to enable open and honest feedback.

I strongly encourage AMERC members to review the videos to enhance understanding of the IOSCO Principles for Securities Regulation and capacity to undertake self-assessment.

Listings Working Group

The Chair of the Working Group on Listings, Mr. Keith Kalyegira updated the AMERC members on the progress of the Study on increasing listings. He noted that Chile Capital was recruited as the consultant to undertake the Study, within a 60-day period. Members resolved to share the Initial Report of the Working Group on Listings with the CER to inform development of Risk Outlook 2020, as the Study will still be ongoing at the CER's deadline for submission of Issue Notes, which is 31st May 2019.

I appeal to members to provide IOSCO General Secretariat with updated contact details and key contact persons for ease of coordination with the consultant. I further encourage active participation by members, which will be key noting the complexity and realities that surround the assignment. To this end, I invite members who wish to participate in a Steering Committee of the Listings Working Group to provide written expression of interest to the AMERC Secretariat by 31st May 2019.

During the meeting, I also urged members to attend to and actively participate in three capacity-building workshops on benchmarks, fintech and sustainability finance. The workshops taking place on 14 May 2019 are bound to be eye opening and facilitate progress on efforts in the region, along those thematic areas.

Autorité Marocaine du Marché des Capitaux, Morocco reported that it had collaborated with Toronto Centre to organize a workshop on building green capital markets. The Workshop will take place in Rabat on 3-4 November 2019. It aims to share best practices and leave participants with information on how to develop their markets. Participants will consist of securities regulators and Sustainable Stock Exchange partners. A User Guide on how to set up and develop green financial market is part of Workshop resources that participants can benefit from. Again, I appeal to AMERC members to participate fully in the workshop even as we champion the development of sustainable markets, noting that our region remains the most vulnerable in the world, to the impact of climate change.

Finally yet importantly, as we await formal communication from IOSCO General Secretariat, I advise all to diarise 29th January 2020 as the date of the next Annual AMERC Meeting, which will take place in Doha, Qatar.

Members, accept my sincere gratitude for your contributions during the 43rd AMERC Meeting and for your continued support as we move the region's agenda forward.

Sincerely,

Mr. Paul M. Muthaura, MBS
Chairman, AMERC

UPDATE FROM THE FINANCIAL SERVICES REGULATORY AUTHORITY

Growing number of firms, AUM & Active International Engagement

Since going live on 21 October 2015, ADGM has registered more than 1621 firms, granted 77 Financial Services Permissions (58 Financial Services Permissions & 19 "In principle" Approvals). Assets under management of ADGM firms is growing at fast pace (with 22 Funds registered) and International engagement with foreign counterparts continues with its most recently signed 96th bilateral MoU.

At the forefront of the global FinTech agenda, FSRA has signed a number of FinTech MOUs with IFCs and major institutions. After its first FinTech Summit in October 2017, ADGM strengthened its position as MENA's leading FinTech hub following its Second FinTech Summit on 16 & 17 September 2018 and is currently preparing for its Third FinTech Summit to be held in 21-23 October 2019.

New Applicants & Funds

ADGM continues to gain traction with local, regional and international firms. FSRA has now granted 58 Financial Services Permissions; 19 In principle approvals, and is engaged with a healthy pipeline of potential applicants.

Five major financial institutions, identified by the Financial Stability Board on its list of 30 global systemically important banks (G-SIBs) have been granted a Financial Services Permission in ADGM (Unicredit, Citibank, HSBC, State Street, BNPP).

International Standing, Cooperation & Regulatory Developments

FSRA has continued its engagement with foreign counterparts and strengthened its standing in the international regulatory community.

Most recently, FSRA has signed its 96th bilateral Memorandum of Understanding (MoU) with international authorities and IFCs. In the last six months, particular emphasis has been given to establishing MOUs on the development of innovation in financial services and support for established FinTech participants in entering new markets (FinTech bridges).

ADGM also signed an MoU in April 2018 with the Shanghai Stock Exchange with a view to establish the Belt and Road exchange in Abu Dhabi to serve as a key international capital-raising platform supporting Chinese enterprises, foreign companies and global organisations to finance their investments.

FSRA was also admitted as a new associate member of the Islamic Financial Services Board (IFSB) and intends to gain a better understanding of the regulatory scene in terms of Islamic products developments, distribution and regulation. ADGM hosted the IFSB Conference and its Technical Committee. Additionally, FSRA recently joined the Sustainable Banking Network led by the International Finance Corporation (IFC -World Bank Group) and more recently the FC4S while ADGM was a founding member of the World Alliance of International Financial Centers.

FSRA is a signatory to the IOSCO MMoU (May 2017) and the IAIS MMOU (December 2018).

Recognition by ESMA and the EBA-ECB

The European Securities and Markets Authority's (ESMA) recognition of FSRA's funds regime has opened the way for FSRA fund managers to manage investment funds domiciled in the European single market.

FSRA's confidentiality regime has also been recognised as equivalent by the European Banking Authority (EBA) and will facilitate the exchange of information with the European Central Bank (ECB).

FinTech

FSRA speaking engagements included London Innovate Finance Global Summit, Singapore FinTech Festival, Australia FinTech Festival, G20/OECD Roundtables, Institute of International Finance, Japan FinTech Summit, MENA Regulatory Summit and the World Islamic Banking Conference.

FSRA has signed a number of FinTech MOUs with IFCs & major institutions, including Bahrain Economic Development Board, First Abu Dhabi Bank, UAE Exchange, Etisalat and Du (Internet & Telephone Services providers).

Second Abu Dhabi FinTech Summit

The 2018 Abu Dhabi FinTech Summit was attended by more than 1,000 financial sector leaders, FinTech startups and investors, featured the leading voices on FinTech and showcased 4 upcoming FinTech solutions selected to answer the specific needs of prominent Corporates at its Abu Dhabi Fintech Solutions Adoption Challenge.

The Summit focussed on the actual adoption by the industry of practical FinTech solutions and hosted the ADGM Innovation Adoption Challenge in partnership with KPMG.

The digital Sandbox and the e-KYC initiatives were announced.

ADGM has now welcomed its third cohort of RegLab participants, comprising 10 local and international FinTech startups out of 36 applications. Amongst the RegLab participants is the first regulated exchange of its kind, using Blockchain technology to enable the direct exchange of securities between investors.

More recently FSRA opened its Fourth Cohort encouraging FinTech and RegTech companies that deploy API-enabled solutions or focus on Sustainable Finance to apply to the RegLab. The application period has closed on 25 April 2019.

Successful applicants can test their product according to regulatory requirements tailored to contain the specific risks and impact of their particular test. These safeguards will allow RegLab participants to explore and develop innovative solutions in a risk-appropriate and cost-effective environment. Participants will also have access to a digital sandbox service that enables them to integrate their solutions with banking data and functionality, and test the solutions for scalability and robustness.

Crypto-Assets

ADGM has in place a regime that went live in June 2018, with the first formal applications now being submitted and with more coming in. ADGM published a Guidance note that explains its regulatory framework applies in full: https://www.adgm.com/media/327606/guidance-regulation-of-crypto-asset-activities-in-adgm-25th-june-2018-2.pdf.

FSRA Sustainable Finance Initiative

FSRA convened in 2018 a consultative working group (CWG) on sustainable finance, including Federal Authorities, major national and international stakeholders. The CWG is to advise on initiatives to encourage sustainable finance in ADGM and more broadly in the region.

ADGM held its first Abu Dhabi Sustainable Finance Forum on 16 January 2019 (https://www.adsustainablefinanceforum.com/abu-dhabi-sustainable-finance-forum)

The financial sector plays a critical role in supporting the funding and investment needs of sustainable development objectives. Unprecedented levels of investment are necessary to develop sustainable energy sources, environment protection, healthcare and education, amongst many others to achieve long-term sustainability and growth for all. In line with ADGM's Sustainable Finance Agenda, ADGM will provide an innovation platform to channel finance into this important sector.

ANGOLA

UPDATE FROM THE CAPITAL MARKETS COMMISSION

CMC holds VII yearly staff Gathering

The Capital Markets Commission (CMC) held from 30 January to 1 February 2019, the seventh yearly staff gathering in Luanda. The event had as theme The Capital Market: an Irretrievable Reality that aimed to capture staff contributions and considerations on the various topics under analysis through an open, interactive and multidisciplinary discussions leading to the implementation of the measures and actions foreseen in the 2019 action plan, as well as in the 2017-2022 Strategic Action.

In a situation like the present one, in which there is an urgent need to materialize the diversification of the Angolan economy, staff members discussed issues aiming to achieve this goal, to promote the growth and empowerment of the Angolan companies through the capital market, intended to be a complementary alternative financing to the national economy.

The discussions took place, in an atmosphere directed of the strengthening of the organizational culture, topics such as the complementary source of corporate financing, the opening of private companies' capital for the materialization of the regulated securities market among others were discussed.

The privatization of the main public companies through the Stock Exchange will bring benefits to the Angolan economy, such as providing a broad dispersion of capital through access to a large number of investors, better tracking of the achievement and expansion of the privatized company and gains resulting from this process to provide a greater financial support to the Government.

CMC conducts survey in Luanda

A CMC survey was carried out until 28 February this year to assess the behavior and conduct of the Luanda citizens, the management of personal finances and their basic financial knowledge. The survey was conducted through face-to-face

interviews, telephone interviews and completion of a digital questionnaire.
Our financial literacy office associates itself with other public and private entities on assessment of the level of financial education of the population, in order to plan and carry out activities aimed at different target audiences and seek to measure the effectiveness of these initiatives.
Among various initiatives, it is important to point out that the National Financial Education Program is an initiative of the Angolan Government of which the Capital Markets Commission (CMC) plays a preponderant role and seeks to bring together the efforts of other public and private entities to increase the financial education of Angolans, especially concerning capital market matters.
From the CMC's perspective, the capital market will bring prospects and new challenges to all entrepreneurs, modernize the business fabric and help households save money.

CMC participated in a Forum with British investors
The CMC attended the Forum Attracting foreing investment on 21st February organized by the *Banco Angolano de Investimentos* (BAI) with british investors. The CMC made a presentation linked to capital market and discussed subjects as, the actual status and the financial instruments available, the perspectives of the capital market, taking into account the Government privatization program of the key State companies through capital market.

Approval by the Board of Directors of the internship program
The CMC's Board of Directors approved an on-job capacity building and training program aiming to promote a capital market practical knowledge, for universities students before and after completing their degree. Now, 11 vacancies are available for a period 3 months in the Departments of Supervision of Collective Investment Schemes, Supervision of Market Infrastructure and Financial Institution and Research and Strategy.

On 13th March 2019, the Capital Markets Commission (CMC) held a public consultation session in connection with the presentation and validation of the preliminary draft of the Presidential Legislative Decree on Equity Interest.
The listening process is a procedure that CMC has been conducting on a regular basis to ensure alignment between the market regulator and those for which the legal standards are intended.
The session aimed to collect contributions from a wide range of segments of society and introducing into the Angolan legal system the Legal Regime of Participation Securities, characterized as hybrid securities, representing debt incurred by companies in the public business sector, whose proceeds of the issue may be one of the means used to finance the process of financial restructuring, including for future privatizations.
The legal document aims to provide an alternative means of financing public enterprises that are eligible for privatization and to create a mechanism for financial restructure. In fact, the issue of equity securities may serve to finance the process of financial restructuring of public companies, including for future privatizations.
However, the process of privatization of companies does not depend on this Legal Regime, it serves only as an alternative and mechanism for certain companies to have a stable financial health and can become more attractive to investors.

Workshop on Finance for Business via capital market
On 29th March 2019, the CMC and the Angolan Agency for Insurance Regulation and Supervision (ARSEG) held a workshop aimed for the members of the Industrial Association of Angola (AIA).
The workshop took place at the *Mediateca 28 de Agosto*, under the theme Funding Business via Capital Markets. The intervention was presented by Wamilson Rangel, the CMC's Director of the Market Development Office that explained the main advantages of the financing through Capital Markets as well as the procedures and assumptions that must be fulfilled by interested parties.
Therefore, small and medium companies, with duly organized accounting, may soon have access to capital market financing from insurance companies and pension funds as an alternative to commercial banks. The issue is the privatization program that Angola is designing, foresees that they be made through the capital market and on the stock exchange, which will allow to frame the financing by the pension funds and the insurance companies.
At the meeting, Mr. Jesus Teixeira, ARSEG's Executive Director, mentioned that the financing will serve as a business loan alternative, since commercial banks often choose to finance the State with Treasury Bonds.
In the panel that followed the presentation, the role of institutional investors in business financing was discussed.

Regulation activities
In terms of regulation, the Capital Markets Commission approved published during January 2019 the following regulatory instruments:

i. Regulation No 4/19, de 5 de Fevereiro on Asset Management Companies;
ii. Regulation No 3/19, de 5 de Fevereiro on Collective Investment Scheme in Securitization of Assets;
iii. Regulation No 2/19, de 5 de Fevereiro on Risk Capital Collective Investment Agencies;
iv. Regulation No 1/19, de 5 de Fevereiro on Regulated Markets Management Companies; and
v. Instruction No 001/CMC/02-19, de 18 de Fevereiro on Information Provision by Issuers of Securities.

Supervision and enforcement activities

According to the statistical data of the CMC, from January to March 2019, follow up supervision to the financial intermediation entities and market infrastructures, collective investment schemes and issuers concerning prudential supervision was performed.

The monitoring exercise to the entities totaled eleven (11) onsite supervision; (25) off-site supervision and six (6) registration of entities.

With regard to enforcement during the period under review, seven (7) transgression procedures were instituted, resulting in fines totaling AOA 6,200,000.00 Kwanzas, (equivalent to USD$ 19,645).

Supervision and Enforcement activities from January to March 2019

Activity	Jan/19	Feb/19	Mar/19	Total
Onsite Supervision	1	3	7	11
Offsite Supervision	3	22	-	25
Entities Registered / Licensed	4	2	-	6
Processos de	-	5	2	7

Source: DSOIC, DSIFIM e GJC

Treasury bonds trading in the stock exchange from January to March 2019

During the first quarter of the year, the Angolan Stock Exchange (BODIVA) registered a trading of treasury bonds in an amount equivalent to USD 189 100 243.22, showing a positive change in the two months, according to the table below:

Tabela n. º 2: Traded Treasury Bonds from January to March 2019

Period		US Dollars	Variation %
January	413	164 561 753,98	10%
February	341	234 538 489,24	7%

Source: BODIVA

CMC holds the VII yearly staff gathering

Workshop On Finance For Business Via Capital Market

CMC holds a public consultation session

DUBAI

UPDATE FROM THE FINANCIAL SERVICES AUTHORITY

The Dubai Financial Services Authority (DFSA) has published its Business Plan for the period 2019 to 2020. The Plan covers the DFSA's core activities, and strategic and regulatory priorities for the coming two years. The strategic themes set out for the next two years are; Delivery, Sustainability, Engagement and Innovation.

Delivery relates to the DFSA executing its core function with professionalism and efficiency, ensuring delivery of regulation to international standards and effective enforcement in the DIFC.

Sustainability is about positively shaping the environment and the organisation for the long-term; this involves enhancing organisational robustness and resilience, and supporting Dubai Government Strategy and DIFC development.

Engagement pertains to thoughtfully and actively engaging with our key stakeholders including our regulated firms, local, regional and international regulators, and global standard-setters.

Innovation involves undertaking a creative and facilitative approach as a regulator and as an organisation.

In the Plan the DFSA states has no tolerance of any abuse of DIFC financial markets, including any instances of market manipulation, insider trading or any other activity that seeks to undermine the credibility of DIFC financial markets.

The DFSA further states that it will continue to promote fair, transparent and efficient markets through ongoing monitoring of trading activity for any irregularities. We will prioritise investigations and enforcement activity where there is credible suspicion of market abuse. In addition, we will continue to raise awareness of, and promote, the Code of Market Conduct to industry participants. The ongoing success of the DIFC as the world's leading Sukuk listing venue will continue to be supported by the DFSA in its operation of the DFSA listing authority. We will continue to work with the industry to facilitate Sukuk listings in the Centre and to ensure that the DIFC remains a world-leading Sukuk listing venue, a key aspect of our contribution to the Dubai Islamic Economy Initiative.

The recent decision by Saudi Aramco to include the Dubai Mercantile Exchange (DME) Oman crude oil price in its official selling price for shipments of sour crude oil to Asia is a positive development for the DIFC. With its new benchmark status, increased trading activity on DME crude oil markets will become a larger focus of the DFSA, as we seek to minimise market abuse. Similarly, we will continue to monitor and closely scrutinise equity futures markets in the DIFC, particularly with respect to futures where the underlying securities are traded on another market outside the DIFC.

The DFSA also highlights in the Plan its approach financial technology and cyber resilience. The landscape for new financial technology continues to develop both locally and globally.

The DFSA recognises the important role that innovation and technology can play in enhancing the ability of the financial services sector to serve the broader economy. Over the business planning period, the DFSA will continue to facilitate the development of new financial technology within the DIFC. We will maintain a close working relationship with FinTech Hive at DIFC, actively supporting accelerator programmes, meeting with start-up firms wishing to obtain a financial services licence and providing informal assistance where necessary. We will also engage with regional and international regulators with regards to FinTech and build upon the agreements we already have in place, including our involvement in the recently established Global Financial Innovation Network (GFIN).

Technological developments are increasingly assisting many market participants in meeting their regulatory obligations and helping regulators to monitor market activity.

Commonly referred to as RegTech, such developments are helping to increase efficiency in operational flows, develop new risk insights and other benefits for both market participants and regulators. The DFSA has embraced RegTech and will continue to do so. Internally, we will do so through our digitalisation programme. Externally, we will continue to engage with firms in the DIFC offering RegTech solutions, to understand developments in the field, to facilitate progress where possible, and to try and understand how such technology may change the way we need to regulate.

Increased use of technology by the regulated population has brought many efficiencies, but this has also shifted the nature of risks faced by some entities. Specifically, cyber-attacks in the financial services sector are occurring with greater frequency, necessitating the need for heightened cyber-resilience of the regulated community. Addressing this shifting risk profile, the DFSA recently established an Operational and Technology Risk unit within the Supervision division, highlighting our increasing supervisory focus on such risks.

Over the business planning period, cyber-resilience of the regulated community will receive more supervisory focus than previously was the case.

The DFSA expects the regulated community to have sufficient safeguards in place to shield against the risk of a cyber-attack, as well as being sufficiently prepared to respond to a successful attack. This includes appropriate governing body oversight of cyber-risk management and firms having in place a cyber-resilience plan. Our focus on cyber-risk will also include the development of industry level guidance on such risks and a cyber-security thematic review to be completed during the business planning period.

EGYPT

UPDATE FROM THE FINANCIAL REGULATORY AUTHORITY

Financial Regulatory Authority (FRA) in Egypt joins the UN Global Compact

FRA is ambitious and committed to be a leading example/model for global financial regulatory authorities, also for non-banking financial institutions it regulates in Egypt in the area of sustainable development. Accordingly, UN Global Compact accepted FRA as a participant public sector organization on 16th January 2019. FRA has become the 206th public sector organization to join UN Global Compact and the second financial regulatory authority, after Securities Commission of the Republic of Serbia, which joined UN Global Compact in February 2017.

In signing the UN Global Compact Initiative, FRA emphasizes its commitment to implement UN Global Compact principles in its operations and strategy and also confirms FRA's support of the ten principles of the UN Global Compact with respect to human rights, labor, environment and anti-corruption.

FRA has introduced a new Sustainability Department in its latest organizational re-structuring and the new Department will be in charge of FRA's sustainability strategy to ensure that FRA promotes more Environment, Social and Governance (ESG) indicators. It will also coordinate FRA's efforts with various non-banking financial institutions to promote green and sustainable finance development in Egypt. Finally, the department will liaise and cooperate with international, regional, and local organizations and entities that focus on sustainability development

FRA issues the statute of the first Egyptian Securities Federation

FRA's BOD approved the statute of the Egyptian Securities Federation in February. The Board granted the federation an independent legal personality which contributes to the capital market development and raises awareness of it. Also, FRA's BOD stressed that members' of the federation shall abide by the code of ethics and rules governing the obligations and rights of the members. Besides, it shall develop the skills of those operating in the field of securities.

For the first time in the Egyptian capital market history a self-regulated entity was established by those operating in the capital market activity. The federation defines the rules governing the obligations and rights of the members. Egyptian Securities Federation shall settle the complaints submitted by the Federation's members within a month at the most from the date of submission. If the Federation does not reach an amicable solution during this period, these complaints shall be submitted to the Authority, together with a report on its status within five days from the date of reaching an amicable solution or the time limit referred to, as the case may be.

The Egyptian Securities Federation is in charge of establishing a code of ethics for securities professionals adopted by the General Assembly and approved by the Authority. In addition to setting a guide for companies operating in the field of securities and subjected to the provisions of Capital Market Law No. (95) 1992 and the provisions of the Central Depository and Registry Law promulgated by Law No. (93) 2000, in a manner that does not contradict the applicable laws and the decisions issued in this respect.

The federation will be allowed to express its opinion in any community dialogue held upon drafting bills - in the future - or proposing amendments to existing legislations relating to the field of securities or affect it. Provisions of Federation's statute issued by FRA's BOD decision no. (20) 2019 allowed the federation to issue measures in accordance with the sanctions regulations prepared by the Federation's General Assembly and approved by the Authority or the Egyptian Exchange.

The federation shall exercise its functions through its related bodies represented in the General Assembly composed of one representative for each member who has fulfilled the financial obligations due in accordance with this statute until the Assembly convenes. That is besides an elected Board of Directors consisting of nine members, in addition to specialized committees which are concerned with implementing policies and programs necessary to achieve Federation's objectives in accordance with annual work plan prepared by Federation's Board of Directors and adopted by General Assembly.

FRA appoints a Founding Committee to elect the first Board of the Egyptian Securities Federation

A procedural decision was issued by FRA's Chairman to form a Founding Committee to elect the first board of the Egyptian Securities Federation under the Chairmanship of Mr. Sulaiman Nazmi and the membership of four representatives of companies licensed to carry out securities activity or subjected to the provisions of Central Depository and Registry Law.

The main aim of the decision was to define functions of the Founding Committee as:

1. Taking necessary procedures upon joining the companies licensed by the Authority to practice one of activities related to field of securities and subjected to provisions of the Capital Market Law and the Central Depository and Registry Law.
2. Convening the first General Assembly of the Federation to elect Board of Directors and this shall be within a period not exceeding six months from the issuance date.
3. Collecting fees for joining the Federation and consider the ratification of the income and expenditure account and the auditor's report on this period.
4. Committee shall meet at the invitation of its Chairman and the meeting is valid only in presence of a majority of the members. In addition, committee decisions shall be issued by a majority of its members.

   Moreover, a comprehensive report on all its actions and its expenses must be presented and submitted to the Federation's general assembly.

FRA's Chairman issues an Executive Decision to activate Short Selling Mechanism

In order to add new mechanisms and increase liquidity on the Egyptian Stock Exchange, a regulatory decision no. (268) of 2019 on short selling rules and activating mechanism was issued by FRA. Egyptian Stock Exchange and Misr for Central Clearing, Depository and Registry (MCDR) shall prepare and set up automated systems and technical requirements related to short selling mechanism. Both parties shall inform FRA before activating mechanism.

Short selling rules stated that brokerage companies shall manage short selling system and shall provide both the borrower and the lender. Besides, brokerage companies shall check cash collateral and shall reinvest selling proceeds, cash collateral and shall hand over full investment's return to the client after deducting the set commissions. Moreover, custodians shall enter into contracts with clients wishing to lend their securities.

On the other hand, MCDR shall check lending ratio set for each security amounting to 20% of the listed shares, provided that the ratio of each lender shall not exceed 5% of the company's total shares, whereas borrower's ratio and his related group shall be 0.5% of the issued shares. Brokerage companies will evaluate market value of the securities borrowed at the closing price declared on the stock exchange by the end of each working day and invest the cash collateral in fixed investment instruments (bank deposits, treasury bills, certificate of deposits)

Decision no. (268) of 2019 regulates transaction's commission taken from client by Brokerage Company and custodians in accordance with the contract concluded between them and client without considering the return. The brokerage company is also entrusted with the management and investment of cash collateral (selling proceeds + initial collateral). Selling proceeds and initial collateral (50%) are deposited at the brokerage company. During the term of the lending, the Lender shall maintain all the rights and proceeds associated with the ownership of the securities. These rights shall be collected through deduction from the borrower's cash collateral account.

The commitment of the brokerage company, the lender and the custodian to conclude lending securities' contract according to the model issued by the Authority is confirmed. The contract must include the client's acceptance to lend his securities through securities' lending system of MCDR, taking into account the rules and procedures related to securities lending system adopted by the Authority.

FRA hosts the first community dialogue to transform Cairo into a regional financial center that promotes and deals with green finance

One of the most important strategic objectives stated in FRA's comprehensive strategy for the development of non-banking financial activities (2018-2022) is to achieve sustainable development, which is one of the most important pillars that the Authority's management is working on in the coming period. FRA established a specialized Sustainability Unit, joined United Nations initiative as a supporting body and is on its way to join the SIF Forum -which includes 23 countries- and will issue its first Sustainability Report by the end of May 2019.

During this seminar the financial expert, Dr. Mark Hall, Senior Advisor to the International Network of Financial Centers for Sustainability introduced an initiative to create a financial system that embraces sustainable development in its operations and ensures the flow of resources towards environmentally friendly activities.

Dr. Mark discussed with the participants the proposals and priorities that could be used by all stakeholders in the non-banking financial sector to develop a road map for the establishment of a regional financial center in Cairo after the announcement of two financial centers in Africa. This will ultimately ensure the consistency of financial and investment policies among capitals, financial centers, governments, central banks, regulatory bodies and participants from the private financial sector to take serious and progressive steps towards activating green and sustainable finance.

FRA seeks to settle principles of sustainability within non-banking financial sector in a gradual manner and to raise awareness among companies operating in the sector of the importance of sustainability and its positive impact on economic growth and environmental conservation. The Authority's efforts to raise awareness of sustainable development and implement an educational series on sustainable development comes within the frame of FRA's interest in launching a regional financial center for sustainability, which is hosted by non-banking financial sector in Egypt and serves Africa. A regional financial center that will be the green investment gateway in Africa.

FRA adopts the contract form and Statute of Futures Exchange

Within the framework of activating Futures Exchanges, the adoption of the two preliminary contract forms and the statute of Futures Exchange was approved. As a step to establish and manage an electronic trading platform through which trading will be held on contracts derive its value from price indices or securities or financial instruments listed at one of the Stock Exchanges.

Statute of Futures Exchange defined the issued and fully paid up capital of at least twenty million pounds or the equivalent of foreign currencies. In addition, the statute ensures that the Board of Futures Exchange shall include at least seven members and no more than eleven members with experience, competence and good reputation. Statute of the Futures Exchange set the most important terms of reference of the Board of Directors, as:

1. Setting terms and conditions of the contracts after obtaining FRA's approval including futures and options contracts and swap contracts.
2. Issuing decisions and trading rules necessary for proper functioning, besides providing needed information to clients and maintaining safety and stability of transactions in Futures Exchange.
3. Setting rules governing the Exchange's membership.
4. Establishing rules and procedures to protect competition and ensure equality among consumers.
5. Prohibiting Chairman of Futures Exchange, its Board and employees of the Exchange from using, leaking, exploiting information they obtain by virtue of their duties for their own interests.
6. Obliging Futures Exchange to prepare financial statements in accordance with Egyptian Accounting Standards and to audit their accounts in accordance with Egyptian Auditing Standards.

The contract form and statute represent the first procedures for starting trading on Futures Exchange. FRA's BOD will discuss the conditions and procedures for licensing the activity of Futures Exchange and the rules set for the Egyptian Exchange upon trading in contracts derived from securities and financial instruments listed on any Stock Exchanges.

Arab and International Cooperation

The JSC is an ordinary member of the International Organization of Securities Commissions (IOSCO). It has occupied the position of the Vice Chairman of the Emerging Markets Committee (EMC) and the membership of the Executive Committee (EXCOM) from 2002-2008. It is currently a member of the Africa and Middle East Regional Committee in addition to other committees and task forces in the organization. The JSC is also a member of the Union of Arab Securities Commissions. The JSC hosted the IOSCO 29th Annual Conference in May 2004. In February 2008, it became a signatory to the IOSCO Multilateral Memorandum of Understanding (MMOU). Moreover, the JSC has signed a number of cooperation agreements and MOUs with Arab and international counterparts including Iraqi Securities Commission, Dubai Financial Services Authority, Abu Dhabi Global Market, Yemen, South Africa, Palestine, Ukraine, Oman, Bahrain, Kuwait, Egypt, Emirates, Qatar, Malaysia, Romania, China, Taiwan, New Zealand and the Maldives.

The JSC has signed an MOU with the Yemeni Stock Exchange Project Unit at the Ministry of Finance aiming at cooperating and coordinating between the two institutions and providing technical assistance to the Yemeni party to establish the capital market institutions in Yemen.

The JSC signed a MOU with the Palestine Capital Market Authority on 1st February, 2018 to enhance the protection of investors and joint cooperation and coordination for the development and regulation of capital markets.

The JSC is a signatory to the Multilateral IOSCO <u>Memorandum of Understanding (IOSCO MMOU)</u>

One of the important achievements and developments related to JSC's relations with IOSCO and its presence on the international level was the notification of the JSC by the IOSCO committee concerned, that it has fulfilled all conditions and standards to qualify to be a signatory to the IOSCO MMoU. The final approval by the higher committee concerned of the IOSCO was granted in February 2008. The IOSCO MMoU is an international memorandum of understanding prepared by IOSCO that defines the framework for cooperation and information exchange between regulators according to defined standards and principles that depend on international standards. It aims at achieving compliance with legislation in force in the markets of member countries, protect investors, enhance disclosure and transparency, and prohibit illegal practices and financial crimes in the international markets.

The admission of the JSC to become a signatory to the MMoU is considered to be an important achievement and an indicator of the JSC's compliance with international standards in adopting legislation and regulatory frameworks in the capital market. This reflects positively on the level of confidence in the national capital market and in the legislative and regulatory frameworks, and enhances the JSC's standing on the international level. Joining the signatories to the MMoU is one of indicators adopted by international institutions especially the World Bank and the International Monetary Fund of the extent of compliance with international standards as part of the Financial Sector Assessment Program (FSAP).

MOUs signed with the Central Bank and the Companies Controller Department

Two MOUs were signed with the Central Bank of Jordan and the Companies Control Department that focused on coordination and cooperation between the Commission and each of its counterpart organizations to achieve their objectives and perform their regulatory and supervisory functions in accordance with laws that regulate their work and define their duties and responsibilities.

Financial Sector Assessment Program (FSAP)

The Jordan capital market regulatory framework was assessed twice, for its observance of the IOSCO Principles by a joint IMF-WB FSAP mission. The assessment concluded that there is an appropriate and effective regulatory framework within which the securities market operates, identified certain gaps and areas where further improvements need to be made, and reached a number of recommendations to enable the JSC to achieve full implementation of the IOSCO principles.

The regulatory framework has undergone major developments. Certain reforms were implemented and a number of regulations were issued and others amended, taking into account the FSAP recommendations.

Electronic disclosure using Extensible Business Reporting Language (XBRL)

With the view to strengthen the regulatory and supervisory role of the JSC and enhance the levels of disclosure and transparency in the market, to achieve fairness and integrity and prevent the conflict of interest, the JSC in cooperation with the ASE has placed a tender of the project of the electronic disclosure using Extensible Business Reporting Language (XBRL), which is an international advanced language for disclosure. The application of this system shall facilitate and speed up the process of disclosure of data and the financial and nonfinancial information of the issuing entities in Arabic and in English.

The Commission has gone a long way towards implementing the project during the second quarter of the last year. Work was started to develop this system with the Indian company IRIS Business Services Ltd which specialized in this field, through the formation of a steering committee and a technical committee comprising the Commission and the Stock Exchange, in addition to six task forces that worked to define the scope of work (SoW) of the project. The SoW includes disclosure of periodic financial statements and annual reports as well as non-financial disclosures of material information.

In addition, financial models and taxonomies of financial statements were created for all sectors of public shareholding companies in cooperation with the big four audit firms. Fifteen models and classifications were prepared, which were characterized by the comprehensiveness of financial items and their similarity to the reality of financial statements of Jordanian public shareholding companies. They also provided all the principal financial statements and financial clarifications in an electronic format that is capable of being analyzed and processed. These models are in line with the International Financial Reporting Standards (IRFS).

Mutual Funds

Mutual Funds Regulation defined the conditions and procedures for the establishment of mutual funds, their activities, and the obligations of these funds. Currently, two open-end Jordanian mutual funds are registered with the JSC: the Fund of the Housing Bank for Trade, and Horizon Fund –Capital Bank.

Since these mutual funds are open-end funds, they are registered with the JSC, but they are not listed on the ASE. Their investment units are traded through a direct relationship between the investor and the fund. The fund issues any number of investment units to investors who wish to buy, and it remains ready to redeem any number of these units that investors wish to sell. Investment units of mutual funds are traded on the basis of the fund's net assets value on the date of sale or purchase

New regulation concerning mutual funds was issued during September 2018, according to this regulation the funds are required to submit their periodic financial statements to the JSC and to declare their net assets value at least once every month for close- end funds or as set out in prospectus for open-end funds to enable investors to monitor their performance continuously and to make their investment decisions accordingly. The amendments on the new Securities Law restored the contractual mutual fund pattern that was operative in the previous Securities Law (No. 27 of the year 1997), and also include the legal basis for the establishment of other types of mutual investment funds such as Exchange Traded Funds (ETFs) in order to keep pace with market needs and international practices in this area.

Corporate Governance

The World Bank has publicly announced on its website and during the regional seminar on Corporate Governance held in Amman on February 14th, 2005, the results reached by the Corporate Governance Assessment Report prepared by the Bank. The Report assessed Jordan's corporate governance regulatory framework and practices with regard to listed companies on the ASE, against the Organization of Economic Cooperation and Development (OECD) Corporate Governance Principles. The Report came as a result of the JSC's request from the World Bank to conduct the assessment.

The Report indicated that Jordan's Corporate Governance framework compares well in many areas and the Principles are broadly implemented. It also stated that the level of implementation was above the international average. The Report attributed this level of implementation to a number of factors including the significant progress in the regulatory and organizational environment in the capital market, the considerable use of the JSC's powers granted by the Securities Law, and the advanced disclosure practices in the capital market since the disclosure system imposed by the JSC and capital market institutions complies fully with international standards including International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS).

The JSC has issued a Corporate Governance Code for Listed Companies at the ASE in July 2008. The Code came into effect on 1st January 2009. The main features of the Code are:

1. The Code contains mandatory requirements based on existing legislation and additional requirements based on international standards and best practices which companies must either comply with or explain their noncompliance.
2. The Code introduced a number of new concepts that were not provided for in any of the legislations in

force. Among these concepts are the independent member of the board of the shareholding company, the recommendation to adopt the cumulative vote in board elections mainly to enhance the protection of minority shareholders, and the concepts of stakeholders and disclosure of related party transactions.

3. Prohibiting the chairman of the board from occupying any executive position in the company.
4. Requiring the board to form permanent committees, which are the audit committee, and the nominations and compensations committee.
5. Stating clearly the board of directors' duties and responsibilities. Directors are required to exercise their duties in due diligence, honesty, loyalty, and transparency, and devote the time needed.
6. Shareholders have the right to access the company's books, records, information, and documents in accordance with regulations in force.
7. The partner at the external auditor may not audit the company's accounts for longer than four consecutive years.
8. The board of directors is encouraged to enact procedures that prevent company insiders from utilizing nonpublic information to make financial or moral gains.
9. The Code recommends that companies should not introduce during the general assembly meeting any new item that is not listed on the agenda sent to shareholders before the meeting.
10. The company's shareholders have priority in subscription for any new issuance before they are offered to other investors.
11. Companies are encouraged to use their web sites to disclose information to enhance disclosure and transparency.
12. Granting shareholders the choice of resorting to alternative methods of dispute settlement such as arbitration or mediation, or taking legal action in court against board members if they committed certain offences.
13. Listed companies are required to comply with the International Financial Reporting Standards (IFRS).

With the aim to enhance corporate governance and update the Code to be in line with the OECD Corporate Governance Principles for the year 2015, the JSC issued Corporate Governance Instructions for Listed Companies on 22nd May 2017. The main features of the amendments are the following:

- The Instructions are mandatory ones.
- Requiring the companies' boards of directors to form new committees namely: Corporate Governance Committee, and the Risk Committee.
- Requiring members of the company's board of directors to join a specialized course in corporate governance.
- The company must provide the JSC with a corporate governance report attached to the annual report of the company indicating the extent of compliance with Corporate Governance Instructions.
- The company's board of directors and the general assembly must approve related parties transactions constituting 5% of the company's assets.

Transferring authority of regulating traded shareholding companies

The new Securities Law provided that the authority of regulating traded shareholding companies shall be transferred to the JSC.

Currently a joint effort between the Companies Control Department (CCD) and JSC is being made to move regulatory authority on shareholding companies to be under one umbrella which is the JSC.

The Board of Commissioners of JSC approved on 6th, December 2018 a draft regulation governing the transference of this authority. The draft regulation was sent to the Prime Ministry on 12th December 2018 to be endorsed.

Bonds and Sukuk

Efforts are being exerted by the JSC in cooperation with a number of local and international parties with the aim to deepen and encourage bonds and fixed income instruments, and enhance awareness in this regard. A Memorandum of Understanding (MoU) has been signed with the Central Bank of Jordan (CBJ) aiming at enhancing cooperation and coordination in areas of common interest among which is the development of bonds market. A number of educational and awareness seminars and workshops have been organized to related parties in this connection. A Committee was established at the JSC in order to set regulations governing Islamic Finance instruments (Sukuk). The JSC was a member of a committee formed by the Government entitled to draft an Islamic Sukuk law.

·The Sukuk Law was passed and issued on the 19th of September 2012. In light of issuance of the Law, a specialized committee (Sukuk Committee) was formed at JSC entitled to draft regulations and directives governing the issuance and dealing in Sukuk.

As requested by the Law:

- Four new commissioners specialized in Sharia (Islamic Law) and Islamic Economics were appointed on the JSC's Board of Commissioners.
- The Sharia Central Committee was formed comprised of five members specialized in Islamic Finance.
- Three specialized persons in securities were appointed to take part as observers in the Sharia Central Committee meetings.

The Sukuk Committee that was established at the JSC in order to draft the legislatives that regulate Islamic finance tools (Sukuk) has finalized all the legislations related to issuing Sukuk in Jordan.

The Board of Commissioners approved the legislation and they are currently effective. Below are these legislations:

Sukuk law.
Special Purpose Vehicle Regulation.
Islamic Contracts Regulation.
Sukuk Issuance Instructions.
Sukuk Registration Instructions.
Sukuk Trading Instructions.
Sukuk Holders Committee Instructions.
Sukuk listing Instructions.
Assigning Islamic Shariah Committee Manual.
Instructions of Special Purpose Vehicle.

A committee has been assigned to facilitate the issuance of Government Sukuk from various government authorities mainly the Central Bank of Jordan, the Ministry of Finance and the JSC. The JSC has approved a government issuance of JD 34 million on October 2016, in addition to another issuance of JD 75 million of a public shareholding company on May 2016. A second issuance of the same company was approved by the JSC on March 2017 of JD 75 million. A third issuance of the same company was approved on August 2018 of JD 150 million.

The Amman Stock Exchange (ASE) listed the Islamic Sukuk for the first time at ASE as of 12th, December 2018, at a value of JD 34 million for 5 years, with an annual return of 3.01%.

JSC has approved the amendments of the Sukuk Trading Instructions and Sukuk Listing Instructions on 1st of October 2018.

Capital Market Strategy and Roadmap for Jordan

The Capital Market Development Strategy and Roadmap document for Jordan was prepared in cooperation with the European Bank for Reconstruction and Development (EBRD). The document was launched and presented at a discussion seminar held under the patronage of Jordan's Prime Minister on 13th of December 2016. The Strategy and Roadmap aims at upgrading the capital market regulatory and technical frameworks and achieve the following seven strategic goals:

1. Increasing Investor Interest.
2. Making the Market More Attractive to Issuers.
3. Reorienting the Infrastructure Institutions as Private Sector Operations.
4. Making the Securities Industry More Competitive.
5. Strengthening the JSC.
6. Creating More Attractive Investment Products.
7. Outreach and Education for Investors and Issuers.

A higher committee was formed by a decision of the Prime Minister to follow up the implantation of the Roadmap recommendations.

The JSC has started implementation of the Roadmap recommendations.

Demutualization of Amman Stock Exchange

A decision was taken by the Council of Ministers to restructure and demutualize the ASE. The ASE was transformed to a Public shareholding company fully owned by the government on the 20th of February 2017. A number of Committees were formed to execute the decision. The shares of the ASE will be partly offered to the public in the second phase of the transformation of the ASE.

Jordan Receives the Presidency of the Union of Arab Securities Authorities

The Jordan Securities Commission received the presidency of the Union of Arab Securities Authorities during the thirteen meeting of the union which took place in Amman, Jordan on the 27th March, 2019.

Recent Legislative & Technical Developments

1. Legislative Developments

A new Securities Law was endorsed on 16/5/2017, The new Law aim to enhance the JSC's supervisory role and investor protection, and deepen the depth and width of the market.

The main features of the Law include:

1. Restoring the contractual mutual fund pattern that was operative in the previous Securities Law (No. 27 of the year 1997).
2. Including in the Law the legal basis for the

establishment of other types of mutual investment funds such as Exchange Traded Funds (ETFs) in order to keep pace with market needs and international practices in this area.

3. Setting the legal reference to grant the JSC's Board of Commissioners the authority to issue mandatory corporate governance rules.

In addition to the above, the JSC has issued and amended recently a number of new regulations & procedures which included the Implementing Instructions of Investors Protection Fund Regulation, Regulation of Investors Protection Fund, Mutual Funds Regulation, Instructions of Anti Money Laundering and Counter Terrorist Financing, Instructions of Issuing Companies Disclosure, Instructions of Margin Financing, Guiding Principles for Opening Branches of Financial Services Companies, Regulations of Licensing and Registration, Instructions of Accounting and Auditing Standards, Instructions of Regulating the Operations of Selling Securities Implemented According to the Decisions of Courts and Official Entities, Instructions of Treasury Shares, Instructions on Brokers Account Segregation, Instructions of Risk Centralization, Qualifications of the External Auditors, Instructions of Corporate Governance, the JSC employees securities dealing activities, Instructions Governing Depository Receipts, Instructions of Lending and Borrowing and short selling, and Instructions Regulating Trading of Financial Services Companies on Foreign Exchanges.

Moreover, the JSC is working on drafting several instructions and regulations stipulated by the Securities Law for the year 2017 most notably: Commission's Fees Regulation, Bases of measures Against the Violators of any of the Provisions of the Securities Law and the Legislation and Decisions Issued pursuant thereto, Regulation of Criteria for Solvency of Brokerage Companies, Instructions of Licensing and Registration, and Instructions of Licensing Securities Trading Market.

Technical Developments

The JSC cooperates continuously with capital market institutions to develop and upgrade various electronic systems to enhance efficiency and improve services. Major developments in this connection include:

1. Introducing an electronic disclosure system which is the XBRL system.This system will enable issuing companies to meet the disclosure requirements electronically and on a timely basis.
2. Launching the JSC website in a manner that would provide investors and capital market stakeholders with necessary information and provide electronic services to users.
3. Developing an MIS system to enhance network-connection between the various departments at the JSC, thus facilitating report preparation.
4. Implementing JSC's Internal Computer Network (local area network–LAN) to enhance the Commission's capability of sustaining its electronic services with high efficiency.
5. Applying the Work Flow System Automation to automate the JSC's internal work flow and to interconnect the Commission's various departments.
6. Developing a system that will allow the electronic filing of any violations that a listed company committed and any action taken by JSC in regard to it.
7. Upgrading local area networking by providing JSC employee and guests with Wi-Fi connection.
8. Launching a new mobile application which provides investors with flexibility and mobility when accessing any information needed such as disclosures of public shareholding companies, latest news, Board of Commissioners decisions, regulations and legislation, as well as other interactive services, including suggestions, complaints and requests for information. The application is available for both IOS and Android users which can be downloaded through App Store or Google Play.

Addressing Challenges

The JSC is addressing current challenges confronting the capital market as follows:

1. Executing the actions and recommendations of the JSC's Strategic Plan, the Road Plan, and other strategies.
2. Keeping up with international regulatory and legislative developments.
3. Implementing international standards and sound regulations.
4. Enhancing good corporate governance practices, transparency, and disclosure.
5. Enhancing inspection and enforcement.
6. Maintaining proper risk management procedures.
7. Promoting the establishment of mutual funds, and developing regulations of various collective investment schemes.
8. Enhancing surveillance capacity over trading by utilizing a new electronic system for surveillance.
9. Regulating the listing of private companies.
10. Raising public awareness and education.
11. Training programs for capital market staffs.

UPDATE FROM CAPITAL MARKETS AUTHORITY

Capital Markets Authority Admitted to the Global Financial Innovation Network

On 30 January 2019, the Capital Markets Authority was admitted to the Global Financial Innovation Network, a move to support the transformation of the capital markets in Kenya through nurturing innovation. The Global Financial Innovation Network (GFIN) Read More an international network of 29 financial services regulators and related organizations, committed to supporting financial innovation. GFIN seeks to provide a more efficient way for innovative firms to interact with regulators, helping them navigate between countries as they look to scale new ideas. This includes a pilot for firms wishing to test innovative products, services or business models across more than one jurisdiction. It also aims to create a new framework for co-operation between financial services regulators on innovation-related topics, gaining insights and sharing different experiences, lessons and approaches. This cements the Authority's efforts to support innovation in the capital markets, noting the important role of financial technology (Fintech) as a key enabler of performance excellence under the 10-year Kenya Capital Market Master plan, 2014-2023.

CMA Regulatory Sandbox Ready to Receive Applications

As a strategy aimed at leveraging on Financial Technology (FinTech) to drive the capital markets value chain, the Capital Markets Authority's board on 26th March 2019 approved the Policy Guidance Note to facilitate the implementation of a Regulatory Sandbox Framework that will allow firms to test innovative products, solutions and services that have the potential to deepen or broaden Kenya's capital markets in a live environment. Fintech firms and innovators can now apply for admission to the Regulatory Sandbox.

As part of the Public Consultation process, the Authority received and addressed stakeholder comments, on the draft Regulatory Sandbox Policy Guidance Note (PGN). To validate the PGN and give guidance on the next steps towards implementation of the regulatory sandbox, the Authority hosted a half-day validation workshop on Thursday, February 21st 2019 at Hilton Hotel.

In line with the Authority's investor protection mandate, Sandbox Participants will be required to comply with certain minimum regulatory requirements prescribed by law. CMA will however assess regulatory requirements to be temporarily modified during a Regulatory Sandbox test on a case-by-case basis. In this context, the Authority will provide guidance where it considers that a proposed innovation is already clearly addressed under existing laws and regulations and therefore not fit for inclusion in the sandbox to avoid the creation of regulatory arbitrage between players rendering equivalent products or services.

Green Bond Market Launched in Kenya

As part of the strategy of diversifying products in the Kenyan capital markets, the frameworks to issue listed and unlisted green bonds were launched on 20th February 2019. A green bond is a fixed income instrument whose proceeds are used to finance or refinance projects which generate climate or other environmental benefits that conform to green guidelines and standards.

Issuers of unlisted or listed green bonds in Kenya will be required to appoint an independent verifier to conduct a pre-issuance review and confirm to the investors, the Authority, and the NSE in the case of listed green bonds, that the issuance is eligible to be classified as a green bond in line with green guidelines and standards. The procedures for listing of Green Bonds on the NSE are outlined in the NSE Listing Rules, which have been amended appropriately.

The operationalization of the green bonds market has been embedded in the legal framework through the publication of a Policy Guidance Note (PGN) on Issuance of Green Bonds and the approval of amendments to the NSE Listing Rules by CMA. Over the next five years and beyond, green instruments will play an important but niche role in driving the growth of Kenya's capital markets, in line with the Marrakech Pledge which calls for an increase in the volume, flow and access to finance for climate projects, alongside improved capacity and technology from developed to developing countries. The NSE and CMA were among the founder signatories of the Pledge during the 22nd

Conference of Parties in Morocco.

The launch of the regulatory framework is a culmination of the work undertaken by The Green Bond Programme established in 2017, whose aim was to develop a domestic green bond market. The partners in the Programme include; The National Treasury and Planning, Central Bank of Kenya, Kenya Bankers Association, NSE, CMA, Climate Bonds Initiative, Financial Sector Deepening Africa and Dutch Development Bank FMO.

Workshop on disclosure and transparency for issuers of securities to public

The Authority conducted a joint workshop with the International Finance Corporation (IFC) on disclosure and transparency for issuers of securities to public on 4th March 2019.

The objective of the workshop was to deliberate on Environmental, Social and Governance (ESG), Integrated Reporting and Green Bonds issuance in the Kenya. The workshop also discussed the progress on implementation of the Code of Corporate Governance for Issuers of Securities to the Public and received feedback following the publication of the first State of Corporate Governance Report for Issuers of Securities to the Public. The workshop participants included issuer's board audit/risk committee members, companies' secretaries, heads of compliance and risk and other senior executives from issuers.

Technical Assistance on the development and application of AML/CFT supervisory tools and their application

The Authority received technical assistance from the International Monetary Fund (IMF) on the development of AML/CFT supervisory tools and their application from 18th to 20th March 2019

The objective of the Technical Assistance was to assist the Authority in the development of risk-based AML/CFT supervisory tools and build capacity on their application. The Authority is in the process of rolling-out the data collection tool and AML/CFT risk management questionnaire to all licensees. The Authority will analyze the data received from market intermediaries and develop supervisory priorities for its AML/CFT supervisory work plan for the coming year.

CMA's Technical Assistance from IMF on enhancement of its Risk Based Supervision Model

The Authority transitioned into risk-based supervision methodology from 2012. Consequently, the RBS model has continued to be enhanced over the years and the Authority sought technical support from IMF with a view to making further improvements. The Authority benefitted from perspectives from other jurisdictions and is confident that this will help further improve its current RBS model. The Authority also benefitted from a stress testing capacity building session from the IMF team from 11th to 15th March 2019.

Risk and compliance officers of market intermediaries workshop

The Authority conducted a Risk and compliance officers of market intermediaries workshop on 26th March 2019.The objective of the workshop was to deliberate on the regulatory obligations of market intermediaries and the role and responsibilities of compliance and risk management officers as stipulated under the Capital Markets Regulatory Framework. The secondary objective of the forum was to provide a platform for the Authority to engage and receive feedback from the participants on any concerns that they may be facing including rationale of regulatory requirements, market dynamics, among other issues.

Hybrid Bond Market Project Implementation

The National Treasury has set priorities for the development of an efficient primary and secondary market for Government bonds by undertaking to introduce several reforms among them an electronic auction system; separation of retail and wholesale market; institutionalizing an issuance calendar; establishment of an efficient and transparent OTC bond market; establishment of an efficient horizontal REPO market as well as introducing securities lending and short selling for market participants. This is imperative for Kenya to achieve the Capital Markets Master Plan aspirations to transform Kenya into the ultimate choice market for domestic, regional and international issuers and investors looking to invest and realize their investments in Kenya, within East Africa and across Central Africa by 2023.

In line with the above, the Authority has been actively implementing key strategies to establish a transparent and efficient OTC debt market in coordination with the Bond Market Steering Committee (BMSC) which brings together bond market policy makers and industry players.

To achieve the aforementioned, the Authority on-boarded Consultants from FDHL-Salonica Consortium to support the Capital Markets in actualizing the hybrid bond market model with support from the World Bank through the National Treasury Financial Sector Support Programme.

The inception report which encompassed a comprehensive review of the Kenyan bond market incorporating stakeholder views in addition to charting a road map for successful implementation of Kenya's Hybrid Bond Markets was approved.

Further, a stakeholder's consultation workshop has been scheduled for stakeholders including industry associations/committees and commercial and investment banks who will play a role in the success of the new model to build consensus and ensure support for implementation on 24th and 26th April 2019.

Derivatives Market

The Nairobi Securities Exchange (NSE) successfully completed a six month pilot test phase that was conducted over two cycles. The first involved the use of dummy cash and was aimed at conducting a full end to end test of the systems and technological infrastructure deployed by the Exchange in readiness for market go-live. The second cycle of the test phase was a live trading environment involving the use of actual funds by the trading members and it was aimed at testing the clearing and settlement activities and the practicability of implementing the turnaround times contained in the rules and various service level agreements between the market participants. The minor issues identified in the trial run were satisfactorily resolved and after close of live trading in December 2018, the Exchange together with the approved clearing member undertook to test additional components relating to default management to ensure that any eventuality that may affect market continuity and investor protection is considered and catered for in the rules and procedures.

The participants of the pilot test were: The Co-operative Bank of Kenya and Stanbic Bank Kenya who participated as Clearing Members; and Trading Members were AIB Capital, Genghis Capital Investment Bank, Sterling Capital, Standard Investment Bank, Faida Investment Bank, Kingdom Securities Limited and NIC Securities.

Furthermore, the Derivatives Market Technical Advisory Committee (DTAC), an advisory committee comprising representatives from the Authority together with CBK, The National Treasury and NSE continue to facilitate information sharing and providing market and technical advice to the Institutional Heads of the Capital Markets Authority, the Central Bank of Kenya, and the Nairobi Securities Exchange; and tracking emerging cross-cutting issues and proposed recommendations for resolution.

In the meantime, to ensure adequate capacity, the Authority has been engaging the market through running a series of market awareness programs on Exchange Traded Derivatives. Mr. David White, the CMA derivatives consultant, who is a renowned international expert in derivatives, has been at the forefront in these market awareness initiatives. The awareness programmes focused on the following areas: market intermediaries; policy makers value proposition on derivatives; technical training in trading and use of derivatives contracts to hedge against risk; regulatory and coordinated supervision of derivatives market; compliance reporting and risk management.

Legislation and Regulatory amendments

Policy Guidance Note on Green Bonds

The Authority's Board approved the Policy Guidance Note (PGN) on Issuance of Green Bonds and amendments to the NSE Listing Rules to facilitate issuance of green bonds in Kenya's capital markets.

The PGN provides a framework to guide on the operational regulatory environment on Green Bonds in Kenya. The key features of the PGN include; procedure for issuance and listing of a green bond, eligibility of an independent verifier, Submission of the Information Memorandum, Disclosure and Continuous Reporting Obligations, Project Selection Process, Use and Management of Proceeds, Consequences for Breach of Green Requirements by an Issuer of Unlisted Green Bonds, Consequences for Breach of Green Requirements by an Issuer of a Listed Green Bond and Suspension of a Green Bond.

Further, the amendments to the NSE Listing Rules will enable the Exchange to mobilize domestic resources and international capital flows earmarked exclusively for environmentally beneficial investments to support the country's transition to a sustainable economy.

Policy Guidance Note on Regulatory Sandbox

In 2013, the Capital Markets Act was amended to introduce Section 12A. Section 12A gives power to the Authority to issue guidelines and notices for the regulation of capital market activities and products. This amendment introduced principle-based regulatory approach as contrasted with rule-based approach. The principle-based approach has contributed to the development of policy guidance notes to regulate capital market activities and products.

The Authority's Board approved the Regulatory Sandbox Policy Guidance Note on 26th March 2019 to guide on the operation of regulatory sandboxes in the capital market. The PGN provides a framework for the establishment of a regulatory sandbox to allow for the live testing of new products, services, and business models that have the potential to deepen the Kenyan capital markets. The salient features of the Policy Guidance Note include the: Eligibility, application and acceptance criteria; testing plans; Records and reporting requirements; and Regulatory relief and safeguards.

Draft Capital Markets (Commodity Markets) Regulations

The Authority has been mandated to regulate spot commodity markets in Kenya through an amendment made to the Capital Markets Act Cap 485A in 2016. There was a workshop held from 11th March till 15th March 2019 organized by the Ministry of Industry, Trade and Cooperatives in Naivasha to discuss the draft Regulations.

The Regulations are concerned with the licensing and regulation of:

(a) commodity exchanges;
(b) commodity clearing houses;
(c) commodity brokers;
(d) trading and conduct of business;
(e) the commodity settlement guarantee fund;
(f) record keeping, accounts and inspections; and
(g) offences relating to the commodity markets.

There will be a public participation exercise through a nationwide roadshow on the draft Regulations organized by the ministry and scheduled in the month of April 2019.

Licensing and Approvals

During the period January to March 2019, the following the following licenses and approvals were granted:

a. Registration Credit Rating Agency Care Ratings Africa Limited;
b. Granted a REIT Manager License to Cytonn Asset Managers Limited;
c. Granted an Authorised Depository License to Gulf African Bank Limited;
d. Approved shareholder's circular in shareholder circular in respect to proposed cash offer by Rubis Energies S.A.A to acquire all the ordinary shares of Kenol Kobil not already legally or beneficially owned by Rubis Energie; and
e. Approval of circular in relation to proposed merger between CBA & NIC by way of Exchange Offer where CBA ordinary shares are exchange for NIC shares;

Investigations and Enforcement actions

CMA concludes an investigation into suspicious trades in relation to the Kenol Kobil PLC take over transaction

On 24th October 2018, The Capital Markets Authority (CMA) received a Notice of Intention by Rubis Énergie to make a cash offer (the Offer) to acquire 100% of the ordinary share capital of KenolKobil Plc not already legally or beneficially owned by Rubis Énergie (Notice of Intention) pursuant to Regulation 4(3) of the Capital Markets (Take-overs & Mergers) Regulations, 2002 (the Take-over Regulations).

Through its market surveillance the Authority identified potentially irregular trading of the KenolKobil counter in the run up to the issue of the Notice of Intention by Rubis Énergie. Consequently, in connection with these investigations the Authority instructed the Central Depository and Settlement Corporation to place a freeze on the suspected accounts to allow for the conduct of the necessary inquiries.

Upon conclusion of its investigations, the CMA secured the surrender of potentially illegal gains amounting to Ksh458 million from the investigations into insider trading on KenolKobil shares. The funds surrendered related to 90 percent of the quantum of suspicious trades identified through a total of 14 accounts that were frozen in October 2018 to facilitate investigations. The recovered funds were paid into the Investor Compensation Fund managed by the Authority.

The investigations established that a number of investors had been advised and encouraged to trade based on what may have constituted material price sensitive non-public information resulting in trades in Kenol Kobil shares before the 24 October 2018 announcement by Rubis Energie of their intention to take over 100 percent ordinary share capital of Kenol Kobil Plc at a premium. The investigations relating to the balance of the accounts flagged in connection with suspicious trading activities are on-going.

Further, upon review of the investigation findings and recommendations, the CMA Board resolved to initiate enforcement proceedings against individuals suspected to have disclosed material price sensitive non-public information to the traders who transacted the irregular trade on the KenolKobil counter towards the run up to the issue of the Notice of Intention by Rubis Énergie.

CMA warns against Kenicoin Initial Coin Offering and Trading

In a bid to protect investors, the Capital Markets Authority (CMA) cautioned the public against participating in any initial coin offering or trading in any coin exchange offered by Wiseman Talent Ventures.

The Authority launched investigations into the operations of Wiseman Talent Ventures owing to the nature and features of the capital raising and coins trading promoted by Wiseman Talent Ventures that took the form of regulated activities which had not been approved by the Authority. CMA noted that Wiseman Talent Ventures was raising money from the public through issuance of digital tokens in the form of coins and further provided a platform for the trading of the said coins on its coin exchange styled as www.kenicoinexchange.com. The firm also promised guaranteed returns of 10 percent monthly on the initial investment in coins which were issued at Kshs100 (USD 1) at the Initial coin Offering (ICO) and were purportedly being marketed as trading at Kshs 2,000 (USD 20) at its coin Exchange. Further, the KeniCoin value that was marketed as exponentially rising since its initial offering posed substantive information asymmetry, liquidity and fraud risks.

Wiseman Talent Ventures however challenged the power of the CMA to investigate the ICO through High Court Civil Case No. 8 of 2019 Wiseman Talent Ventures vs. CMA.

Global trends in unregulated digital currencies demonstrate that the crypto asset market is uncertain and has experienced accelerated boom and bust cycles which may expose investors to substantial losses.

Enforcement Actions taken to instil market discipline

During the quarter, the Authority issued an Enforcement Action against Equity Bank Kenya Ltd for late publication of change in book closure in two daily newspapers of national circulation. The company was directed by the Authority to restitute the complainant (Mr. Imran Dhanji) Kshs. 60,000 being dividends which would have been payable if the Bank did not change its book closure date that had been communicated to investors through the Nairobi Securities Exchange website.

Other Enforcement Actions

During the review period, the Authority also issued 8 Regulatory Cautions against listed companies that failed to submit their Corporate Governance Reporting templates and for those that submitted Incomplete Corporate Governance Reporting Templates to the Authority.

On 29th February 2019, the Board of CMA took enforcement action against David Tumaini Maena following conclusions of Investigations with respect to allegations of irregular trading of Government Securities in 2016 and 2017. Through investigations, CMA established the presence of a scheme where fixed income dealers at investments banks, assets management firms and brokerage firms colluded with individual bond facility holders in bank custodial accounts to trade bonds ahead of orders placed by non-suspecting investing clients for gain done through creation of artificial arbitrage opportunities based on privileged knowledge of customer orders.

On 12th March 2019, the Authority secured the surrender of potentially illegal gains amounting to Kshs. 458 million in the context of the ongoing investigations into insider trading on KenolKobil shares. The funds surrendered relate to 90 percent of the quantum of suspicious trades identified through a total of 14 accounts that were frozen in October 2018 to facilitate investigations.

Investor Education and Public Awareness Capital Markets University Challenge 2018

Having concluded Stages 1 and 2 of the Capital Markets University Challenge 2018, the Authority implemented Stage 3 of the Challenge during the period under review. Stage 3 involved presentations by each of the 10 qualifying students per university to a panel of judges at the respective universities. Stage 3 was aimed at identifying top 2 students from each of the 37 participating universities across the country that would progress to Stage 4 of the Challenge. The candidates were given an opportunity to choose individual topics for presentation based on a number of themes selected by the Authority. Stage 3 was successfully concluded in March 2019 having identified 74 qualifying candidates for progression to the subsequent stage, out of the 370 qualifying candidates from Stage 2.

The Capital Markets University Challenge 2018 is an investor education initiative inteded to enlighten youth Kenyans on capital market issues. It is an inter-university competition which is focused on testing the participants' knowledge and understanding of capital markets and financial issues and is structured for implementation in five (5) stages. Specifically, Stage 3 was aimed at enabling students gain deeper knowledge on a wide range of capital markets and financial issues within the market through research to come up with a presentation. The Challenged was officially launched on September 25, 2018 at a colourful event attended by representatives from all the 37 participating universities, the Authority's Board and Management and other stakeholders.

Financial sector stakeholders pose for a group photo during the Capital Markets Authority Regulatory Sandbox Workshop on 15th January 2019

From left: Nairobi Securities Exchange Chief Executive Mr. Geoffrey Odundo, Capital Markets Authority Chief Executive Mr. Paul Muthaura, MBS and Central Bank of Kenya Governor Dr. Patrick Njoroge during the launch of a Green Bonds Market in Kenya. The launch took place on 20th February, 2019.

Participants of Capital Markets University Challenge 2018 pose with their certificates after successfully advancing through to stage four of the Challenge. The Challenge an intervarsity competition that primarily focuses on testing participants' knowledge and understanding of capital markets and financial issues.

Capital Markets Authority Chief Executive Mr. Paul Muthaura, MBS (centre) exchanges ideas during a panel discussion at The Network Forum (TNF) Africa Meeting in Cape Town, South Africa in March 2019. The TNF is a gathering point for capital market leaders from asset management and servicing, investment banking and custody background.

The Privatization of Boursa Kuwait Securities Exchange

The establishment of the Capital Markets Authority of Kuwait (**CMA**) under Law No.7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its amendments (**CMA Law**) came with the introduction of Article 33 of the CMA Law. The aforementioned Article intends to privatize Boursa Kuwait Securities Exchange (**Boursa Kuwait**) in three phases: (1) between 6% to 24% shall be allocated for public entities, (2) between 26% to 44% shall be allocated to companies listed in the exchange in conjunction with an International Securities Exchange Operator, or an International Operator acting solely, and (3) 50% shall be publicly offered to Kuwaiti citizens. Following various consultations with international and local investors as well as government entities, the CMA agreed to offer 44% of Boursa Kuwait shares to potential investors and 6% to public entities. The bidding event for 44% equity stake in Boursa Kuwait commenced on 12th February 2019 at 8:00 am and ended on 14th February 2019 at 2:00 pm, with the opening of the financial bids and the announcement of the winning bidder held on 14 February 2019 at 3:00 pm.

On 14th February 2019, the CMA announced the equity stake of 44% of Boursa Kuwait was awarded to a consortium comprising of Athens Stock Exchange, National Investments Company, First Investment Company and Arzan Financial Group, that presented the highest Financial Bid of 237 fils per share and equivalent to a total Financial Bid of KWD 19,939,900.200 for the offered equity stake.The CMA then also announced that the public entity stake of 6% was offered and sold to the Public Institution for Social Security solely. The privatization was held as a landmark and precedent-setting transaction in Kuwait given the nature and consequence of the deal and involvement of major international operators including some of the world's leading stock market operators and local financial institutions. The aim of the privatization is to ultimately strengthen Kuwait's position as a regional financial hub and provide the private sector with an even stronger role and opportunity to develop the national economy, in line with the national developmental goals set out in Kuwait vision 2035. Ideally, the introduction of an International Exchange Operator will support the capital markets ecosystem in the planned market development phase. The partnership will also allow Boursa Kuwait to benefit from global market access across multiple economies. Socrates Lazaridis, ATHEX CEO, said: *"ATHEX as a market operator and as a listed entity has the necessary experience and with the cooperation of its partners plans to have an active involvement in Boursa Kuwait as a technical and operations solution provider and business development consultant. The goal is to enhance Boursa Kuwait's profile in the region and produce additional value through the close strategic cooperation of the two market operators in the future."*.

The CMA intends to begin the final phase of the initial public offering of 50% equity stake in Boursa Kuwait to Kuwaiti citizens by the fourth quarter of 2019, or the first quarter of 2020 at the latest.

Regulations and Bylaws

CMA issued Resolution No. (24) of 2019 Regarding Amending Appendix 11 "Authorization of Trading in Securities" of Module Eleven (Dealing in Securities) of the Executive Bylaws of Law No. (7) of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their Amendments. These amendments were focused on easing the requirements on authorization in trading for individuals and corporates which includes exemptions of certain cases to be included within the maximum number of authorization given by an individual, and certain waiver of some documentations. Amended provisions to include joint Acquisition Offer among Parties Acting in Concert:

Updated the Executive Bylaws to include joint Acquisition Offer among Parties Acting in Concert, along with the conditions need to be adopted in order to properly execute the acquisition transaction

The Capital Markets Authority Poll on the Draft Capital Adequacy Rules for Licensed Persons

Based on the comprehensive vision of the Capital Markets Authority (CMA) to strengthen the legislative structure of the capital market, and in the framework of its efforts to activate its supervisory role and establish an effective regulatory system in line with the latest international standards and updates, it began the implementation of one of its strategic approaches: "Preparation of the Capital Adequacy Rules for Licensed Persons", which represents a legal entitlement in accordance with the provisions of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities, and its Executive Bylaws and their amendments, in particular item No. (2) of Article (66) of the Law, which stipulates that "A Person licensed to engage in the management of Securities activities shall comply with the regulations specified in the Bylaws and in particular as follows: 2- Maintain adequate capital". Additionally, Article (6-4) of Module Six (Policies & Procedures of Licensed Persons) of the Executive Bylaws of Law No. 7 of 2010 Regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and their amendments, stipulates that "The Authority has the right to impose additional requirements or to make requests for specific reports to ensure that the Licensed Person has the ability to continue their business, particularly holding a sufficiency of capital, in a manner that is corresponds with the nature and volume of the Securities Activities that they carry out."

These rules represent an important step in this regard, especially as it is one of the effective regulatory tools and mechanisms that enhance the efficiency of the performance of companies licensed to deal in securities and ensure the safety of their financial centers in proportion to the magnitude and nature of the risks they are exposed to, and the creation of a secure investment environment by providing the necessary precautions to secure risks related to the activities and transactions of licensed companies, in particular the risks resulting from the introduction of new products and financial activities within the phases of market development (such as short selling, lending and borrowing of shares, repurchase agreements, etc.), as well as capital requirements that correspond to the activities of the capital market infrastructure institutions (such as the central counterparty, etc.).

Furthermore, the CMA, in cooperation with the international consultant (Ernst & Young Consulting), has prepared draft capital adequacy rules for licensed persons, as well as all templates of rules in both Arabic and English. It has also assessed their suitability to the business environment through conducting quantitative impact studies (1 - initial, 2 - comprehensive and final), which included the implementation of the draft rules on a selected sample of licensed persons, where the results showed the relevance of these rules to the business environment to a large extent, especially in terms of coverage of all types of risks associated with practice of securities activities licensed by the CMA. The assessment results also showed that most of the licensed persons participating at this phase have high rates of capital adequacy according to the measurement requirements specified in the draft rules.

The main principles underlying the preparation of the draft rules can be summarized in the following points:

Risk-Based Approach is a basis for preparing the rules. Licensed persons' compliance with these rules is represented in meeting the following:

Regulatory Capital of Licensed Person > Risk Based Capital Requirement

The rules have been prepared in accordance with a mechanism that takes into consideration all the financial instruments and securities activities currently licensed by the CMA, and those that will be implemented during the interim phase of the market development project, in addition to those that will be implemented in the future according to the final structure of securities activities and new financial instruments.

Initially, four licensed activities were excluded from the application of the rules, and the minimum paid-up capital will suffice. These activities are:

- Asset Valuator
- Investment Advisor
- Credit Rating Agency
- Investment Controller

Additional requirements were identified by the financial market infrastructure institutions (FMIs - Financial Market Infrastructure).

These rules are expected to help reduce minimum capital requirements in general, which will enhance capital utilization for companies and the market in general, and to balance the risks to companies and the regulatory capital to be maintained by them.

Finally, the CMA believes that it is important to question the views of all market participants as well as those concerned with securities activities in general regarding their various perspectives related to these activities. In preparation for the final adoption of these rules, the CMA allows them to follow up the draft of these rules, along with the English and Arabic templates available on its website, and will review all feedback and observations.

The Capital Markets Authority (CMA) Launches the Electronic Disclosure System XBRL

As part of its ongoing efforts to improve the various transactions related to securities activities and enhance disclosure and transparency levels in the Kuwaiti financial market, the Capital Markets Authority (CMA) launched the XBRL language – "disclosure system - iFSAH" on 10th February 2019.

The entities concerned with the applications of this system are licensed persons, investment funds, listed companies, individuals and institutions "dealing" in the Kuwaiti financial market, auditors, and other regulators and Boursa Kuwait. Details of disclosure data and requirements specified in the system are in the five gateways as follows:

Financials Reporting Domain

Anti-Money Laundering Reporting Domain

General Assembly Reporting Domain

Corporate Governance Reporting Domain

Disclosures Reporting Domain

The CMA has set the date for launching the system by preparing a comprehensive plan to ensure the gradual transition of this new electronic system in a flexible and unobstructed manner, according to two main stages: the first is a reintegration stage followed by the mandatory implementation phase.

The reintegration stage is divided into several phases, starting with the launch of the disclosure portal for the financial statements and the disclosure portal for the Anti-Money Laundering Requirements as a first phase until the end of September this year (30/9/2019). The concerned parties are required to submit the disclosure requirements for these gateways for the financial year ended 31/12/2018. The other disclosure gateways will be launched upon completion of the linkage process with the national stock market of Kuwait Boursa Kuwait and other regulatory bodies, this phase aims to familiarize the concerned bodies with the characteristics, advantages and mechanisms of dealing with it. At this stage, and within a specified period of time, in addition to continuing to provide the same disclosures and reports according to the traditional methods applied before the implementation of this system, which represents an opportunity for them to have the elements of dealing with this system and can at the same time as a result of more practical tests to overcome any technical obstacles that may accompany the process of application.

As for the mandatory implementation phase, the traditional disclosure methods will be stopped prior to the implementation of the XBRL Disclosure System (iFSAH) for this system to remain the only mechanism available to all concerned parties to submit their disclosures and reports to the Authority, as of the date of implementation of this phase.

In order to ensure that those concerned with the implementation of this system have the required awareness and mechanisms of dealing with it and disclosure through it, the Authority has commenced the implementation of a comprehensive awareness plan of its own, including the provision of a special awareness and introductory section of this system, iFSAH Disclosure System that displays all the information related to this system and its explanatory evidence related to its characteristics and applications in the form of electronic documents or pre-recorded awareness videos. The awareness plan also includes the implementation of series of workshops on this system through the Inter network Webinars , which allows access to the largest part of those involved in the system to follow up and participate in these workshops, which relieves them from the trouble of the actual presence and saves much of their effort and time, and is expected to address these workshops to clarify the various aspects related to the characteristics of this system and its applications. It also includes responses to customer queries, as well as direct contact with the technical support team of the system either by phone or by e-mail designated for this purpose.

The project is considered one of the most important strategic projects of the Authority, which is being implemented in cooperation with the Ernst & Young Consulting Office and IRIS Services Company Ltd., which will greatly help them achieve their objectives and effectively exercise their oversight role as one of the main pillars of establishing the required structure for capital markets, by increasing its competitiveness and in general improving the domestic investment climate in Kuwait.

The application of this system is a crucial step in achieving a number of the core objectives, particularly those related to the promotion of the principles of transparency and disclosure in the financial markets. This modern automated system, allows receiving of financial and non-financial information and data from listed companies, licensed persons, collective investment schemes after consolidating the forms of the elements of such disclosures and reports in accordance with the XBRL language, this ensures the accuracy of the data and information contained in those disclosures and facilitates their handling by all its clients on one hand, owners of interests and a wider part of those concerned, in addition to reducing the burden of the obligation on the authorities entrusted with the disclosure on the other hand.

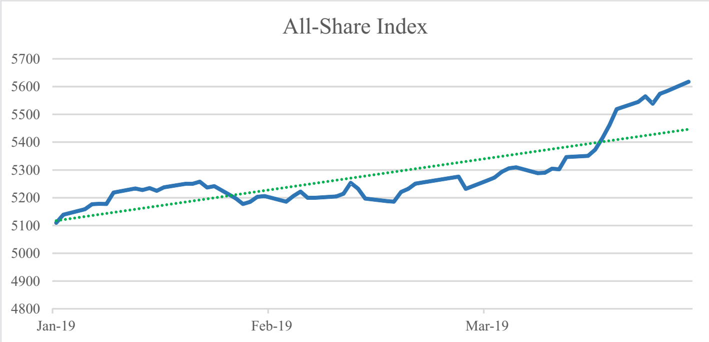
In terms of the local investment environment, this system will enable the system to overcome the many obstacles related to the exchange of data and information between the different parties concerned and the clients in the Kuwaiti financial market (companies, individuals, audit offices and other regulators). This type of disclosure system has proved effective in facilitating the disclosure process, which is expected to be reflected domestically in the procedures of the local business environment and to strengthen the control efforts in the financial sector in general, where the disclosure mechanism will be limited according to this system to disclose the disclosure by the concerned authority data and information only once and in an even manner for agreed concepts and disclosure elements for the system to verify and authenticate them from the parties concerned and then to maintain them in a central database and to provide them and share them with all other regulatory bodies that deal with the system in accordance with the powers and permits granted without the need to request such data and information from the supervised entities again.

This electronic disclosure system is based on Extensible Business Reporting Language (XBRL), a flexible digital standard language (Extensible) developed specifically to support disclosure and exchange of information between parties of the economic activity and various users of data and information (financial and non-financial). The standard for the language is the universal agreement on its concepts and terminology under the authority of XBRL International, an international non-profit organization that sets standards for the XBRL language, develops and produces classifications and specifications for that language, and improves disclosure in financial markets.

Boursa Kuwait Performance – First Quarter 2019

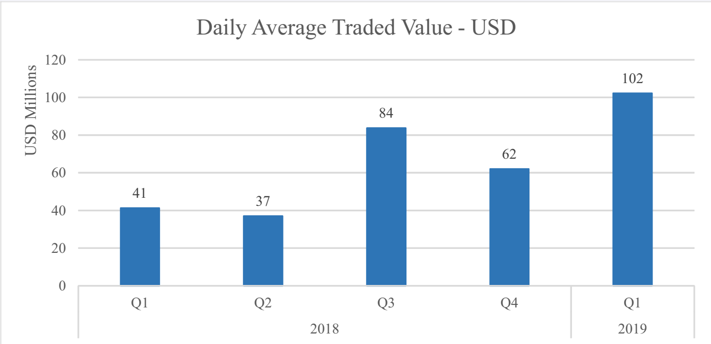
Index Performance

As shown in the chart below, at the end of the first quarter the Boursa Kuwait All-Share index closed at 5617.8 increased by 538.3 points, with a change of 9.6% compared to the value of index at the end of December 2018. Moreover, the Boursa Kuwait Premier Market index closed at 5986.9 increased by 710.5 points, with a change of 11.9% compared to the value of index at the end of December 2018, and the Boursa Kuwait Main Market index closed at 4917.27 increased by 178.7 points, with a change of 3.6% compared to the value of index at the end of December 2018.



Daily Average Traded Value:

Daily Average Traded Value reached 102 million USD at the end of the first Quarter of 2019 an increase of 65% from the first Quarter 2018.



Daily Average Trading Volume

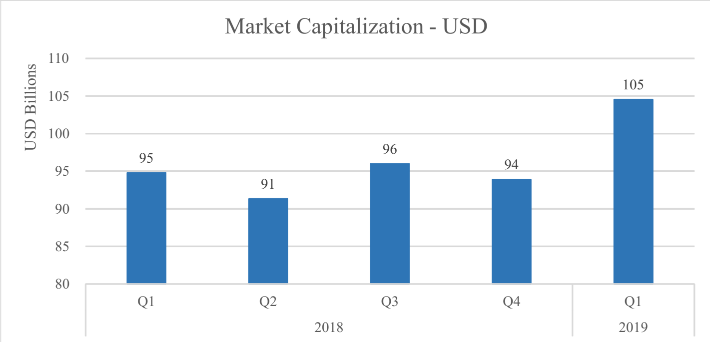
Daily Average Trading Volume reached 168 million shares at the end of the first Quarter of 2019 an increase of 100% from the first Quarter 2018.

Daily Average Number of Trades

Daily Average Trading Volume reached 5,514 trades at the end of the first Quarter of 2019 an increase of 64% from the first Quarter 2018.

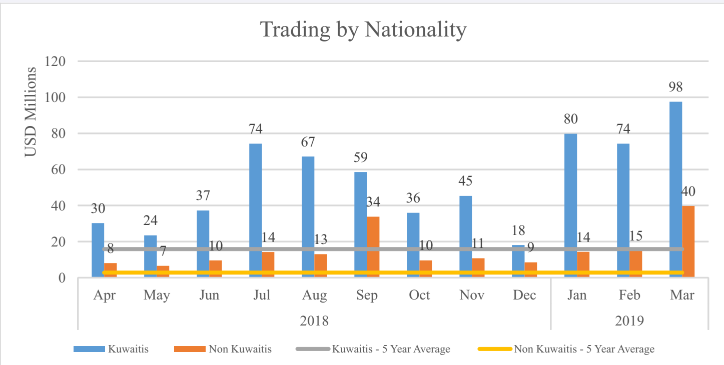
Market Capitalization

Total Market Capitalization for all companies listed in Boursa Kuwait at the end for the first Quarter 2019 was 105 Billion USD, with an increase of 10.3% compared to the end of the first Quarter 2018.



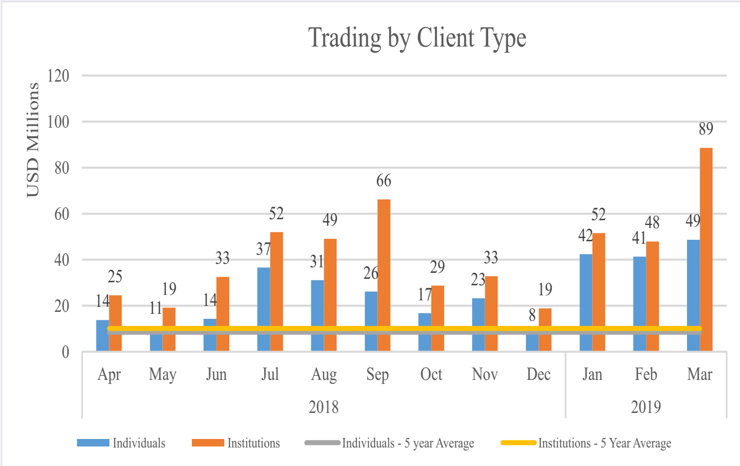
Trading by Nationality

By the end of the first Quarter, specifically in March, Non-Kuwaiti trading reached a 12 month high of 40 million USD, almost 6 million USD more than the previous high of 34 million USD in September 2018. This reflects the inflow of investments related to the FTSE recalculation of March 2019.



Trading by Client Type

By the end of the first Quarter, specifically in March, Institutional Investor trading reached a 12 month high of 89 million USD, almost 23 million USD more than the previous high of 66 million USD in September 2018. This reflected the inflow of investments related to the FTSE recalculation of March 2019



MAURITIUS

UPDATE FROM THE FINANCIAL SERVICES COMMISSION

The Stock Exchange of Mauritius Ltd ('SEM') is licensed under Section 9 of the Securities Act 2005 and operates two markets namely the Official Market (OM) for larger companies and the Development & Enterprise Market (DEM) which is tailored for medium and smaller companies.

The SEMDEX is the main index. The tables below provide an overview of the Performance of the Official Market and DEM for the first quarter of the year from January to March 2019.

Official Market

Particulars	January 2019	February 2019	March 2019
No of listed companies	59	59	60
Volume Traded (million)	21.1	58.4	30.6
Turnover Value Traded (USD million)	20.1	53.1	31.6
Market Capitalisation (USD Billion)	7.6	7.6	7.3
SEM-ASI	2,039.07	1,998.54	1,984.38
SEMDEX (Points)	2,212.92	2,206.70	2,164.78

Development & Enterprise Market

Particulars	January 2019	February 2019	March 2019
No of listed companies	42	42	42
Volume Traded (million)	2.2	15.0	4.3
Turnover Value Traded (USD million)	1.1	3.0	2.0
Market Capitalisation (USD Billion)	1.8	1.8	1.8
DEMEX (Points)	236.09	236.10	234.06

Source: Stock Exchange of Mauritius Ltd

On-Site Inspections

Surveillance - Capital Markets

Pursuant to Section 43 of the Financial Services Act 2007 ('the FSA'), the Surveillance - Capital Markets cluster carried out 2 on-site inspections at the premises of its domestic licensees for the first quarter of 2019. These entities, licensed under Section 30 of the Securities Act are engaged in investment adviser activities in the categories of investment adviser (restricted) and investment adviser (corporate finance advisory).

The objectives of the inspections were to ascertain whether these entities are operating under the scope of the licences granted to them, and thus determine their level of compliance to the existing legal framework. These entities were further assessed on different parameters such as corporate governance, market conduct, prudential aspects including fairness and transparency, adherence to money laundering legislations and codes; as well as, evaluation of financial soundness and controls (risk management, systems/mechanisms).soundness and controls (risk management, systems/mechanisms).

Surveillance Investment Funds and Intermediaries

The Surveillance Investment Funds and Intermediaries Cluster has continued to conduct its supervision. The requests consist mainly of appointment of officers, appointment of auditors, changes in shareholding structures, changes in classification / categorization, changes in constitutive documents, changes in investment objectives/strategies and review of financial statements. There were also a number of complaints which were recorded and to which the Cluster attended. The number of new licences during the period January to March 2019 is as follows:

Type of Licensees	New Licensees (January to March 2019)	Total Licensees (as at 31 March 2019[1])
Total Funds		
Collective Investment Schemes	*13*	*483*
Closed-end funds	*15*	*509*
CIS Managers	7	412
Custodians	0	10
CIS Administrators	1	8

Regulatory Developments

1. Review of Securities (Takeover) rules

The Financial Services Commission, (the 'FSC Mauritius') is currently in the process of revisiting its Securities (Takeover) Rules 2010 ("Rules") in the face of an evolving Capital Markets sector. The revised Rules will be benchmarked against international best practices.

2. The Financial Services (Custodian Services (Digital Asset)) Rules 2019

In line with its statutory objective of studying new avenues for development in the financial services sector, responding to new challenges and taking full advantage of new opportunities for achieving economic sustainability and job creation, the FSC Mauritius has issued the Financial Services (Custodian Services (Digital Asset)) Rules 2019 (the "Rules") applicable to any person who wishes to carry out custodian services for digital assets. The Rules came into operation on 01st March 2019. The objects of a custodian under these rules shall be limited to the safe-keeping of digital asset and operations arising directly from it.

Enforcement Actions

In order to enable the FSC Mauritius to take appropriate measures to address misconduct, market abuse and financial fraud in relation to any activity in the financial services and global business sectors, the FSC Mauritius is empowered under the FSA to take actions against those licensees who have carried out, are carrying or are likely to carry out any activity which may cause serious prejudice to the soundness and stability of the financial system of Mauritius or to the reputation of Mauritius which may threaten the integrity of the system.

During the period January to March 2019, the following enforcement actions have been taken:

Actions	Number
Revocation of Licence	1 (Management Licence)

During the period January 2019 to March 2019, no enforcement action was taken in relation to Capital Markets/ Funds licensees and activities. The FSC Mauritius has lifted the suspension of the Category 1 Global Business Licence and the authorisation to operate as a Closed-End Fund held by following entities:

(i) QG AFRICA HOTEL L.P.;
(ii) QG AFRICA MEZZANINE LP;
(iii) QG AFRICA MINING L.P;
(iv) QG AFRICA TIMBER L.P;
(v) QG AFRICA HEALTHCARE L.P;
(vi) QG AFRICA AGRICULTURE L.P; and
(vii) QG AFRICA INFRASTRUCTURE 1 L.P.

The FSC Mauritius issued 2 investor alerts during this period.

Other Developments

FSC Regional Centre of Excellence

The FSC Mauritius launched its Regional Centre of Excellence in collaboration with the Organisation for Economic Co-operation and Development (OECD) on 15th & 16th March 2019. The event included Panel Sessions and Masterclasses and was attended by foreign participants including those from the African counterparts.

The Regional Centre of Excellence focuses on delivering capacity building programmes, aimed at primarily financial services regulators from the Southern and Eastern African Regions. The Centre will also conduct research on topical themes relevant to financial services and financial malpractices for the regional market; and advise on minimum standards that need to be introduced at regional level, amongst others.

MOROCCO

UPDATE FROM THE AMMC MOROCCO

Stock market indicators

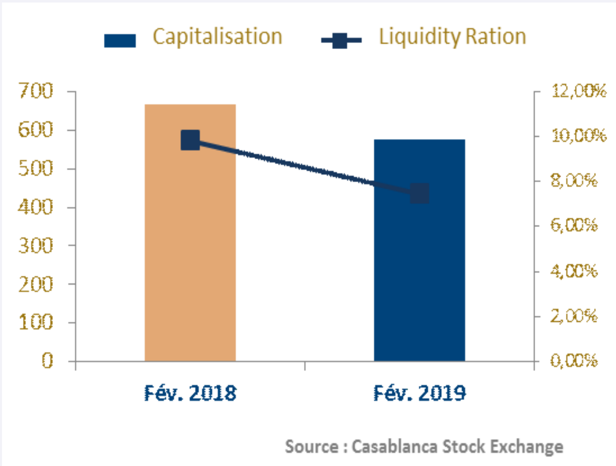
Main stock market indicators:

In billion USD(1 USD = 10MAD)	Feb 2018	Feb 2019	Variation
MASI	1 314,27	1 113,66	-15,26%
Market Cap	66,56	57,50	-13,62%
Liquidity ratio	9,84%	7,45%	-24,29%
Central Market *(Annual Volume)*	3,98	3,72	-6,53%
Block Market *(Annual Volume)*	2,57	0,97	-62,26%

Source : Casablanca Sotck Exchange

The MASI and MADEX indices displayed an uptrend in the first two months of 2019, before falling slightly at the end of the period. At the end of February 2019, they recorded respective underperformances of -2% and -2.12% compared to the end of December 2018 and -15.26% and -15.62% year-on-year.

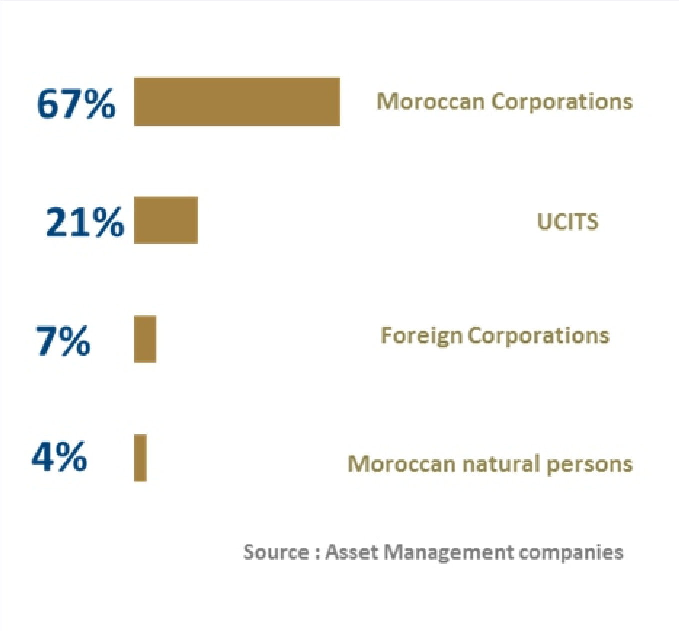
Market capitalization and liquidity ratio evolution :



Market capitalization stood at 57.49 billion USD at the end of February 2018, down 13.61% year-on-year. The liquidity ratio, for its part, declined from 9.84% at the end of February 2018 to 7.45% at the end of February 2019.
The volume also fell. Overall transaction volume was close to 4.69 billion USD in 2018, down 1.86 billion USD from the previous year. This situation is mainly due to the block market, where the volume declined by 62.25%. In the

central market, the average daily trading fell by 5.45%, from 15.91 million USD in 2017 to 15.05 million USD in 2018.

2. Investors Profiles



The fourth quarter of 2018 was marked by a preponderance of the intervention of Moroccan legal entities in the central market, with a relative part of 67% of transaction volume in the shares segment, mainly in connection with back recorded at the end of the year. This category is well ahead of UCITS, which account for 21% , and whose relative weight has declined by 14 points year-on-year. In the same vein, foreign legal entities and natural persons in Morocco whose weightings respectively represent 7% and 4% over the period, declined by 6 and 15 percentage points compared to the last quarter of 2017.

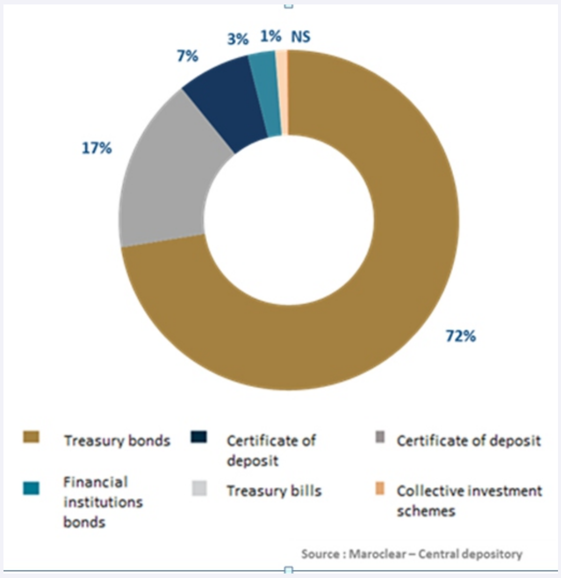
3. Debt Market

Outstanding bonds and negotiable debt instruments (in billion USD)

In billion USD(1USD = 10MAD)	Treasury bonds	Financial institution bonds	Certificate of deposit	Treasury bills	Bonds	Collective investment schemes
Outstanding end of Q4-2018	53 921,56	1 894,62	4 741,57	230,11	12 456,57	762,68
Raising	3 489,23	131,87	1 136,55	61,59	830,50	212,47
Refund	2 790,30	34,60	630,36	162,09	690,80	153,96
Situation end of Q4-2018	54 620,49	1 991,89	5 247,76	129,61	12 596,28	821,18

Source : Maroclear – Central depository

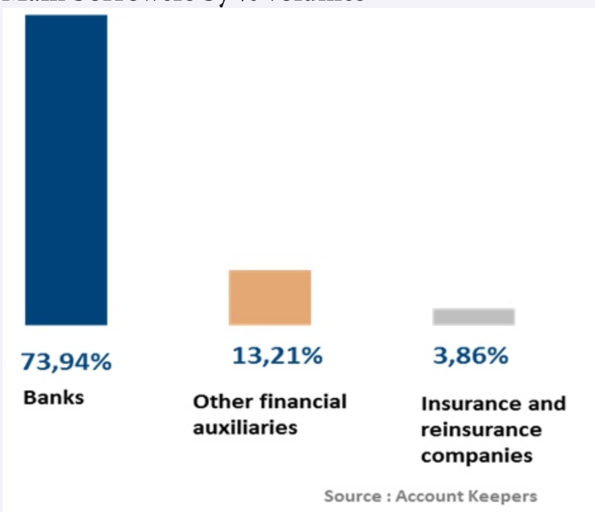
Repartition of outstanding bonds and negotiable debt instruments (in billion USD)



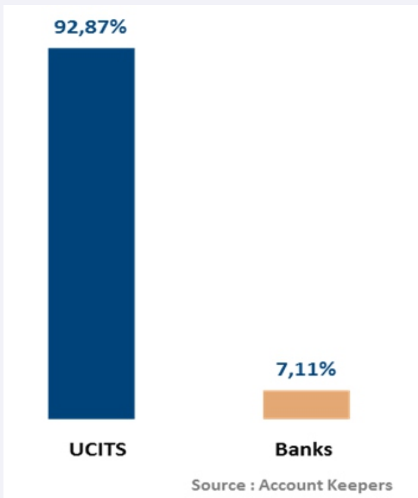
In the debt market, the part of treasury bonds remains predominant, accounting for 72% of total outstanding. The treasure bills totaled 3.489 billion USD, followed by the levies of banks in certificate of deposit for an amount of 1.136 billion USD.

4. Securities Lending

Main borrowers by % volumes



Main lenders by % volumes



The volume of securities transactions reached 9.6 billion USD in the last quarter of 2018, 18% less than the same period of the previous year.

Securities lending transactions are primarily made on treasury bonds, which represent 94% of securities lending volumes.

The configuration of the distribution of the volume handled by the customers came out of a very great predominance of banks as borrowers (74%) and UCITS as lenders (93%).

LEGAL DEVELOPMENTS

Application text published during Q1 2019

Real Estate Investment Funds (REIFs)

The order of the Minister of Economy and Finance No. 2305-18 made in application of articles 3,27,36,54,69,71,75,90 of the law No. 70-14 relating to the REIFs Agencies, was published in Official Bulletin No. 6750 on February 7th, 2019.

This application text concern, in particular, the liquid assets and liquid financial instruments that may constitute the assets of a REIF, the list of main and customary activities that may be exercised by a REIF, as well as the methods for calculating the value of a share or unit of OPCI.

The ministerial order also fixes the rate of the commission to be paid annually by the REIF to the AMMC. Calculated on the basis of net assets, this commission cannot exceed 0.5 per thousand.

Texts still in consultation

Financial Investment Advisers (FIA):

The AMMC launched, on January 18th, 2019, a public consultation of the draft circular on Financial Investment Advisers, as part of the operationalization of the law n ° 19-14 relating to the Stock Exchange, the companies of stock exchange and financial investment advisers.

The purpose of the circular is to define the entities that can carry out the financial investment advice business after registration with the AMMC, specify the terms and conditions of the said registration, and define a control mechanism to which the FIA will be subject.

Security Interests

The draft law No. 21-18 on the property security right was put into public consultation from March 5th to March 12th, 2019. Following its adoption by the Council of Government on March 14, the draft law is currently under way consideration by the relevant Commission in the House of Representatives.

This text proposes a reform project of the system of security interests allowing in particular the use of tangible and intangible movable assets as a guarantee for the obtaining of bank financing.

In addition to broadening the scope of the application of security rights, the draft law introduces a series of principles that facilitate transactions and ensure legal certainty, such as: the strengthening of contractual freedom between the parties, the establishment of a National Electronic Register of Securities Security and the strengthening of the mechanism of representation of creditors.

Public limited company

- **Draft law No. 92-18 amending and supplementing the law n ° 17-95 relating to public limited company**

  Presented for public consultation from 28 November to 28th December 2018, this draft law is part of Morocco's accession to the Global Forum on Transparency and Exchange of Information for Tax Purposes to fight against money laundering.

  For this, the draft now allow the issue of bearer shares to companies listed on the stock exchange and provides for sanctions against members of the administrative, management and management bodies that would break this rule.

  There is also a transitional period of two years to regularize the bearer shares previously issued.

- **Draft Law No. 20-19 amending and supplementing Law No. 17-95 on public limited company**

  The draft law No. 20-19 modifying and completing the law No. 17-95 relating to public limited company entered into public consultation on March 21st, 2019.

  As part of the action plan of the National Committee for the Environment of Business (CNEA), this project has as central objectives to strengthen the protection of minority investors and improve alignment with international standards.

The main amendments proposed by the draft are aimed at improving governance, notably through: the prohibition of the combination of the functions of chairman of the board of directors and chief executive officer of companies offering public savings, the introduction of the notion of independent and non-executive directors as members of the board of directors and the supervisory board and the obligation to include in the management report the mandates and the main functions of the directors sitting other boards of directors and supervisory boards.

General partnership, Limited partnership, Partnership limited by shares, Limited liability company and joint-venture

As part of the overall improvement of the business climate in Morocco and with the objective of strengthening the protection of minority investors, the draft law n° 21-19 amending and supplementing the law n ° 5-96 relating to General partnership, Limited partnership, Partnership limited by shares and Joint-venture, was the subject of a public consultation from March 21st to March 28, 2019.

The draft law provides in particular that the shareholders representing one-tenth of the shares may request a meeting of the General Meeting and that those holding at least 5% of the share capital may require the registration of one or more draft resolutions on the agenda of the said meeting.

RECENT EVENTS

AMMC and CNMV Signed Agreement on Cooperation and Mutual Understanding:

The AMMC and its Spanish counterpart, the Comisión Nacional del Mercado de Valores (CNMV), have concluded a bilateral agreement on cooperation and mutual assistance.

The agreement aims at consolidating cooperation between the two authorities and setting up technical assistance programs, particularly in the areas of financing of small and medium-sized enterprises, the issuance of financial instruments, the mechanisms for the protection of savers and financial education, the FinTech as well as sustainable finance.

The Memorandum of Understanding was signed, as part of an official visit by the Spanish Head of State, by the Presidents of the two institutions, Mrs. Nezha Hayat and Mr. Sebastián Abella. The signing ceremony was held on February 13th, 2019, at the Royal Palace in Rabat, in the presence of His Majesty King Mohammed VI and His Majesty the King of Spain Felipe VI.

AMMC continues its commitment to sustainable finance

The AMMC puts sustainable finance at the heart of its priorities. Hence, many actions have been implemented in recent months:

AMMC integrates IOSCO's SFN network dedicated to sustainable finance

In October 2018, IOSCO created a network dedicated to the issue of sustainable finance. Open to IOSCO members, this network is a platform for exchange of experiences between regulators invested in promoting sustainability in capital markets.

Fully involved in the sustainable finance, the AMMC joined the newly formed network as well as a small working group to map sustainability initiatives adopted or planned by regulators and market operators across the country world. The working group includes regulators representing 9 countries: Argentina, Brazil, Spain, Iran, Japan, Malaysia, Morocco, United Kingdom and Sweden.

AMMC hosts Green Bonds Webinar

In partnership with the International Finance Corporation (IFC), a member of the World Bank Group, the AMMC and the Climate Bonds Initiative (CBI) participated in the animation of a webinar on February 7th, 2019.

As an active member of IFC's Sustainable Banking Network (SBN) and as co-chair of the SBN Green Bonds Working Group, the AMMC was invited to share its experience in the implementation of sustainable financial instruments and their regulation.

This webinar, which gather together over 400 participants from around the world, also reviewed the results of the analysis report "Creating Green Bonds Markets", jointly developed by IFC and CBI.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/ifc_sustainability_webinars#sbn_2019-02-07

AMMC participates in the Unlocking South Africa's Green Bond Market Workshop in Johannesburg

A delegation from the AMMC took part in a Workshop on Green Bond Markets, held in Johannesburg on February 18th, 2019. The event, for regulators, banks and companies active in the field of sustainable finance, was jointly organized by the International Finance Corporation (IFC), the Sustainable Banking Network (SBN) and the Johannesburg Stock Exchange (JSE). The AMMC has been invited to this event to share its experience in implementing a green bond market in Morocco.

The AMMC consolidates its bilateral cooperation actions

In order to consolidate South-South cooperation actions, the AMMC organized information missions for the benefit of two sub-Saharan counterparts:

- **COSUMAF information mission to the AMMC**
  As part of the bilateral agreement signed with the Financial Market Supervisory Commission of Central Africa (COSUMAF), the AMMC organized a study visit for the benefit of two officials of the commission accompanied by a consultant to assist them in overhauling their current regulatory framework following the merger of the two markets in the CEMAC zone. The fact-finding mission took place from 25th February to 1st March 2019.

- **CREPMF information mission to the AMMC**
  Similarly, as part of the bilateral agreement signed with the Regional Council for the Conseil Régional de l'Epargne Publique et des Marchés Financiers (CREPMF), regulator of the l'Union Monétaire Ouest Africaine (UMOA), the AMMC received a CREPMF representative in charge of market surveillance. The mission took place on 21st and 22nd March 2019, and was organized around a series of interviews with representatives of the AMMC as well as the Casablanca Stock Exchange and Maroclear.

AMMC takes part in the Bloomberg Global Regulatory Forum

Mrs. Nezha Hayat, President of the AMMC, was invited to take part, as a panelist at the Bloomberg Regulatory Forum, held in London on December 11th, 2018. The discussions focused mainly on current trends characterizing emerging markets as well as the challenges inherent in developing these markets without compromising financial stability.

The AMMC participates in the World Exchange Congress:

The AMMC attended the 14th edition of this congress; about the theme "Reinvention of the modern-day trading venue, as market participants' transition towards diversifying revenue streams through data ownership, embracing new technologies and attracting new customers", organized by the Lebanese Market Authority, on February 26th and 27th, 2019. The event gathered together more than 500 representatives of infrastructure and capital markets regulators.

In addition to a presentation of the Moroccan experience in sustainable finance, the AMC helped lead a panel on emerging risks that could potentially affect the capital markets and discussed regulatory solutions envisaged.

AMMC takes part in Euromoney Morocco Conference

Euromoney Conferences, a company specializing in the organization of high-level meetings on capital market issues, organized its inaugural conference in Morocco on February 19th, 2019 in Rabat.

A diverse panel of national and international stakeholders focused on the development of the Moroccan financial sector and its international attractiveness.

The AMMC was invited to take part in this event, in order to express itself on the strategic opportunities for the Moroccan banks and capital market, with a particular regard to recent technological developments and the intensification of cross-border activities.

The Committee for Coordination and Surveillance of Systemic Risks (CCSRS) holds its eighth meeting

The Committee for Coordination and Surveillance of Systemic Risks (CCSRS), a consultative body gathering all the regulators of the Moroccan financial system, held its eighth meeting on 25th December 2018. This meeting focused on the review of the mapping of systemic risks and the outcome of the inter-authority roadmap for financial stability for the 2016-2018 periods. A new 2019-2021 roadmap was approved at the end of the meeting.

The AMMC supports the 8th edition of the "Finance Days for Children and Youths" and organizes a cycle of conferences throughout Morocco

As an active member of the Moroccan Foundation for Financial Education (MFFE), AMMC is involved for the second consecutive year in the 8th edition of the "Finance Days for Children and Youths", and organizes, in collaboration with the other members of the MFFE, several seminars throughout Morocco for the benefit of high school students and young university students from March, 27th 2019 to the end of April.

The purpose of these actions is to bring children and youth into the world of finance and prepare them as future adults for financial decision-making. This edition aims to be more inclusive and includes new youth categories such as those belonging to higher education and micro-entrepreneurs.

This eighth edition of Finance Days for Children and Youths" is being held as part of the international event "Global Money Week, which is attended by 169 countries and will benefit some 32 million young people.

NIGERIA

UPDATE FROM SECURITIES AND EXCHANGE COMMISSION

SEC Nigeria Urges Shareholders Association to Merge

The Securities and Exchange Commission (SEC) called for effective shareholder associations in the Nigerian capital market, saying it would strengthen corporate governance and increase shareholder value in quoted companies. Speaking at the Issuers and Investors Alternative Dispute Resolution Initiative (IIADRI) annual symposium in Lagos at the weekend, Acting Director-General of SEC, Ms. Mary Uduk urged shareholders' associations operating in the Nigerian capital market to form a stronger alliance through mergers to be stronger and effective. She posits that mergers would build a stronger, more influential, and effective shareholders' associations and as well enhance shareholder and help in market growth and development. She noted that there were 125 shareholders' associations presently recognized by the commission, noting that more applications for recognition were being processed.

The Acting Director-General said that the Securities and Exchange Board of India (SEBI) had 24 recognized investor associations, saying that the large number of associations in the Nigerian capital market was making it difficult for SEC management and needed to be looked into to make shareholders stronger. She said that stronger and coordinated shareholders' associations would foster the protection of investors' interest through the enhanced scrutiny of the activities of companies by members of the associations. She added that strong and coordinated associations provide invaluable benefits to shareholders by bringing good representations of shareholders at annual general meetings (AGMs) or extraordinary general meetings. She pointed out that shareholder associations can only ensure required governance on companies if they themselves act responsibly and with integrity, adding that effective shareholder activism complements regulators in investor protection, promotes good corporate governance and could enhance shareholder value.

SEC Nigeria Proposes New Rules, Amendments on E-dividends, Transmission of Shares, Direct Cash Settlement.

The Securities and Exchange Commission Nigeria unveiled seven proposed rules as part of its regulatory function of ensuring an orderly market. These rules includes:

New Rules

1. **Proposed Rules on E-Dividend Mandate**

The proposed E-Dividend Mandate, one of the draft rules requires registrars to ensure that shareholders who have completed the electronic dividend mandates (mandated shareholder accounts), supplying their bank account numbers are credited with all outstanding dividends within two days. This rule, when approved is expected to significantly drive down the quantum of unclaimed dividend still in the coffers of registrars, despite regulatory efforts to drastically reduce it.

2. **Proposed Rules on Transmission of Shares**

This proposed rule require registrars to transmit shares of a deceased shareholder within three weeks of receiving the request from the Administrators/Executors, provided Letter of Introduction from the Administrators / Executors, introducing themselves as the legal representatives of the Estate is presented. The letter shall also indicate the names, addresses, signatures and BVNs of the individual Administrators/Executors and must be accompanied by original Death Certificate from the National Population Commission (NPC) for sighting. Also included for sighting or the certified true copy from a Notary Public is the Original probate letter or Letter of Administration; copy of newspaper advert placed by the Court or Gazette; or any evidence of ownership of the investment. This include: the CSCS statement(s) of the deceased, original share certificates, dividend stub or dividend warrants or bank statement(s) showing receipt of dividend(s) into the account(s) of the deceased.

3. **Proposed Rules on Direct Cash Settlement (Re-Exposure)**

The commission re-exposed its proposed rules on direct cash settlement which first published in January 2018, in what it said was to reflect the new amendments for the information of the public. It defined Direct Cash Settlement as a process of paying proceeds of trade carried out on behalf of a client into his/her/its designated bank account directly by a clearing and settlement entity. Client are expected to provide its/his bank account details through its trading member to an approved clearing and settlement entity for purpose of direct cash settlement, who shall provide same, including BVN to an approved clearing and settlement entity for purpose of direct cash settlement. Settlement of all trade shall be made by direct payment into the client's account within the clearing and settlement entity's stipulated settlement cycle and where a client does not provide account details; the dealing member shall not execute any sell trade on behalf of the client. The SEC also made major amendment to proposed Rules on Related Parties Transaction and Conflicts of Interest and proposed Rules on Collective Investment Scheme. Also, sundry amendments to Rules 14 – Appointment of Compliance Officer and proposed amendment to part C (Schedule 1)

PALESTINE

UPDATE FROM THE CAPITAL MARKET AUTHORITY

PCMA launches a comprehensive insurance awareness campaign named (Insurance, Protection and Safety).

PCMA continued its efforts in enhancing the insurance awareness and increasing the customers trust in Palestine by conducting several activities. The first quarter of the year 2019 witnessed the launching of an insurance comprehensive awareness campaign aims to enhance the awareness and knowledge of citizens about the importance of the products and services provided by the insurance sector. The campaign will last for 7 months starting from January 2019, and it is covering all Palestinian governorates by using different outreach tools such as: Radio flashes, cartoons, awareness videos, as well as the use of social networking platforms.

Animation cartoons published on the PCMA website under the insurance campaign category.

Animation cartoons published on the PCMA website under the insurance campaign category.

PCMA held several specialized workshops regarding the securities sector.

In the first quarter of the year 2019, PCMA held a workshop with the stock exchange and brokerage firms to discuss the coming updates according to the capital adequacy requirements No. (5) of the year 2007. This based on the best international practice. On the other hand, PCMA held a discussion session relating to Anti-Money Laundering AML requirement with its stakeholders including stock Exchange and brokerage firms. This discussion covers the coming 2019-2020 action plan and the procedure that should be taken ccording to the recommendations raised from the AML national assessment process.

PCMA issued number of instructions regulating the securities sector.

PCMA approved instructions concerning the license of custodian, which will lead to activate the role of the custodian in mitigating the settlement risks that imposed from his customers.

Moreover, the issuance of this new regulation is expected to protect brokerage firm's right through reducing the risk of cash transactions settlement and enhance the capital adequacy

PCMA participates in “Ring the bell” initiative to

promote the Gender Equality in the private sector.
For the first time in Palestine, and in the celebration of International Women's Day, Palestine stock exchange organized with the cooperation of Palestine Capital Market Authority PCMA, UN women and International Finance Corporation IFC, and "ring the bell" ceremony about the gender equality.
The Ring the Bell initiative, taking place globally for five consecutive years, aims to bring attention to the pivotal role the private sector can play in advancing gender equality to achieve the Sustainable Development Goals and to raise awareness about the Womens Empowerment Principles (WEPs). In March 2018, a record of 65 Exchanges rang their bells for gender equality This year, 80 countries participated including Palestine.

Workshop between PCMA, Palestine stock exchange and the securities companies

PCMAs participation in the initiative "Ring the bell".

QATAR

UPDATE FROM THE QATAR FINANCIAL CENTRE REGULATORY AUTHORITY

QFC Regulatory Authority promotes financial education during Money Week Qatar 2019

The QFC Regulatory Authority participated in Money Week Qatar, which took place from Sunday, 24 March through to Thursday, 28 March 2019.
To support the objective of the Money Week Qatar campaign, the Regulatory Authority staff visited the a number of primary schools and spoke to school children about the value of money, spending it wisely,
The initiative comes as part of Global Money Week, a project that was originally launched by Her Majesty Queen Máxima of the Netherlands nine years ago, and has grown to become an annual global initiative that reaches 169 countries and has touched the lives of 32 million over 7,800,000 students. The campaign aims to raise awareness among school children of the importance of financial education, inclusion and the principles of good financial management.
Money Week Qatar forms part of the QFC Regulatory Authority's Corporate Social Responsibility programme, Mubadarah, and falls under the Second Strategic Plan for Financial Sector Regulation.

QFC Regulatory Authority and Central Bank of Oman sign Memorandum of Understanding

The Qatar Financial Centre Regulatory Authority (QFC Regulatory Authority) and the Central Bank of Oman (CBO) have entered into a Memorandum of Understanding (MoU) to strengthen bilateral relations between the two parties.
The MoU was signed by Mr Michael G. Ryan, Chief Executive Officer of the QFC Regulatory Authority and H.E. Taher Salim Al Amri, Executive President of the CBO. The signing took place on Thursday, 7th March 2019, during a visit by the QFC Regulatory Authority to Muscat aimed at enhancing ties between the two parties through the MoU framework.

With the MoU, the QFC Regulatory Authority and the CBO seek to encourage the establishment of cross-border financial institutions between both jurisdictions and the exchange of information and expertise relating to financial regulation.

The Capital Market Authority (CMA) Grants a Financial Technology Experimental Permit (FinTech ExPermit) to FALCOM Financial Services Co to Create Equity Crowdfunding Platform

Reference is made to the Financial Technology Experimental Permit Instructions issued by CMA in 10/01/2018, which aims to provide a regulatory framework that is conducive for the innovation of Financial Technology (FinTech) in the capital market within the Kingdom. In relation to this, the CMA Board of Commissioners issued its resolution to grant FALCOM Financial Services Co a Financial Technology Experimental Permit (ExPermit) to create equity crowdfunding platform. Based on this permit, FALCOM Financial Services Co will be able to experiment the crowdfunding FinTech which allows investors to participate in funding small and medium size enterprises in exchange for shares in such enterprises. The service is provided through an electronic platform owned and monitored by FALCOM Financial Services Co.

The General Secretariat of CRSD Registers a Class Action Suit Regarding the Violations Committed during the Subscription Stage in Al-Mojil Company's Shares and Enables the Affected Persons to Join this Suit

The General Secretariat of Committees for Resolution of Securities Disputes announced on 14/06/1440H, corresponding to 19/02/2019G that investors affected by the violations committed on Mohammad Al-Mojil Group Company's shares (who have subscribed to or bought shares in the Company prior to publishing its first financial statements on the Exchange on 12/07/2008G) may join the class action suit filed by an investor, which is registered in the docket of the Committee for the Resolution of Securities Disputes, to claim their private action in the violations committed by some of the Company's executives and external auditor. The General Secretariat clarified that affected persons have the right to submit a request to join the aforementioned class action suit within a period of 90 days following the date of publishing this announcement on the General Secretariat's website, ending on 14/09/1440H corresponding with 19/05/2019G. Additionally, the Authority took the initiative to facilitate the procedures for applying to join the class action suit by creating a web page on its website that will allow the affected persons to submit their requests, without having to attend in person.

The provisions regulating the (Class Action Suits) issued by the Authority in November 2017G, aims to facilitate the litigation procedures for investors and reduce the litigation costs, time and efforts in order to ensure that the affected persons receive their compensation in the quickest and easiest manner possible; aiming to achieve the investors protection, the enhancement of the capital market attractiveness and the reduction of investment risks in it.

It is worth noting that the class action suit announced on the General Secretariat's website relates to the affected investors in the subscription stage described above, taking into consideration that a (preliminary) decision regarding the violations subsequent to the subscription stage in the company's shares relating to the misleading and manipulation in its financial statements was issued on 09/05/1440H, corresponding to 15/01/2019G by the Committee for the Resolution of Securities Disputes to convict the defendants of the offenses attributed to them. This decision is not final and may be appealed before the Appeal Committee for the Resolution of Securities Disputes, and the Authority will announce to the public when such decision becomes final.

The details of the General Secretariat of Committees for Resolution of Securities Disputes' announcement can be viewed via the following link:
(The General Secretariat of Committees for Resolution of Securities Disputes' announcement)

CMA Recomposes its Advisory Committee

The Board of the Capital Market Authority (CMA) issued a resolution to recompose the Advisory Committee for its sixth term to comprise of 12 part-time members from market participants, experts, specialists and experienced college professors. The Committee's composition took into consideration a wider representation of market participants. The members are as follows:

- Mr. Rashid S. Al Rashoud – Partner, Ernst & Young
- Mrs. Rania M. Nashar – CEO, Samba Financial Group
- Dr. Roland Bellegarde - Senior Advisor to CEO, Tadawul
- Mr. Tariq Z. Al Sudairy - Managing Director & CEO, Jadwa Investment Company
- Mr. Abdulsalam A. Al-Manei, Deputy, Agency for Internal Trade, Ministry of Commerce & &

Industry (MCI)

- Dr. Abdulaziz H. Algaeed, Associate Professor of Economics, Dar Al Uloom University
- Mr. Abdulwahab A. Al Betairi, Managing Partner, Watar Partners
- Dr. Adnan A. Soufi, Founder & Managing Director, DAS Partners
- Mr. Ali F. Almarzouki - Head of Compliance, NCB Capital
- Mr. Emad S. Al Kharashi – Governor, General Authority for Awqaf
- Mr. Fahad Al Dehais - Managing Partner, Mohammed AlDhabaan and Partners in association with Eversheds Sutherland
- Dr. Mulhim H. Al Mulhim – Lawyer & Legal consultant, Founder of Al Mulhim Lawyers & Consultants

The CMA's Board had previously issued a resolution on 2/11/1434H (corresponding to 8/9/2013G) to approve the CMA's Advisory Committee Regulations pursuant to the Capital Market Law (CML). The main purpose of this resolution is to enable effective communication between the CMA and all different market participants, and creating a regulated mechanism for such interaction in order to support the CMA in fulfilling its functions and achieving its goals.

On this occasion, the CMA's Board would like to express its appreciation to the previous Advisory Committee for their great efforts and contributions, as well as their transparent and unbiased views and recommendations on all aspects which have develop the capital market and ensuring investors' protection.

The Board has also appreciated the role played by the Committee as an advisory body by making recommendations and suggestions on any issues that might need to be explored at the request of the CMA's Board, deliberating topics and suggestions highlighted by market participants and seeking their feedback on any proposed new or amendments to policies which the CMA wishes to adopt, as well as any issues raised by the Committee which are essential to the capital market industry.

During the previous term, the Advisory Committee had scrutinized on several important issues and had provided with their valuable views and recommendations, amongst others:

- CMA's Strategic Plan
- Developing Nomu Market
- Enhancing Investor relations rule in listed companies
- GCC's capital markets integration
- Foreign strategic investors' ownership in listed companies
- Investment Funds regulations
- Public consultation practice
- Client's suitability
- Encouraging private sector companies to list on capital market
- Suggested amendments on Capital Markets Law
- Symptoms of independence in Corporate Governance Regulations

Brief information of the Advisory Committee's members for the sixth term can be viewed on the CMA's website via the following link:
Advisory Committee

The Capital Market Authority announces the Approval on the Initial Public Offering of AlMoammar Information Systems Company's Shares

The Capital Market Authority "CMA" Board has issued its resolution approving AlMoammar Information Systems Company's "the Company" application for the offering of (4,800,000) shares representing (30%) of the Company's share capital. The Company's prospectus will be published within sufficient time prior to the start of the subscription period. The prospectus includes all relevant information that the investor needs to know before making an investment decision, including the share price, Company's financial statements, activities and management.

A subscription decision without reading the prospectus carefully or fully reviewing its content may involve high risk. Therefore, investors should carefully read the prospectus, which includes detailed information on the company, the offering and risk factors. Thus, providing potential investors the ability to evaluate the viability of investing in the offering, taking into consideration the associated risks. If the prospectus proves difficult to understand, it is recommended to consult with an authorized financial advisor prior to making any investment decision.

The CMA's approval on the application should never be considered as a recommendation to subscribe in the offering of any specific company. The CMA's approval on the application merely means that the legal requirements as per the Capital Market Law and its Implementing Regulations have been met.

The CMA's approval on the application shall be valid for 6 months from the CMA Board resolution date. The approval shall be deemed cancelled if the offering and listing of the Company's shares are not completed within this period.

The Capital Market Authority announces the Approval on the Initial Public Offering of Maharah Human Resources Company's Shares

The Capital Market Authority (CMA) Board has issued its resolution approving Maharah Human Resources Company's (the company) application for the offering of 11,250,000 shares representing (30%) of the Company's share capital. The Company's prospectus will be published within sufficient time prior to the start of the subscription period. The prospectus includes all relevant information that the investor needs to know before making an investment decision, including Company's financial statements, activities and management.

A subscription decision without reading the prospectus carefully or fully reviewing its content may involve high risk. Therefore, investors should carefully read the prospectus, which includes detailed information on the company, the offering and risk factors. Thus, providing potential investors the ability to evaluate the viability of investing in the offering, taking into consideration the associated risks. If the prospectus proves difficult to understand, it is recommended to consult with an authorized financial advisor prior to making any investment decision.

The CMA's approval on the application should never be considered as a recommendation to subscribe in the offering of any specific company. The CMA's approval on the application merely means that the legal requirements as per the Capital Market Law and its Implementing Regulations have been met. The CMA's approval on the application shall be valid for 6 months from the CMA Board resolution date. The approval shall be deemed cancelled if the offering and listing of the Company's shares are not completed within this period.

SOUTH AFRICA

UPDATE FROM THE FINANCIAL SECTOR CONDUCT AUTHORITY

Introduction

The Financial Sector Conduct Authority (FSCA) was established under section 56 of the Financial Sector Regulation Act, 2017 (FSRA), and came into being on 1st April 2018 pursuant to the Twin Peaks model of regulation implemented in South Africa. The establishment of the FSCA marks the start of a new, more holistic and intensive approach to regulating the conduct of financial institutions operating in South Africa – focusing on how they treat financial customers and on how they support the efficiency and integrity of financial markets. The Divisional Executive: Market Integrity Division of the FSCA is responsible for the administration of the Financial Markets Act, 2012 (FMA) in terms of which exchanges, central securities depositories, clearing houses central counter parties as well as trade repositories are regulated. The Market Integrity Division of the FSCA comprises of the following supervisory departments: (i) Market Infrastructures & SROs (ii) Credit Rating Agencies (iii) OTC Markets and Issuers and (iv) Financial Benchmarks, which has not yet been operationalized.

KEY DEVELOPMENTS

Cooperation and collaboration in a Twin Peaks System of Regulation

Under the Twin Peaks System of Regulation, two regulators have been established – a Prudential Authority within the South African Reserve Bank and a new Financial Sector Conduct Authority (FSCA). The Prudential Authority (PA) is a juristic person operating within the administration of the South African Reserve Bank (SARB) and was established together with the FSCA as part of the Twin Peaks model of financial sector regulation to regulate financial institutions that provide financial products or securities services (which includes banks, insurers and market infrastructures) under the Financial Sector Regulation Act, 2017 (FSRA). Although it operates within the SARB administration, the PA has separate powers and duties under the FSRA. The PA exists to promote and enhance the safety and soundness of financial institutions and to assist in maintaining financial stability. Among other duties and responsibilities, the PA cooperates with and assists other financial sector regulators such as the FSCA, Council for Medical

Schemes, Competition Commission and National Credit Regulator (NCR) on matters of mutual interest, as this is set out in the FSRA. As indicated in the introductory paragraph, the FSCA supervises how financial services firms conduct their business and treat customers and also assists in maintaining financial stability. The South African Reserve Bank oversees financial stability within a policy framework agreed with the Minister of Finance. The FSCA and the PA play a dual role in strengthening the integrity and efficiency of financial markets with the PA's power to ensure financial soundness of retirement funds delegated to the FSCA for three years, as directed under the FSRA. Also as per FSRA requirement, the FSCA and the PA have concluded a comprehensive memorandum of understanding (MoU) to ensure that they work together effectively and efficiently, without getting in each other's way but rather collaborating consistently towards achieving their shared goals and responsibilities. Areas of shared responsibilities covered by the memorandum of understanding include:

- Having consistent, shared policy positions and formulating joint regulatory strategies
- Making standards, joint standards and other regulatory instruments
- Licensing financial institutions
- Designating financial conglomerates
- Supervisory on-site inspections and investigations
- Enforcement and administrative action
- Information sharing and minimising duplication
- Delegating certain responsibilities to one another

In order to work towards the strengthening of the efficiency and integrity of financial markets, the FSCA will undertake a number of measures, both in collaboration with other relevant entities and also as an independent body with specific mandates and objectives.

FSCA MEASURES TO ENSURE THE STRENGTHENING OF FINANCIAL MARKETS

- An MoU between the SARB and the FSCA to govern cooperation in supporting financial stability, and working with the SARB's National Payment System Department (NPSD) on oversight of payment service providers, as well as with the SARB Financial Surveillance Department (FinSurv) on services related to the buying and selling of foreign exchange
- An MoU with the NCR will govern responsibilities for oversight of the credit industry
- An MoU between the FSCA and the Financial Intelligence Centre (FIC) is already set out in the FSRA. Further MoUs envision cooperation with the PA and with the SARB to ensure holistic oversight of money-laundering and terror-financing risks, while recognising that supervision of compliance with the FIC Act has both market and prudential implications
- The FSCA is in discussions with the Council for Medical Schemes (CMS) to determine how and in which cases FSCA agreement is required with CMS decisions. The FSCA is also exploring broader opportunities for collaborating with the CMS on consumer protection objectives in the medical schemes sector
- The FSCA will have regard to international standards to which South Africa subscribes, in ensuring that financial markets comply with these standards where appropriate; without losing sight of unique South African circumstances that may impact such compliance. To this end, the FSCA actively participates in relevant international and regional bodies and forums, in order to keep abreast of international developments
- The FSCA also participates in the periodic reviews of the Financial Sector Assessment Programme (FSAP), which is a voluntary assessment by the International Monetary Fund (IMF) which probes the stability of a country's financial system and helps to identify key sources of systematic risk in the financial sector. The objective of this is to work towards implementing policies that enhance South Africa's resilience to shocks and contagion
- The FSCA recognises the importance of open, honest and constructive collaboration with all relevant stakeholders, and is therefore committed to making itself more accessible to an ever wider range of financial customers and businesses. In accordance with this objective:
- Stakeholders can expect to engage with FSCA through the websites www.fsca.co.za and www.fscaconsumered.co.za. The FSCA's Business Centre, once it becomes fully operational, will act as an information hub for the entire FSCA, where all queries, complaints and inputs can be made.
- Formal consultation forums such as the *Market Conduct Regulatory Framework Steering Committee (MCRF SteerCo, Intergovernmental FinTech Work Group (IFWG),* the *Exchange*

Fragmentation Forum as well as regular (usually quarterly) *Industry association meetings* with specific industry associations, will continue.
- An annual FSCA-wide regulatory and supervisory seminar, and ad hoc seminars and workshops on specific topics will be held as and when necessary
- The public media, including print, television, radio and social media will be utilised
- In addition to the above communication channels, the FSCA is open to invitations to all forums arranged by professional or industry bodies. The FSCA will also look at how to assist consumers to formally organise so that they can be represented more fully in these engagements

The FSCA is committed to enhance and support the efficiency and integrity of financial markets and protects financial customers by promoting the fair treatment of customers (TCF) by financial institutions. At the same time the FSCA regulates and supervises financial institutions in such a manner as to empower them to comply with the standards and guiding principles of the FSCA and international best practice.

Subordinate Legislation: The Financial Markets Act, Act No 19 of 2012

The FSRA empowers the FSCA and the Prudential Authority to make regulatory instruments in respect of the entities that they regulate including the process for making such regulatory instruments. These regulatory instruments may take the form of conduct standards by the FSCA, prudential standards by the PA or joint standard by both the PA and the FSCA. On 9 February 2018, the Minister of Finance prescribed Regulations for the Over the Counter (OTC) Derivatives market (OTC Derivatives Regulations) in terms of the Financial Markets Act, 2012 (No. 19 of 2012) (Financial Markets Act). The OTC Derivatives Regulations are aimed at ensuring that South Africa meets its international commitments by making regulatory and legislative reforms to the OTC derivatives market to align with international standards. The Minister of Finance, in Regulation 5 of the OTC Derivatives Regulations, prescribed an authorised OTC derivative provider to be a regulated person as contemplated in section 5(1)*(b)* of the FMA. In pursuance of the OTC Derivatives Regulations as aforesaid, on 27th July 2018, the FSCA published a conduct standard which prescribes criteria for the authorization of over-the-counter derivative providers as contemplated in section 6(8) (a) of the FMA. Furthermore, the FSCA and the PA are finalising the Joint Standard on Margin Requirements for non-centrally cleared OTC derivative transactions. The Joint Standard on Margin Requirements is currently going through the PA and the South African Reserve Bank internal process.

Draft Conduct Standard for parties to Securities Financing Transactions (SFTs) in the South African Securities markets

It is commonly accepted that the optimal use of securities finance transactions can make a significant contribution to the efficiency, liquidity and the competitiveness of the South African capital markets and will further reduce systemic risk. Currently there is no formal regulation of securities finance activities within the South African capital markets and as such, the South African securities finance industry is to a large degree self-regulating and operates under among others, guidelines laid down by the South African Securities Lending Association (SASLA). A SFT is any transaction where securities are used to borrow cash, or vice versa and includes securities lending and borrowing, repurchase transactions and margin trading transactions. With this in mind, the FSCA began a process for the development of a regulatory framework for securities finance activities in the South African markets. On 19th October 2017 the FSCA published a draft Conduct Standard for parties to Securities Financing Transactions in the South African Securities markets for public comment until 20th November 2017. Comments were received from various stakeholders such as Banking Association of South Africa ("BASA"), South African Securities Lending Association ("SASLA"), South African Institute of Stockbrokers, Strate (Pty) Ltd and other Institutions. The Market Integrity Division considered the comments and amended the draft Conduct Standard to incorporate all the comments received during the public consultation. The FSCA further consulted its policy maker (National Treasury) and fellow regulators (the PA and the SARB) and it was agreed that the draft standard should be a conduct standard. However, the authorities will provide necessary inputs to it, as required. The parties have agreed that the SARB and the National Treasury will be exempted from the provisions of the conduct standard. The Financial Markets Implementation Committee constituted by the SARB, FSCA and National Treasury, has advised the FSCA to approach the Treasury with the view to requesting the Minister of Finance to designate both SFTs and benchmarks as activities in terms of the FSR Act. The conduct standard will thus be finalized as soon as the entire process for making regulatory instruments envisaged in section 98 of the FSRA has been followed.

CPSS-IOSCO Principles for Financial Market Infrastructures

During April 2012, the Committee on Payment and Settlement Systems (CPSS) and the International Organisation of Securities Commissions (IOSCO) issued principles for Financial Market Infrastructures (FMIs). The FSCA is responsible for ensuring that the FMIs under its supervision, i.e. central securities depositories, clearing houses, central counterparties and trade repositories are in compliance with the applicable principles. Strate (Pty) Ltd (Strate), a licensed Central Securities Depository (CSD) conducted its self-assessment in November 2017. Strate provides electronic settlement for securities - including equity, bond and derivative products, such as warrants, Exchange Traded Funds (ETFs), retail notes and tracker funds for the Johannesburg Stock Exchange (JSE), money market securities for the South African market and equities for the Namibian Stock Exchange. JSE Clear (Pty) Ltd, a clearing house has conducted self-assessments against the principles stipulated in the CPSS-IOSCO "Principles for Financial Market Infrastructures (PFMIs) in December 2018. The FSCA and the PA are currently reviewing the JSE Clear self-assessment.

The FSCA attended a training program in Pretoria, hosted by the International Monetary Fund in conjunction with the SARB Academy from 4th-8th March 2019 on the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMIs). The program supports efforts to enhance the level of assessment proficiency and achieve compliance of the financial market infrastructures (FMIs) with the international standards, the PFMI. It aims to build a broad understanding of the key risks and appreciation of the requirements of the international standards for FMI operators (in managing risk) and for the regulatory, supervisory and oversight authorities in overseeing the FMIs.

Review of the South African Wholesale financial markets

The National Treasury, the SARB and the FSCA jointly established a Financial Markets Review Committee (FMRC) to undertake a benchmark review of South Africa's wholesale financial markets, similar to the Fair and Effective Markets Review conducted in the UK. The objective of the review was for the FMRC to develop recommendations to reinforce conduct standards in wholesale financial markets and the output of the FMRC is intended to inform legislative changes, including to the FMA.

Review of the Financial Markets Act

The National Treasury has instituted an inter-agency committee, the Financial Markets Implementation Committee, tasked with progressing the review of the Financial Markets Act (FMA). With assistance from international experts, the committee will assist the National Treasury to identify policy gaps and develop a policy paper as a baseline for an FMA Amendment Bill. The FSCA will engage with the PA, the SARB and the National Treasury on the following focus areas:

- Alternative trading platforms
- Regulation of authorized users
- Cross-market surveillance

Short-selling reporting regime

Legitimate short-selling plays an important role in financial markets for various reasons, including more efficient price discovery, mitigation of price bubbles, increasing market liquidity, and facilitating hedging and other risk management activities. To address conduct concerns where short selling may be used in an abusive manner, the FSCA is developing a short-selling reporting regime in which short sales are flagged by the authorized user and reported to the exchange concerned as well as to the FSCA. This will give the FSCA a repository of short-selling data, enabling it to carry out its market abuse investigation mandate in terms of the FSR Act.

Market Fragmentation Interventions- Conduct Standard on Exchanges

The Market Integrity Division identified interventions that need to be considered by the Authority in light of the prevailing multi-exchange environment. It initiated engagements and arranged multiple meetings with the exchanges to discuss possible solutions in respect of the identified interventions. It was then decided that conduct standards will be drafted for the following interventions:

- Price sensitive information;
- Corporate Actions;
- Financial soundness/capital adequacy requirements;
- Default Procedures;
- Accounting Standards;
- Corporate Governance;
- Continuing Obligations; and Best Execution.

The Market Integrity Division has accordingly prepared a draft Conduct Standard for Exchanges which will shortly be finalized following stakeholder consultations.

MARKET PROFILE OF THE SOUTH AFRICAN CAPITAL MARKETS (EXCLUDES NEW EXCHANGES AS THEY HAVE LOW TRADING VOLUMES AND LIQUIDITY)

	December	January	February
Number of Trades	5,146,791	5,728,480	5,835,845
Volume Traded (Mil)	7,864	5,668	6,756
Value Traded (R Mil)	322 421 (22 420 USD)	369 110 (27 789 USD)	384 435 (27 464 USD)
Market Capitalisation (R bn) period)	**12 682 (882 USD)**	**12 964 (976 USD)**	**15 664 (1 119 USD)**
	December	**January**	**February**
Foreign Purchases (R Mil)	60 891 (4 234 USD)	73 159 (5 508 USD)	75 446 (5 390 USD)
Foreign Sales (R Mil)	-73 376 (- 5 102 USD)	-88 099 (-6 633 USD)	-74 981 (-5 357 USD)
Foreign net(Sales) Purchases	**-12 485 (868 USD)**	**-14 940 (-1 125 USD)**	**465 (33 USD)**

Number of companies/securities listed for the period December 2018- February 2019

Mainboard, Venture & Development Capital			
Mainboard, Venture, Development Capital & BEE	**December**	**January**	**February**
Companies Listed	326	325	321
No of New Listings	-	-	1
No of Delistings	-	1	5
AltX			
Companies Listed	46	46	44
No of New Listings	-	-	-
No of Delistings	-	-	2
Overall JSE Listing			
No of New Listings	-	-	1
No of Delistings	-	1	7
Foreign Listings	74	74	72
Overall JSE Listing			
Domestic Listings	298	297	293
Companies Listed	372	371	365
No of Securities Listed	**822**	**908**	**896**

Equity Capital Raised on the JSE (R Million)

	2015	2016	2017	Month ended Feb 2019	Year to date 2019	Year to date 2018	% change year on year
Acquisition of Assets	93,130	13,085	23,315	-	300	-	100%
Rights Issue	35,842	24,160	32,688	132	132	1,063	-87.6%
Share Incentive	11,688	9,374	9,468	71	118	167	0.%
Waiver of Pre-emptive rights	109,530	69,649	35,048	2,382	2,382	4,178	-28.9%
TOTAL	**250 190**	**116,269**	**100,520**	**2,585**	**2,932**	**5,407**	**-43%**

Annualised JSE Liquidity

	2015	2016	2017	Month ended Feb 2019	Year to date 2019	% Change year on year
Liquidity %*	42.8	34.9	35.9	39.6%	37.4%	-11.7%

**Liquidity is the equity turnover as a percentage of market capitalisation.*

Annualised JSE Liquidity

JSE indices	As of Dec 31, 2018	As of Jan 31, 2019	As of Feb 28, 2019	% Change (Jan-Feb)
ALSI	52,737	54,157	56,002	3.41
ALSI 40	46,727	47,956	49,667	3.57
FINI 15	16,380	17,486	17,127	-2.05
INDI 25	63,684	64,225	66,860	4.10

JSE Derivatives Divisions

Equity Derivatives Division (EDD)

The month on month market statistics comparison for the EDD of the JSE is illustrated in the following table

	Dec 2018	Jan 2019	Feb 2019	% Change (Jan-Feb)
No. of Futures Trades	289 429	270 668	244896	-9.52
No. of Options Trades	632	1303	1146	-12.05
Futures Contracts Volume (000)	12802 (890 USD)	2687 (202 USD)	3390 (242 USD)	26.16 (19.72)
Options Contracts Volume (000)	451 (31 USD)	995 (75 USD)	1180 (84 USD)	18.59 (12.53)
Futures Turnover value (R 000's)	668 299 (46 472 USD)	289 710 (21 811 USD)	283 747 (20 271 USD)	-2.06 (-7.06)
Options Turnover value (R 000's)	1799 (125 USD)	4075 (307 USD)	2726 (195 USD)	-33.10 (-36.52)

Commodity Derivatives Division (CDD)

The month on month market statistics comparison of the CDD are illustrated in the following table:

	Dec 2018	Jan 2019	Feb 2019	% Change (Jan-Feb)
No. of Futures Trades	31,962	29,937		3.20
No. of Options Trades	5,438	5,609	3,444	-38.60
Futures Contracts Volume (000)	201 (14 USD)	175 (13 USD)	225 (16 USD)	28.57 (22)
Options Contracts Volume (000)	51 (4 USD)	49 (4 USD)	33 (2 USD)	-32.65 (-36.09)
Futures Turnover value (R 000's)	54682 (3802 USD)	49584 (3733 USD)	58856 (4205 USD)	18.70 (12.63)
Options Turnover value (R 000's)	1477 (103 USD)	1721 (130 USD)	393 (28 USD)	-77.16 (-78.33)

Application for License to operate as ODP

Following the publication of the conduct standard which prescribes criteria for the authorization of over-the-counter derivative providers as contemplated in section 6(8) (a) of the FMA on 27th July 2018F the OTC Markets and Issuers department was operationalized in December 2018. The department has received applications for license to operate as an ODP.

- The department then began a review of the application process and requirements for ODP licensing.
- Having reviewed the application received and after having consulted with several industry players, it was evident that the industry was uncertain regarding the Authority's requirements for granting a license to ODP's.
- After consulting both internally and with the PA, it was decided that the application requirements were not prescriptive enough to enable applicants to provide the detail required to assess the application in line with the regulatory requirements.
- The ODP department also developed a detailed application form and an application index that outlines the requirements for registration as an ODP as stipulated in the regulations.
- The intention is to receive applications that provide comprehensive responses to the regulatory questions and requirements that are necessary for the Authority to make an informed decision with respect to every application received. The process is designed to level the playing fields with regards to the applicants' interpretation pf the Authority's requirements.
- The PA was also involved in the process and has made clear, its own requirements from applicants that fall under its regulations.
- The application deadline for ODP's has been extended from 31st March 2019 to 15th June 2019.
- This was done in order to provide the industry with sufficient time to put together the comprehensive information requirements that need to accompany their applications.

Regulation of Credit Rating Agencies

Three credit rating agencies are registered and approved to carry out the activities of credit rating services in South Africa. The Prudential Authority applied for an exemption on behalf of South African registered banks. The proposed exemption allows South African registered banks to continue to rely on the credit assessments issued by eligible external credit assessment institutions (ECAIS), without these ECAIS having to register in terms of section 4(1) of the Credit Ratings Services Act.

The exemption will be valid until section 85A of the Banks Act, 1990 is amended. Section 85A provides as follows: *'Notwithstanding anything to the contrary in any law, no bank or controlling company shall, in the calculation of its prescribed minimum amount of required capital and reserve funds, take into account a credit assessment of an external credit assessment institution or export credit agency unless the relevant external credit assessment institution or export credit agency obtained the prior written approval of the Registrar to act as an eligible institution.'*

The section was introduced in 2007 by the Banks Amendment Act 20 of 2007 to give effect to the latest

international standards governing capital adequacy, published as the Revised Framework on International Convergence of Capital Measurement and Capital Standards, better known as Basel II.
On 25 February 2019, the department and the Prudential Authority met to discuss the exemption application and to discuss public comments received. The granting of the exemption has been recommended but not yet approved.

The credit rating services department continues to cooperate with international regulators and continues to put in place multilateral memorandums of understanding. Furthermore, the department ensures that South Africa is “at least as stringent as” the ESMA regulations in terms of its regulation of credit rating agencies.

SWAZILAND

UPDATE FROM THE FINANCIAL SERVICES REGULATORY AUTHORITY

1. Licensing

There were no new licensees in the capital markets during the period under review. However, 1 collective investment scheme manager and 1 investment adviser could not renew their licences due to outstanding issues with the FSRA. The capital markets of Eswatini comprises 14 Investment Advisers, 6 Collective Investment Schemes Managers (down from 7 in December 2018), 14 Collective Investment Schemes, 2 Trustees, 2 Dealer-Brokers, 1 Securities Exchange and 1 Exempt Dealer as shown in the table below:

Licence	**Number of Licensees Q4 2018**	**Number of Licensees Q1 2019**
Investment Advisers	15	14
Collective Investment Scheme Managers	7	6
Trustees	2	2
Dealer-Brokers	2	2
Securities Exchanges	1	1
Exempt Dealers	1	1
Total	**28**	**26**

1.1 On-site Inspections

There were no inspections of capital markets entities during the period under review.

1.2 Assets under Management (AUM) and Assets under Advisory (AUA)

Total assets under management (AUM) and assets under advisory (AUA) as at 1 January 2019 amounted to E26 012 937 437.66 (USD 1 829 333 812.37). This represented a 0.63% increase in the figure reported in the preceding period (Q4 2018). The sum of AUM and AUA represents 41% of Eswatini GDP.

AUM increased 1.2% from E7 179 429 259.64 (USD 505 119 514.71) to E7 265 091 202.09 (USD 510 910 273.70) during the period under review. AUA increased sub-1% from E18 670 267 551.72 (USD 1 313 574 679.00) to E18 747 846 235.57 (USD 1 318 423 538.67).

	31 December 2018	31 March 2018	% Variance	31 March 2018 US Dollars
Total Assets	25 849 696 811	26 012 937 437	0.63%	1 829 333 812

Legislative Developments

2.0 Legislative Developments

The FSRA embarked on a project to modernise Eswatini financial laws including laws pertaining to securities regulation in the year 2017. In the third quarter of the 2018, the first tranche of drafting instructions was compiled and sent to the appointed legal drafter. The first tranche of drafting instructions were those addressing matters in relation to the drafting of the FSRA Amendment Bill.

The object of the FSRA Amendment Bill is to amend and modernise the Financial Services Regulatory Act, 2010 so as to: accommodate the change of the country's name from Swaziland to Eswatini; ensure that the Financial Services Regulatory Act, 2010 prevails over all financial services laws; declare new categories of products, non-bank financial services providers or financial services without the need to amend the Financial Services Regulatory Act, 2010; adjust the list of Financial Services laws in the First Schedule of the Financial Services Regulatory Act, 2010 to include the Building Society Act 1962, the Consumer Credit Act 2016, the Motor Vehicle Accident Fund Act 1991, the Eswatini National Provident Fund Order, 1974 , the Medical Schemes Act, 2017, the Co-operative Societies Act, 2003; and other relevant financial services laws; adjust the list of non-bank financial services providers in the Second Schedule to include contract for differences (CFDs). (online forex services), financial planners, private equity funds, credit rating agencies and other relevant services deemed by the Authority, by notice in writing, to be financial services providers within the Act; align the Financial Services Regulatory Act, 2010 with international standards; invest the Authority with statutory powers to investigate and take action against unauthorised financial service providers and issue an order to cease and desist against them; clarify the ongoing responsibility of each financial services provider to meet established fit and proper requirements; define "officer", and ensure that the Financial Services Regulatory Act also extends to key persons in control functions, such as the head of internal audit by the FSRA; institute a regulatory regime to define "significant ownership" and "controlling interest" and insert appropriate powers to obtain information and prevent changes without the sanction of the authority; strengthen the licensing conditions of the Financial Services Regulatory Act, 2010 to include a requirement for information on beneficial ownership of applicants; and insert power to control the appointment of officers by the Authority; institute a regime to identify "significant ownership" and "controlling interest"; and insert appropriate powers to obtain information and approve changes by the Authority; amend section 19(1) of the Act and extend confidentiality requirements to individuals acting on behalf of the Authority (presently or in the past, to preserve the confidentiality of information acquired during their tenure of office with the supervisor and this should include confidential information received from other supervisors (not just information of the supervisor and financial services providers as section 19 currently provides); and specify penalties for the wrongful disclosure of confidential information in the legislation; include power to obtain information about beneficial ownership for the purposes of the performance of the FSRA's functions; and insert requirement for licensees to notify / seek prior FSRA approval for any change that, if implemented, could have a material impact on the entity, including a change in the name of a licensee; Set uniform 7 year requirement for maintenance of records by licensees; and Insert provision which requires regulated entities to keep records that are sufficiently thorough and detailed so as to enable any financial or securities transactions to be evidenced and reconstructed as necessary; Strengthen FSRA's power to obtain information from parties in addition to Financial services providers; and provide for matters connected with or incidental to the foregoing.

In the fourth quarter of 2018, the second tranche of the drafting instructions was compiled and sent to the appointed legal drafter. The second tranche drafting instructions were those addressing matters in relation to the drafting of the Securities Amendment Bill.

The objects of the Securities Amendment Bill are to:

(a) provide for the Financial Services Regulatory Authority as the competent Authority in respect of the administration of this Act;
(b) align the Securities Act, 2010 with the provisions of the Financial Services Regulatory Authority Act, 2010;
(c) amend the Securities Act, 2010; and
(d) provide for incidental matters.

In the first quarter of 2019, the first tranche of drafting instructions was compiled and sent to the appointed legal drafter. The third tranche of drafting instructions were those relating to matters relating to the drafting of Capital Markets Regulations.

The objects of the Regulations were to update and adopt proposed Capital Markets Rules of 2013 as Regulations of 2019. The Adopted Rules are listed below:

(a) Central Securities Depository Rules, 2013
(b) Collective Investment Schemes Accounts and Reports Rules, 2013
(c) Collective Investment Schemes Investment and Borrowing Powers, 2013
(d) Collective Investment Schemes Prospectus Requirements Rules, 2013
(e) Collective Investment Schemes Rules, 2013
(f) Securities Exchanges Rules, 2013
(g) Licensing Rules, 2013

2.1 Other Developments

2.1.1 The Swaziland Stock Exchange ("SSX") changed its name to Eswatini Stock Exchange ("ESE"). This was in line with King Mswati III announcement of the country going back to the original name of Eswatini in April 2018. The official name change of the stock exchange was combined with the unveiling of the new logo and the introduction of an Automated Trading System ("ATS"). This watershed event was held at Royal Villas in Ezulwini. The Prime Minister of the Kingdom of Eswatini, His Excellency The Right Honourable Ambrose Mandvulo Dlamini officially launched the ATS and the new Name and LOGO of the exchange, and was joined by the Minister of Finance, the Honourable Neal Rijkenberg, the Minister of Economic Planning and Development, the Honourable Dr Tambo Gina and other high ranking government officials.

The ATS is anticipated to expedite the trading process and encourage more listings on the ESE. It is further anticipated that the ATS will broaden investor base on the ESE as it will provide for remote and mobile trading.
The FSRA has successfully procured an electronic trading surveillance platform to enhance its ability to fulfil its mandate of monitoring and fostering a fair, efficient and orderly securities market.

His Excellency The Right Honourable Prime Minister of Eswatini arrives for the ESE ATS launch, February 2019

The Honourable Minister of Finance addresses the ESE ATS launch, February 2019

FSRA staff and IMF delegation at the ESE ATS launch, February 2019

ESE Manager at the ESE ATS launch, February 2019

2.1.2 The FSRA hosted the third annual Capital Markets Indaba at the Royal Villas Eswatini Hotel in Ezulwini on 28 March, 2019. The Indaba 2019 theme was "The positive impact of socially responsible investing." The Capital Markets Indaba (Indaba) is a forum that was created by the Financial Services Regulatory Authority (FSRA) to facilitate development-themed discussions between capital markets entities and relevant stakeholders in the domestic capital market. The forum is used to interrogate the prospects of the Eswatini capital market with a focus on solutions to promote the development of the local capital market and the Eswatini economy at large.
In 2019, the Kingdom of Eswatini is facing persisting economic challenges including: slow economic growth; high levels of inequality and poverty; high unemployment rates especially among youth; limited research and technical capacity to generate timely and quality data; capacity constraints on implementing pro-poor policies effectively; and corruption. The capital markets industry and stakeholders were hence tasked to discuss how the economy of Eswatini can be revamped and positioned on a higher growth path during the Indaba 2019; and to further discuss the positive impact of socially responsible investing.

FSRA CEO, Mr. Sandile Dlamini delivers his address at the Capital Markets Indaba 2019, March 2019

Minister of Finance, Hon. Mr. Neal Rijkenberg delivers his address at the Capital Markets Indaba 2019, March 2019

ESE Manager at the ESE ATS launch, February 2019

Members of the audience interact at the Capital Markets Indaba 2019, March 2019

His Royal Highness Prince Lonkhokhela addresses CoSSE delegates at the 55th CoSSE meeting, March 2019

2.1.3 Eswatini Stock Exchange hosted the 55th Committee of SADC Stock Exchanges (CoSSE) meeting on the 14th of March, 2019 at the Royal Swazi Spa Hotel, Libandla Room where His Royal Highness Prince Lonkhokhela as a Member of the ESE Market Committee joined the CEO and ESE Staff in attendance. During the course of this event, the ESE hosted a Welcome Cocktail on the 13th March 2019 at Banqueting Hall 1, Royal Swazi Convention Centre at 6:00 PM and a Cultural Dinner on the 14th of March 2019 at Mantenga Cultural Village, Ezulwini, also started at 6:00 PM.

Delegates convene at the 55th CoSSE meeting, March 2019

The Programme Director welcomes CoSSE delegates to the 55th CoSSE meeting, March 2019

2.1.4 Eswatini Stock Exchange hosted its Inaugural Listings and Investments Conference at the Royal Swazi International Convention Centre (RSICC) on 15th March 2019 under the theme "Opening the ESE to the Business Community as a Gateway to Raising Capital".

The first annual conference aimed to open up the ESE to the business community, discussed the benefits for private companies of listing on the ESE, the listing process and requirements, and engaged with companies that have the potential to list on the ESE. To achieve that, already listed companies had a platform to share lessons on how they created value through an ESE listing and used their listings to expand products and services. Experts in the capital markets discussed the advantages of listing a company on the stock exchange as well as the process involved in listing. The process attracted role players involved in the listing process such as Sponsoring Brokers, Transfer Secretaries, the CBE as Government's Debt Sponsor and as custodian of the Central Securities Depository, Lawyers, Asset Owners, Asset Managers and Trustees. 200 delegates were expected and most of the participants were companies that have the potential to list in the medium to long-term.

The Honourable Minister of Finance, Honourable Neal Rijkenberg represented the Right Honourable Prime Minister of the Kingdom of Eswatini to make the Official Opening Address of this first ever conference in the history of the Exchange. The Keynote Speaker was Mr Thapelo Tsheole, Chief Executive of the Botswana Stock Exchange (BSE) and Chairman of the Committee of SADC Stock Exchanges (CoSSE) who was joined by other SADC Stock Exchange Members since this event was preceded by the 55th Meeting of the Committee of SADC Stock Exchanges (CoSSE) on 14th March 2019.

At the end of the conference, SMMEs and companies in general were afforded a platform to draw lessons on the stock market as a gateway to financing operations through the lessons learnt on how listed companies have created value through listing and how they leveraged on their listing to grow.

The audience consisted of MSMEs, large private companies, buy side and sell side consisting of executives that are financial market participants, investment management institutions, investment management professionals, capital market intermediaries, issuers of investment securities, service providers within the securities market, related capital market practitioners as well as experts and scholars in all sectors of the economy who analysed viable opportunities that companies exploit in the continent.

2.1.5 The ESE Staff in collaboration with the FSRA, CBE, Centre for Financial Inclusion (CFI) and JA Eswatini commemorated Global Money Week which started with an official launch by the Minister of Education, Honourable Lady Howard Mabuza at the UNESWA Sports Emporium on 25 March 2019, where the CEO joined by the Ministers of Finance and Education and Governor of the CBE engaged in a panel discussion with the private and public sectors in unlocking the potential of collaborating towards this initiative.

The Finals Schools Competition where the Eswatini Bankers Association (EBA) were Adjudicators for the 8 Schools was also the epitome of the launch as the best schools debated on the theme "Learn, Save and Earn"

During the course of the week, ESE Staff and CBE Staff were conducting financial literacy sessions both at the CBE and at the ESE. The annual global money week aims at increasing the level of financial inclusion and financial literacy in Eswatini. Students from all Junior Achievement participating schools visited the CBE and ESE to be exposed to the mandates and operations of these financial institutions. The schools that have participated in this programme are depicted below, comprising of 30 students and 20 teachers per day over 4 days, making the reach out to over 200 people since the media houses and members of the public who had heard about these sessions flocked the ESE.3.2 Equity Turnover

PARTICIPATING SCHOOLS			
CELEBRATING ANNUAL GLOBAL MONEY WEEK 2019			
Day 1 Tuesday	Day 2 Wednesday	Day 3 Thursday	Day 4 Friday
26-Mar-19	27-Mar-19	28-Mar-19	29-Mar-19
Mantambe	...	Mhlume	St John Bosco
Elulakeni	St Francis	Nyetane	Mbekelweni
Edoropeni	KaSchiele	Ngomane	Swazi National
Matsanjeni	SOS	Lusoti	Manzini Nazarene
Velebantfu	Londunduma	Matsetsa	Salesian
Ntfonjeni	Mbeka	St Philip's	Mjingo
Herefords	Fundukuwela	Ndzevane	St Theresa's
Etimphisini	Ezulwini Community	Maphilingo	Gundvwini
Sibovu	Bahai	Mabhensane	Nkiliji
Sikanye	Dvokolwako	Nyakatfo	Ekukhanyeni
50	50	50	50

3.0 Eswatini Stock Exchange (ESE)

3.1 Listed Equities

	January 2018	February 2018	March 2018
Total companies listed	7	7	8
New entrants/listings	0	0	1
Domestic Companies	7	7	8
Foreign Companies	0	0	0

Source: ESE Trading Statistics, 2019

A total turnover of E465, 119.80 was recorded from a sale of 97,594 shares over a total of eight (8) trades concluded over the 1st quarter of 2019. In comparison to the 4th quarter of 2018, turnover decreased by 82%, down from E2 597, 570.80 in the previous quarter. Trades conducted in the 1st quarter were as follows: SBC Ltd (3 Trades), Nedbank (2 Trade) and Greystone Partners Ltd (3 Trades).

VALUE TRADED SUMMARY 1st QUARTER 2019

Company	Number of Shares	Share price (cps)	Emalangeni	Date
Greystone Partners	5 000	306	15,300.00	07/01/19
Nedbank Limited	3 364	1120	37,676.80	31/01/19
SBC Limited	1 580	810	12,798.00	31/01/19
Greystone Partners	10 838	306	33,164.28	06/02/19
SBC Limited	7 000	810	56,700.00	25/02/19
SBC Limited	4 812	306	14,724.72	25/02/19
Greystone Partners	54 600	306	167,076.00	12/03/19
Nedbank	11 400	1120	127,680.00	01/03/19
TOTAL			465,119.80	

Source: ESE Trading Statistics 2019

3.3 Capital gains Comparison in Equity Prices

Below are the listed companies and their respective share prices (cents per share), compared on an end of quarter basis:

SHARE PRICE QUARTER COMPARISON AS AT 31 MARCH 2019

COMPANY NAME	SHARE PRICE DEC 18	SHARE PRICE MAR 19	(%) GAINS	MKT CAP (SZL)
Nedbank Limited		1120	1.82%	267 698 245
RSSC	1400	1400	0%	1 348 851 280
SEL	3418	3418	0%	632 330 000
Swaprop	605	605	0%	140 714 833
Swazispa Holdings	600	600	0%	41 966 964
Greystone Partners	306	306	0%	434 019 571
SBC Limited	810	810	0%	781 569 000

Source: ESE Trading Statistics 2019

4.0 Economic Indicators

Headline consumer inflation rose slightly to 5.1 % in February 2019 from 5.0% in January 2019.
Lilangeni weakened against all major currencies. US Dollar: Lilangeni was 1: 14.37 Euro: Lilangeni 1: 16.25 British Pound: Lilangeni 1: 18.94
Discount and lending rates were unchanged in March 2019. Prime Lending: 10.25% Discount Rate: 6.75%
Credit Extended to the Private Sector contracted by 0.3 per cent when compared to the previous month.
Outstanding domestic debt as at end of March 2019 stood at E10.34 billion, an equivalent of 15.7 per cent of GDP rising from E9.83 billion recorded in February 2019

*Source: Central Bank of Eswatini, Recent Economic Developments (March, 2019)

The table below shows Government securities outstanding by Holder as at 31 March 2019 (E' Million)

Holder	Treasury Bills	Government Bonds	Promissory Notes	CBE Advance	Total	Share of Holdings (%)
CBE	2.7	1 293.6	0.0	1 630.0	2 926.3	27.8
Commercial Banks	1775.5	861.2	0.0	0.0	2 636.7	25.0
NBFIs	684.6	3 831.2	0.0	0.0	4 515.8	42.9
Other	124.9	194.1	135.0	0.0	454.0	4.3
TOTAL:	2 587.7	6 180.1	135.0	1 630.0	10 532.8	100

TUNISIA

UPDATE FROM THE FINANCIAL MARKET COUNCIL

LEGISLATION

1. Amending and complementing the Law dated 7th August 2015 on anti-money laundering and terrorism financing's fighting by the Law dated 23rd January, 2019 which mainly:
   - Redefined a number of relevant concepts such as: the legal personality, the assets' freezing, confiscation
   - Included enhanced measures in connection with terrorism financing's fighting.
2. Enactment of the Governmental Decree dated 21st January, 2019 specifying the tools & criteria determining the beneficial owner;
3. Enactment of the Governmental Decree dated 1st February, 2019 setting the implementation measures of the decisions relating to fighting terrorism and weapons proliferation financing
4. Issuance on 30th January, 2019 of two 2 circulars by the Central Bank of Tunisia:
   - The first on Startups 'foreign currency accounts
   - The second on transfers related to day to day operation

SUPERVISION
Within the framework of the CMF supervisory mission, the securities regulator mainly decided the following:
* To remind the open-end investment companies (SICAVs) the applicable yearly disclosure requirements for the annual ordinary shareholders general meeting;
* The trading suspension of a company until provision of the relevant information to the market;
* To ask the investment services providers (market intermediaries & management companies of securities portfolios on behalf of third parties) to comply with the provisions of the Decree setting the implementation measures of the decisions relating to fighting terrorism and weapons 'proliferation financing.

INTERNATIONAL COOPERATION

- Taking part in the thirteenth UASA *(Union of Arab Securities Authorities)* annual meeting in late March 2019 in Jordan. The conference held on the sideline of the meeting touched on the enhancement of transparency & financial innovations.

MARKET PERFORMANCE AS AT 15TH MARCH 2019 IN MTND

Secondary market				CISs (as at 28/02/2019)	
	Market capitalization	Tunindex	Foreign share/ market cap	N° CISs	Net asset
82companies: 69 on the main market + 13 on the alternative market.	22 928,35	6 852,42	25.89 %	123 CISs	3 908.6

UGANDA

UPDATE FROM THE CAPITAL MARKETS AUTHORITY

Review of the Corporate Bond Guidelines
With support with Financial Sector Deepening Africa (FSDA), the Capital Markets Authority (CMA) on boarded a consultant in 2018 to review the Corporate Bond Guidelines, 2003 with the aim of making it easier and faster for government and private sector to raise debt financing. The Guidelines were reviewed to align them to best practice in order to increase access to debt markets.
Key proposed changes include: widening the category of offers to include restricted issues, private placement and public offers; widening of the debt offerings spectrum to include green bonds, municipal bonds and infrastructure bonds. The consultant undertaking the review also carried out a survey among previous corporate bond issuers to identify the problematic issues they encountered during the bond issuance process and how they can be resolved.
The review of the Guidelines was in fulfillment of a recommendation in the Capital Markets Development Masterplan. The master plan is a transformative document that provides a roadmap to position Uganda's capital markets to provide long-term capital for both the private and public sector.

Capacity Building Workshop for CMA Staff
At the request of the CMA, the Cabinet Secretariat - Department of Policy Development and Capacity Building (D/PD&CB), trained CMA staff on Regulatory Impact Assessment in the quarter under review. The training covered the following: overview of the concept of Regulatory Best Practices/regulatory Impact Assessment (RBP/RIA); public problem formulation; purpose and objectives formulation; options identification (social, environmental and economic analysis); distribution of impacts; enforcement and sanctions; and monitoring and reviews of outcomes.
The Department of Policy Development and Capacity Building executes the core function of overseeing the development and management of programs to facilitate the role of Office of the President, which is the parent Ministry for Policy Analysts in Government.

Outreach to Issuers on Market Based Financing through Issuer Resource Persons
CMA continued with its Issuer Resource Person Program in the quarter under review. The program involves the use of external contractors to reach out to key persons of prospective issuers (such as board members, business owners and founders) to sensitize them on opportunities presented by market-based financing. A total of 15 Resource Persons drawn from fields such as law, accounting, development finance, capital markets and banking are currently part of the program.

A key milestone for Issuer Resource Persons is the making of presentations to full boards of prospective issuers on market-based financing. During the presentations, boards are sensitized on the different types of market-based financing, its merits and the preparatory steps for accessing it. The Resource Persons tap into their networks to reach business owners and founders, CEOs, Board members and CFOs in companies that show prospects of tapping into market-based financing. Through the networks, full board presentations are scheduled. Since the launch of the program in May 2018, a total of 17 Companies have been reached with some of the companies expressing interest in listing on the Growth Enterprise Market Segment of the Uganda Securities Exchange.

Investor Education

CMA continued with its acclaimed public education initiative targeting existing and prospective investors in securities. The program that was initiated in the financial year 2014/15 and involves the use of external resource persons to sensitize the public on saving and investing in Uganda's capital markets through face to face presentations. The outsourcing of public education was in recognition of the human resource constraint at CMA, which had hampered countrywide sensitization efforts.

The Resource Persons contracted by CMA crisscross the country, educating the public on saving and investing in Uganda's capital markets. A total of **48,552** individuals have been reached since the inception of the program through the face to face presentations

Implementation of the Capital Markets Development Master Plan

CMA continued with the implementation of the Capital Markets Master Plan following its launch on 15th June 2017. The master plan is a transformative plan that seeks to chart the strategic positioning and future direction of Uganda's capital markets with the view to grow the markets and attract more international capital to meet the financing needs of the economy.

Out of the 97 actions in the master plan, a total of 40 actions are at different stages of implementation. Key activities in the implementing the master plan during the review period include:

i. The launch of a public education program in collaboration with the Investment Club Association of Uganda (ICAU). Capital Markets Authority and ICAU signed a Memorandum of Understanding (MoU) in September 2018. Under the MoU, the CMA and ICAU will work together to increase awareness of Collective Investment Schemes (CIS) among saving schemes;
ii. The intensification of public awareness on CIS through the investor education program working with CIS managers;
iii. Continuation of issuer education through the Issuer Education program to increase engagement with prospective issuers on market-based financing;
iv. Finalization of a report on the review of the Corporate Bond guidelines (with support from FSDA);
v. Discussions on a preliminary report on cost and access to Uganda's capital markets;
vi. Finalization of the roadmap for the steps needed for Uganda to achieve frontier market status.