



**Financial Services Commission  
Mauritius**

**"25<sup>th</sup> Anniversary of the Stock Exchange of Mauritius Ltd"**

**Keynote Address by Ms. Clairette Ah-Hen**

**Chief Executive  
Financial Services Commission, Mauritius**

**Venue: La Pirogue Hotel**

**18 July 2014**

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**Honorable Dr. Arvin Boolell**, Minister of Foreign Affairs, Regional Integration and International Trade,

**Mr Rajesh Ramloll**, Chairperson, Financial Services Commission,

**Mr Gaetan Lan**, Chairman, Stock Exchange of Mauritius,

**Mr Sunil Benimadhu**, Chief Executive of SEM,

Members of Financial Community

Distinguished Guests,

Ladies & Gentlemen

A very good evening to all of you!

It gives me an immense pleasure to be amongst you this evening to mark the Silver Jubilee of the Stock Exchange of Mauritius Ltd or 'the SEM' for short. Let me first of all extend my warmest congratulations to the SEM for bringing together members of the financial community to celebrate its existence of a quarter century.

You will all agree with me that today is proving just as memorable an occasion. I must say that in those 25 years the SEM has indeed transformed itself from a small exchange to an attractive investment platform by playing a key role in the financial architecture in Mauritius as well as in the region. With these words, I cannot just miss this opportunity to share a few cherishing reflection on the contribution of SEM and its challenges.

Mauritius has a long tradition of brokerage activities dating back to the 18<sup>th</sup> century when the island was still a French colony. To broaden our economic structure and provide the economic operators with the appropriate platform to conduct business in a more efficient manner, the decision for the establishment of the stock exchange was made in the 1980's. The SEM was incorporated in March 1989, as a private limited company with the responsibility to operate and promote an efficient and regulated securities market in Mauritius, under the Stock Exchange Act 1988.

*Like many events in Mauritius – the mix of French and English is also prevalent here.*

For all those who don't know, the assistance of the French authorities played a very important role in terms of setting up the appropriate market infrastructure and the drafting of the legislation governing stock market operations, with the now *defunct* "Bourse of Lyon" used as model.

One cannot speak about the SEM without associating the three-fold transformation of the Trading system from the Box method to the ‘à la criée’ method with the trading ring and the central quoter on the ground floor of the *SICOM Building* and the stockbrokers yelling - ‘*J’ai! - Je prends!*’ (to indicate their intentions to sell or buy) to the now fully automated trading system since 2001.

- From 5 listed companies in July 1989 with a Market Capitalisation of USD 92 million at the start of operation to 42 listed companies with a Market Capitalisation of USD 7.5 billion in June 2014.
- From the Over-The-Counter (OTC) set up in 1990 with 9 companies for entities which did not satisfy all listing requirements to the setting up in August 2006 of Development and Enterprise Market (DEM) for small and medium-sized enterprises and newly set up companies. At June 2014 there were 47 companies listed on the DEM with a Market Capitalisation of USD 1.5 billion.

Indeed much has been accomplished in these last 25 years.

Over these past 25 years,

- There had been a call of a panoply of changes in the financial landscape globally in terms of regulatory infrastructure and technological innovation.
- There had been an urgency for securities exchanges to bring greater transparency and efficiency in the market place as well as greater disclosure of information.

- Regulators have had to ensure that proper legal frameworks are in force for investor protection ... *et j'en passe*.

Mauritius was no exception to these influences; and – *as per the 'normal' Mauritian approach* – the appropriate changes and developments were brought:

- The suspension of exchange control in 1994 came as a blessing for our capital market – this allowed foreign investors to trade in our listed securities, giving a boost to further development of the exchange. Foreign investors account for some 40% of the daily trading activities.
- Just to add here that '*the world is indeed a global village*'. It is good to point out that the Bilateral Investment Treaty between Mauritius and the USA in 2012 (*MOFA's leadership*) provided a new dimension in terms of non-discriminatory treatment to investors and investments of the contracting parties. Today there is an equitable level playing field for local and foreign investors – *of course, within set rules, approval of FSC is required beyond the 15% threshold*.
- In 1997, a centralised depository, clearing and settlement services for the equity and debt markets was established. This time, the model used was closer to us, geographically – being based on the Sri Lankan model. The setting up of the Clearing Depository System (CDS) has brought about prompt and efficient clearing and settlement of trades while at the same time reducing some of the inherent risks in the process.

- This also marked the system of dematerialisation of share certificates with reduced risks of non-delivery of shares and fake share certificates among others.
- The CDS provides for a Guarantee Fund Mechanism to guarantee settlement failures of participants.
- Remote custodians are recognised by FSC and therefore admitted to clear and settle trades on behalf of its clients on the CDS (SEM clearing and settlement facility).

I am proud to say that though the CDS has known no or little competition on the local front, it has acquired a remarkable reputation by being called upon for its expertise by many other African jurisdictions.

- The old *Règlements Générales* were replaced by the 1999 Listing Rules which are being continuously amended to reflect the changing global environment and demands. Without any doubt the current legal infrastructure has enabled SEM to offer a larger range of products to investors to diversify their portfolios.
- Another milestone in the history of the Capital Markets is the replacement of the Stock Exchange Act 1988 by the Securities Act 2005. The scope of ‘securities’ itself was enlarged by introducing other types of instruments and different categories of investment dealers (both local and foreign) to name a few of the changes.

- The SEM has achieved international visibility and secured international recognition since it can list, trade and settle equity and debt products in USD, Euro, GBP, ZAR and MUR. It is included by index providers such as Standard & Poors, Morgan Stanley, Dow Jones etc... to track frontier markets and its data is relayed live by international data providers such as Bloomberg, Reuters, Financial Times, etc...

The last few years have seen regulators, in many jurisdictions, push for demutualisation of exchanges. FSC Mauritius did not have to face the same challenge since the SEM became a public company in October 2008 and expanded its shareholders' base. But there is still room for a wider ownership of the SEM – same as for the companies listed on its platform – to achieve the same objectives expected from the shift from a 'mutual' ownership structure to a 'share' ownership structure, that is, raising capital for investment and research, facilitating company growth, redistribution of wealth and creating investment opportunities for small investors.

The SEM has adapted itself and contributed to the development of the financial services by introducing *inter alia* the:

- (a) listing and trading of Exchange Traded Funds (ETFs);
- (b) listing rules for Depository Receipts and Mineral Companies on the Official Market;
- (c) listing of junior Mineral Companies and Exploration Companies on the DEM;
- (d) listing of Global Business companies; and

(e) listing of other specialist companies as well as specialist debt instruments, targeted at qualified investors.

We must not forget the investor protection and education programmes of the SEM:-

In addition to the CDS Guarantee Fund, there are mechanisms in place relating to insider dealing and other forms of unfair market prohibited by law, requirements relating to the segregation between clients' money and brokers' accounts, procedures to deal with investors' complaints in respect of commercial dispute or unsatisfactory service or breach of SEM's rules.

*If SEM's implementation of these processes had been in the press **often**, this would probably have meant that we did not have an efficient and fair market - the successful one that we are celebrating tonight.*

In term of Investor Education, the SEM Young Investor Award, initiated in 1993 is now as its 22<sup>nd</sup> edition and is a well-established annual event for students in secondary schools. Not only are the prizes offered very attractive, but this event is hands-on, interactive and fun (... *I am told*).

However, several challenges still lie ahead.

For many of us here (*generation X, baby boomers and other venerable elders*), this brief overview of SEM may have brought some nostalgia of olden days – *le bon vieux temps*. To add on, I must say that as the Regulator, the FSC Mauritius is pleased to acknowledge the achievements and success of SEM (*before the financial community and this distinguished gathering*).

These past 25 years have brought recognition to the efforts of SEM. It is a member of the World Federation of Exchanges, is a recognised Stock exchange by the HMRC and it has been awarded the ‘Most Innovative African Stock Exchange’ by Africa Investor on various occasions

The next 25 years is the time for promises:

- SEM becoming a platform of choice to derive all the benefits of listing, with the words ‘convenience listing’ banned from its vocabulary;
- cross listing or dual listing after harmonisation of rules and legislations in the region (*Regulators of the SADC – within CISNA – have been working on these over the last few years*);
- broadening and deepening the capital market for the benefit of the economy such as encouraging the issuance and trading of bonds (corporate and sovereign – *Mauritius and Other African Countries*)

Ladies and gentlemen, I thank you for your kind attention and I shall conclude by congratulating SEM once again for its achievements and contribution to the financial services sector.

I wish SEM well in its future endeavours.

*18 July 2014*