

The Development & Enterprise Market: A regulated market to catalyse investment on the Stock Exchange

The FSC Chief Executive, Mr. Milan Meetarbhan, calls for the listing of Global Business Companies.

The Development & Enterprise Market (DEM), the second market of the Stock Exchange of Mauritius, has been officially launched on Thursday 17 August 2006. On that occasion, the Minister of Finance and Economic Development, Mr. Rama Sithanen, as well as the Chief Executive of the Financial Services Commission, Mr. Milan J.N. Meetarbhan, have called for further initiatives to boost investment on the stock exchange. Both speakers at the launching ceremony of the DEM have made the case for the setting up of a bond market and the listing of Global Business Companies (GBCs) on the Exchange.

Mr. Meetarbhan stressed the need for the establishment of a board for listing GBCs, and invited all stakeholders to collaborate in promoting the listing of GBCs in Mauritius. Discussions about the adoption of listing rules designed for GBCs have already been initiated between the Financial Services Commission and the Stock Exchange of Mauritius.

He added that Global Business Funds, which require a listing, should be able to do so locally and should not always need to have a two-tier structure with a parent incorporated and listed in another jurisdiction. The costs and benefits of a Mauritian listing should be attractive enough to entice those global funds which do not necessarily require a listing.

“A Mauritian listing will not only reinforce substance but will also boost our image as an International Financial Centre,” he highlighted.

On regulation, Mr. Meetarbhan said that the forthcoming *Securities Act* will provide for the appointment of Self Regulatory Organisations (SRO). Should the SEM be designated as an SRO, it would be expected that the latter carries out the duties of self-regulation it would be entrusted with, while the Commission continues to have the overall statutory responsibility of ensuring compliance with the law and market integrity, and of safeguarding the interests of investors.

Mr. Meetarbhan explained that the DEM indicates the maturity of the market in moving towards a regulated environment, which promotes greater investor confidence and protection. “Indeed, such a market should instil greater investor confidence and dynamism in the securities market in Mauritius,” he said. He further outlined the growing interest of foreign investors for our stock market. “This augurs well at a time when there is a strong commitment to the opening up of the economy.”

“To increase the share of the financial services sector in our economy, we need to widen the range of financial products available domestically, to have both geographical and product diversification in the global business sector. (...) Our overall objective is to build a financial sector that is robust, resilient, efficient and competitive.” he concluded.

Mr. Sithanen emphasised that the Stock Exchange should also study the possibility of encouraging futures and the development of a commodities market dealing in precious metals and other commodities for the region. The Minister of Finance and Economic Development met with investors in South Africa during an investment roadshow last week and positive feedback was gathered in this context.

"The target is high but we should look at other avenues to make the stock exchange of Mauritius more effective and to alleviate the liquidity problem of our market, given its very size (...)," he added.

Moreover, the Finance Minister announced the setting up of a Technical Committee for the development of a market for government securities, thereby boosting the establishment of a bond market. In view of moving towards a more sophisticated capital market infrastructure, he called for the healthy growth of the securitisation of our financial assets.

On the DEM, the Minister declared that "the characteristics and the flexible regulatory architecture of the DEM are in line with Government's objective of encouraging the democratisation of our economy by widening access to financial resources to a broader circle of entrepreneurs and nurturing, thereby, the emergence of a new breed of risk takers."

The Chief Executive of the Stock Exchange of Mauritius Ltd., Mr. Sunil Benimadhu, called for the internationalisation of our financial services by attracting more international focus on our exchange. The SEM is thus trying to improve the profile and promote the attractiveness of the Exchange with international investors by undertaking a proactive campaign with international Stock Market Data Vendors and targeting international funds that invest in emerging markets. The SEM is also looking into the trading of derivatives on other exchanges. These initiatives, he said, would, "not only widen the range of products available on the SEM and help overcome the typical structural limitations of a small country, but they will more fundamentally contribute to the growing sophistication of local investors and the internationalisation of our financial services sector."

As at date, 43 companies have been admitted to the DEM, representing a market capitalisation of about Rs 31 billion (USD 1 billion).

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