

## **Lesotho: Launching of the Maseru Securities Market**

*On the 22nd January 2016 the Central bank of Lesotho launched its maiden exchange - the Maseru Securities Market (MSM). This is in essence an exchange that will provide companies with an alternative source of capital upon listing with it and provide the public diversified investment opportunities together with a secondary market to trade the acquired financial assets.*

Launching of the Maseru Securities Market will provide the central location and enable *Basotho* (Lesotho nationals) to invest in listed companies and an onwards trading in the secondary market. This facility will be housed at the Central Bank of Lesotho until such time when the private sector is ready to take it forward and operate as an independent entity.

Processes to develop the MSM formally started with the development and adoption of a national document called Financial Sector Development Strategy. This document was formally adopted by the Government of Lesotho in 2013 paving the way for establishment of entities like MSM. Financial Markets in Lesotho have been developed in phases. The first phase focused on money markets development (treasury bills) in 2008 by increasing the frequency of auctions and increasing the number of tenors. This was followed by introduction of Government bonds in 2010 and the last phase is development of corporate bonds and equities market. Maseru Securities Market is meant to partly respond to development of equities and corporate bonds market while also addressing illiquidity problem of Government Securities.

During the development phase of MSM, the following activities were undertaken; firstly sensitization of the public on what a stock exchange is, its operations and benefits. Public financial literacy is one of important pillars for the success of this initiative. The ability of the public to understand and use knowledge and skills to manage financial resources effectively for financial well-being is very important..

Secondly the legal and regulatory framework was developed. This market was established by law in 2014 through the publication of Capital Markets Regulations of 2014. These regulations and other regulatory instruments provide for the operation of a market that is fair, orderly, secure, and transparent. It provides for investor protection and the licensing of all market players. The fundamental objective of establishing this platform is to enable trading of financial securities in a secure environment that enhances investor confidence while on the other hand not too strict to suffocate market development. The MSM is a registered legal entity, and, in common with international practice, a philosophy of self-regulation by the markets will be adopted.. Thirdly the institutional framework was put in place. This simply means establishing the MSM as a legally registered institution with operating agents who act as intermediaries between buyers and sellers. Commercial Banks have been identified and tipped as settlement agencies for this market while

the Central Bank will continue to act as clearing agent through the use of its Central Securities Depository (CSD) system that has been enhanced to handle equities and corporate bonds.

The CSD is a computer based system that facilitates the holding of securities such as shares, bonds and money market investments in electronic accounts as opposed to paper certificates. It also caters for the transfer of securities between beneficial owners via a book entry, and for the settlement of transactions made on organized exchanges. The system is also able to settle corporate securities accounts and permit secondary market transactions. This system will further be complimented with an electronic trading system when the securities market is trading in large volumes and operating at a capacity that warrants the acquisition of such a system.

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