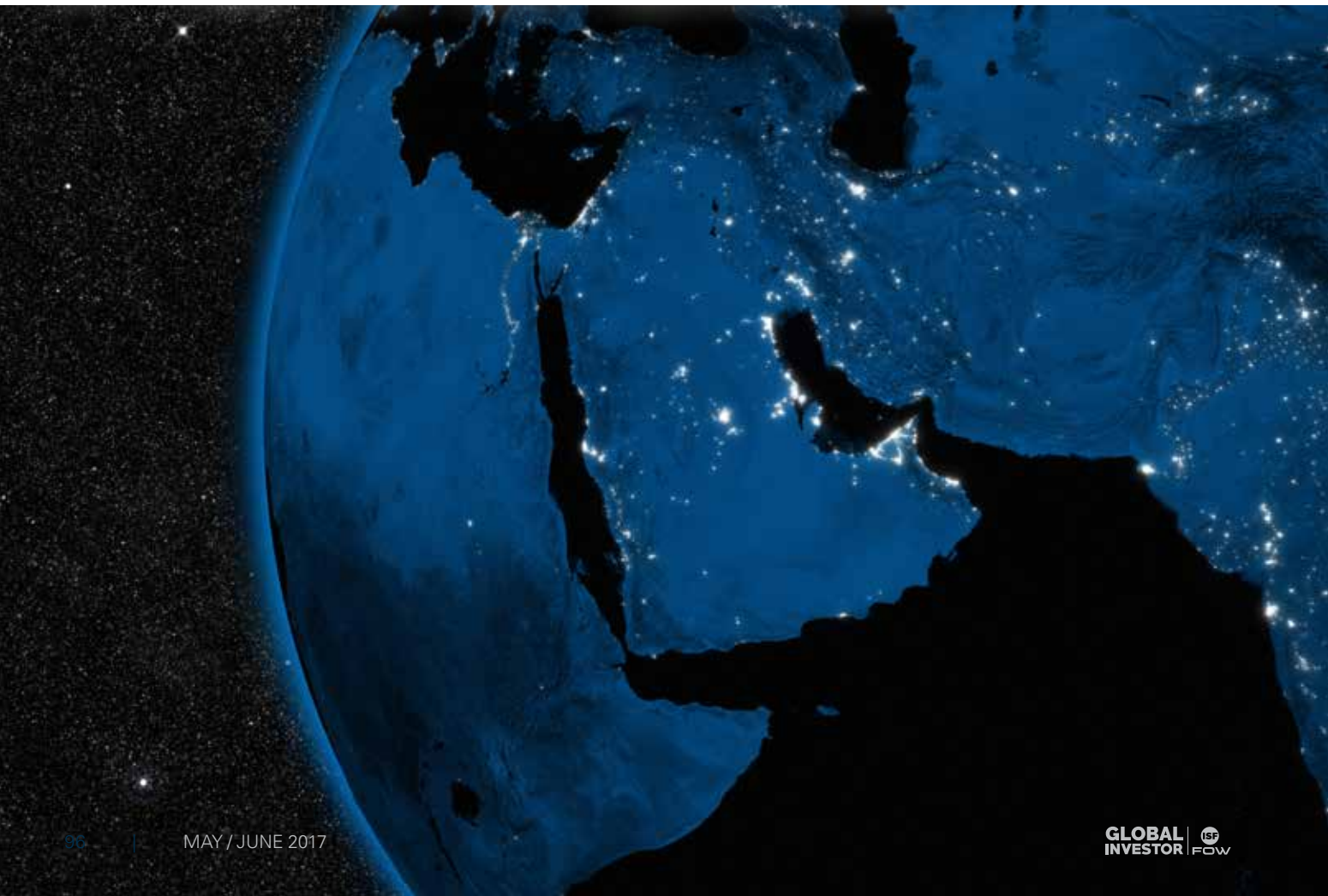


# MIDDLE EAST & AFRICA



## BAHRAIN

UNWEIGHTED		
RANK		Score
1	HSBC	5.29
WEIGHTED		
RANK		Score
1	HSBC	6.01

Bahrain's economy and government revenues have unsurprisingly been negatively affected by sharply lower oil prices over the past three years. Its debt-to-GDP ratio stands at 80% and its budget deficit is still wide at 18% of GDP. However, growth was a healthy 3.7% in 2016, up from 2.9% in 2015, and it is undertaking meaningful fiscal reform, including raising taxes and reducing waste (see full MEAMC report pages 112-114).

"However, the apparent stabilisation of global oil prices in 2016 has brought a similar firming of the main index and, after a year of shrinking stock prices, some increasingly attractive valuations," Oxford Business Group stated in a report. "The larger story of 2016, however, has been of some important structural advances, such as the introduction of real estate investment trusts (REITs) and the emergence of a vibrant secondary debt market."

More legislative and infrastructural developments due in 2017 promise to sustain this forward momentum.

## BOTSWANA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.26
2	Standard Chartered	5.03
WEIGHTED		
RANK		Score
1	Standard Chartered	6.10
2	Standard Bank	4.38

Botswana has taken legislative action to properly define the scope of regulation in the non-bank financial services sector. The Non-Bank Financial Institutions Regulatory

Authority (NBFIRA) Act, which was passed into law in November 2016, aims to reset the regulatory and supervisory architecture of the NBF sector by establishing a 2-tier approach to NBF regulation in Botswana. It brings the regulatory and supervisory structure in line with international standards, according to a spokesperson for Standard Bank.

The Botswana Stock Exchange (BSE) undertook various initiatives in 2016 in order to internationalise the local bourse, including hosting the inaugural listing conference to encourage local companies to list, as well as the first ever bond market conference in October, said Vincent Baituti, head of investor services at Stanbic Bank Botswana.

Thapelo Tsheole, CEO of the BSE, was elected to the main committee of the African Securities Exchanges Association (ASEA) as its AGM in November 2016, hosted in Kenya.

The BSE also joined both the World Federation of Exchanges in June 2016 and the United Nations Sustainable Stock Exchanges initiative in July 2016.

The Central Securities Depository of Botswana (CSDB), a subsidiary of the BSE, saw its Thomas Murray rating bumped up to BBB, with an A+ for its asset safety risk.

The Securities Act came into effect on April 1 2017, along with the subsidiary legislations including the Securities (Institutions Licensing) Regulations 2017 and the Securities (Persons Operating a Securities Infrastructure Business) Regulations 2017. Its commencement introduces concepts such as market makers

and CCPs.

"This legislation is meant to consolidate and amend the laws relating to the regulation and supervision of the securities industry in Botswana," said Baituti. "We also witnessed a wave of fee increments by the BSE and the CSDB in 2016, which affected market participants as well as both local and international investors."

Fees were also adjusted on the back of rising costs by the BSE and the CSDB, which was particularly significant because fees had not been reviewed since CSDB's inception in 2008. Stanbic Botswana successfully lobbied the CSDB to provide daily statements to market participants, allowing them to reconcile daily to the CSDB, said Baituti.

## COTE D'IVOIRE

UNWEIGHTED		
RANK		Score
1	Société Générale Securities Services	5.24
2	Standard Chartered	4.50
WEIGHTED		
RANK		Score
1	Standard Chartered	5.09
2	Société Générale Securities Services	4.69

It has been a decade since the civil war officially ended and, despite post-election violence in 2010, the international community said says US-educated economist Alassane Ouattara's election and re-election in 2015 was "credible". Cote D'Ivoire is the world's largest cocoa producer and is relatively prosperous relative to countries in the region.

The country is also home to West Africa's regional stock exchange,

**“The Securities Act is meant to consolidate and amend the laws relating to the regulation and supervision of the securities industry in Botswana”**

**Vincent Baituti, Stanbic Bank Botswana**

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the Bourse Régionale des Valeurs Mobilières, which one of the fast-est-growing stock exchanges on the continent.

An Oxford Business Group report stated: “Côte d’Ivoire’s capital mar-kets are closely linked to the broader fortunes of the eight-state UEMOA of which it is a member. On the back of strong macroeconomic growth, equity activity has been increasing steadily over the past five years, with a strong rise in the volume of trans-actions. Nonetheless, the bourse continues to face challenges com-mon to emerging and frontier market exchanges around the world, includ-ing liquidity issues.”

EGYPT

UNWEIGHTED		
RANK		Score
1	HSBC	5.33
2	Citi	5.22
WEIGHTED		
RANK		Score
1	Citi	6.25
2	HSBC	6.03

After four years of negotiation, the Egyptian government reached a pre-liminary agreement in November 2016 with the IMF for a loan of \$12bn. To qualify for this financial as-sistance, the Central Bank of Egypt (CBE) floated the Egyptian pound to help the country’s external competi-tiveness, support exports and tour-ism, and attract foreign investment.

The currency subsequently dropped approximately 60% against the US dollar year-on-year in Decem-ber 2016, reaching historic lows of 19.7 Egyptian pound per US dollar. The IMF indicated in January 2017 that the Egyptian pound was trading at equilibrium exchange rate after the November float.

Also in November, the Egyptian government announced a further de-lay to the introduction of capital gains tax on equity for three more years in order to target foreign investors.

However President Abdel Fattah

el-Sissi has undertaken other invest-ment reforms, including introducing VAT of 14% in August 2016, which will rise to 15% in the next fiscal year.

Listed shares are held in demate-rialised form and are managed by Misr for the Central Clearing Depos-itory and Registry (MCDR), which is the sole central depository company in Egypt. Clearing and settlement is done on a DVP basis, whereby MCDR acts as the clearing house between the buying and selling member firms.

It was announced in April that year that E-Finance, the electron-ic payment company that operates the Egyptian government network, has signed a protocol of cooperation with Misr for MCDR and with Nile Information Technology and Dissem-ination (NITD). The agreement will activate the electronic payment for investor and brokerage firms for the first time in the Egyptian markets, allowing for a faster transaction of securities.

GHANA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.39
2	Standard Chartered	4.73
WEIGHTED		
RANK		Score
1	Standard Chartered	5.23
2	Standard Bank	3.60

The medium growth outlook of the Ghana economy is generally positive but contingent on sustained im-provements in the energy supply, continued stability in the FX market and additional oil production, accord-ing to William Sowah, head of inves-tor services at Stanbic Bank Ghana.

A new system for merged depos-itory went live on March 29 2016, delivering a single client depository account and single venue for set-tlement for all securities types. The depository system is integrated with the Automated Trading System of the Ghana Stock Exchange (GSE)



and the Ghana Interbank Settlement System (GIS) of Bank of Ghana.

The new platform delivers a single client depository account and single venue for settlement for all securi-ties types. The project involved the migration of all depository accounts for debt and equity onto a new plat-form.

“The introduction of a new CSD system supports an improved set-tlement environment, including the removal of the trading account con-cept, thereby reducing the risk of having client securities held out of custody,” said Andy Osborne, glob-al head of network management at Northern Trust.

Osborne highlighted how the CSD also introduced a new fee for the settlement of fixed income instru-ments, which had initial issues relat-



ing to the interpretation of how the fee should be applied. "This appears to have now been addressed," he said.

As a result of the funding challenges experienced by non-resident clients, the bonds settlement cycle has been switched from T+0 to T+2.

The Ghana Commodities Exchange (GCX) Project, launched in 2015 by the Ministry of Trade and Industry government and the private sector, is expected to be fully operational by the first half of 2017.

The 2017 government budget statement proposed to waiver capital gains tax (GCT) for those realised on securities on the GSE, reverting to the pre-November 2015 arrangement.

"One potential large-scale reform that could drive increased trading

and listings is the West African Capital Markets Integration (WACMI) programme," said Sowah. The programme will align the stock exchanges Ghana, Côte d'Ivoire, Nigeria, Sierra Leone and Cape Verde, as well as the regional Bourse Régionale des Valeurs Mobilières. Eventually it will allow brokers from each country to trade directly on any of the four exchanges.

## ➤ ISRAEL

UNWEIGHTED		
RANK		Score
1	Bank Hapoalim	4.79
WEIGHTED		
RANK		Score
1	Bank Hapoalim	4.16

The Tel Aviv Stock Exchange (TASE) announced a three-goal strategic plan in April 2017 to restore to its among local investors and capital-raising firms. Local investor numbers in the exchange have decreased from 250,000 in 2011 to 160,000 in 2016.

The first measure is to build listings via both repatriation of some of the 90 Israeli companies listed abroad, with a market cap of NIS250bn (\$69.9bn), as well as plan to encourage private SMEs, real estate and infrastructure projects and technology companies to list.

The second is to expand the array of services offered by TASE, such as the provision of custodial services for institutional investors, the creation of a central securities lending pool, trading in securitised financial instruments and the introduction of an innovative digital registration service for companies.

The third is to enhance market liquidity. TASE aims to boost retail participation, which is low by international standards. It is seeing to make public distribution more efficient, with local and international institutions providing non-advisory brokerage.

TASE CEO Ittai Ben-Zeev, stated: "TASE should and can be a significant value creator in the Israeli economy – and can revert to being a dominant driver of corporate growth and the means through which the Israeli public can take part in the success of the local economy. The situation in which only a few are partners in Israel's long-term economic success needs to be rectified and we believe that the Israeli capital market is the best and most efficient platform for accomplishing this.

"The action plan includes operational measures which are implementable in the relatively short term, and which, in large part are based on TASE's existing internal capabilities and strengths – so that we will be able to see results in the foreseeable future."

## ➤ JORDAN

UNWEIGHTED		
RANK		Score
1	Bank of Jordan	6.71
2	Standard Chartered	5.12
WEIGHTED		
RANK		Score
1	Standard Chartered	5.71
2	Bank of Jordan	4.09

The Amman Stock Exchange (ASE) announced in July 2016 that it plans to start applying the Regulating Directives for Trading in unlisted securities on August 4 2016, in cooperation with the Jordan Securities Commission (JSC) and the Securities Depository Center (SDC).

It also issued the Listing Securities Directives for 2016 before launching a new OTC exchange, which is a by-product of these two sets of regulations. 29 companies joined the exchange by September, according to ASE figures. Companies wishing to trade must be registered with the Jordan Securities Commission and the Securities Depository Centre, and disclose financial and non-financial information.

Mohammed Aburoub, executive



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manager for Bank of Jordan's securities services, also highlighted the JSC's commitment to approaching "higher strategic objectives," such as issuing a draft proposal for securities lending and borrowing, short selling and securities depositary receipts instructions for 2016. "The JSC aims to introduce a new investment tools to increase the market performance, strength and confidence in investing securities," he said.

The ASE chairman has confirmed the transfer of the ASE to a public shareholding company, 100% owned by the government, in the first quarter of 2017.

The SDC recently completed all the system development and legislative changes to implement a new cash clearing model that will fully involve local custodians in the clearing of cash and securities on behalf of investors, Aburoub said.

The Central Bank of Jordan introduced the automated clearing house (ACH) system, which includes the JOD, USD, EUR and GBP. "ACH is a secure clearing and settlement facility established to process the exchange of electronic transactions between participants," Aburoub added.

Jordan follows a T+2 settlement cycle but for foreign investors, using local custodian banks are subject to an exceptional process whereby custodian clients can deliver the securities by TD+1 12.00 hours.

Under the new proposed model, custodians would be party to the settlement process run by the SDC. In order to ensure seamless settlement, the new process requires

the custodian to affirm transactions – currently proposed at TD+1 12.00 hours.

These are various challenges facing this move, according to an expert at Standard Chartered Bank, including the requirement to pre-fund the account or secure credit limits, shorter time put strain on pre-matching of turnaround trades that is manual and holiday coverage.

### ➤ KENYA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.93
2	Standard Chartered	5.22

WEIGHTED		
RANK		Score
1	Standard Chartered	6.52
2	Standard Bank	5.79

The Kenya financial system has been under severe strain. "2016 will remain etched in the minds of the banking industry players and general public following the placing under receivership, in April 2016, of the third commercial bank in a span of eight months," said Janet Waiguru, head of investor services at Standard Bank East Africa.

This greatly impacted the confidence of the banking sector, according to Waiguru, and witnessed flight to safety to tier one banks, resulting in liquidity challenges for tier two and three banks.

The signing of the Banking (Amendment) Bill 2015 introduced interest rate capping to the rates offered by banks on deposits and for credit facilities. The Central Bank Rate (CBR) at 10% is the industry

reference rate.

"The Nairobi Securities Exchange (NSE) did not have a good year," said Waiguru. "Performance, as tracked by the NSE 20 share index and equity turnover, was 25.2% and 29.6% down year-on-year."

Market development gained traction as the Capital Markets Authority (CMA) continued to push on with the initiatives in its 10-year master plan. This included the issuance of the draft regulations to govern securities lending and borrowing and short selling and a policy guidance note on Global Depositary Receipts (GDRs) and Global Depositary Notes (GDNS) in Kenya. "This provided an additional framework on how foreign issued securities may be introduced for trading in Kenya as depositary receipts or notes," said Waiguru.

The allowable foreign investment in listed companies, in general terms, was increased to 100% by the end of 2016 but the abolition of the capital gains tax on January 1 2016 gave this market liberalisation measure its real impact and brought much needed certainty.

Ahead of the upcoming general election in Kenya on 8 August, "the prospects for the capital markets and investments in key sectors remain optimistic," she added.

### ➤ KUWAIT

UNWEIGHTED		
RANK		Score
1	HSBC	5.19

WEIGHTED		
RANK		Score
1	HSBC	5.86

Kuwait issued its first ever sovereign bond issue in March 2017. It was a milestone event for the country's capital markets and the wider GCC, as it was the remaining sizable country not to have issued. It collected \$8bn in five-year (\$3.5bn) and ten-year (\$4.5bn) notes.

The country does not really need

“ The Nairobi Securities Exchange did not have a good year. Performance, as tracked by the NSE 20 share index was 25.2% down year-on-year ”

Janet Waiguru, Standard Bank East Africa



the money and the issue was more about building its markets. It has the lowest breakeven oil price in the GCC and debt-to-GDP remains sub-20%.

The issue was oversubscribed (it could have raised \$9.5bn) and was deliberately placed in internationally. MENA was allocated 26% of each tranches while US funds took over 50% of the ten-year bond and Europe 46% of the five-year bond. The AA rated country is paying 2.75% on five-year paper and 3.5% on ten-year. It was considered a solid success, with prices rising modestly after floating. Deutsche Bank, NBK capital and Standard Chartered supported.

Kuwait is expected to build out a yield curve with future issues. On this occasion the global coordinators were Citigroup, JP Morgan and HSBC.

The equities market has also developed over the last couple of years; Boursa Kuwait Securities Company took over management of the Kuwait Stock Exchange in April 2016. "The move was widely understood to indicate the beginning of a new era for Kuwait's capital market," according to an Oxford Business Group report. "This shift follows on from a series of major reforms initiated by the passage of the 2010 Capital Markets Law, under which the sector regulator – the Capital Markets Authority – and other state entities have worked to transform the bourse, with the long-term objective of boosting the market's performance and overall value."

## ▶ LEBANON

UNWEIGHTED		
RANK		Score
1	HSBC	5.19
WEIGHTED		
RANK		Score
1	HSBC	5.79

In May 2017 the central bank governor Riad Salame was granted a



fifth six-year term by Parliament, in a move praised for maintaining stability in an often politically volatile country. He is renowned for steering the financial sector away from collapse.

While the economy remains weak, and the government budget deficit is a cause of concern, according to Salame, speaking at a recent Euromoney conference, the state now has stable foreign currency reserves to back the economy financial sector.

Between June and August 2016

the central bank engaged in what the IMF described as "unconventional" financial engineering. The central bank exchanged some of its Lebanese pound-denominated debt holdings for dollar-denominated finance ministry Eurobonds, while private banks provided dollars in exchange for newly issued dollar certificates of deposit.

Lebanon has strict banking regulations as well as bank secrecy laws, which may prove an obstacle to

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adopting incoming international standards (see *MEASC event review*, pages 112-114).

### > MALAWI

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.04
WEIGHTED		
RANK		Score
1	Standard Bank	3.41

In 2016 Malawi saw moderate activity relating to capital markets development and two local custodians dominate their market.

"The market is dominated by local pension funds and institutions that are typically focussed on the long-term," said Wilson Kuyokwa, head of investor services Malawi at Standard Bank, adding that foreign investor activity is limited.

The Malawi Stock Exchange (MSE) has 13 listed counters and no listed corporate bonds. "The Malawi market is fairly small and is challenged with low liquidity as investable assets available on the MSE are limited."

The MSE plans to introduce a CSD in 2017. Kuyokwa stressed that listed equities and corporate bonds will first need to be dematerialised. "The change aims to give an improved capital market offering in Malawi with possible reduction in the settlement cycle, improved asset safety, improved turnaround times and processing efficiency," he said.

The Reserve Bank of Malawi (RMB) circulated a draft Securities (Amendment) Bill in November 2015 to capital market participants to amend the Securities Act 2010. The RMB held a workshop to review responses in April 2016 and has submitted its final draft to the Ministry of Justice. Major changes in the amendment bill include rules on insider trading and the winding up of capital market participants.

"The bill is expected to improve

the legal framework of the securities market and attractiveness of the securities market to investors," said Kuyokwa.

### > MAURITIUS

UNWEIGHTED		
RANK		Score
1	HSBC	5.11
WEIGHTED		
RANK		Score
1	HSBC	5.32

The economy is performing well with unemployment down to 7.3% for the year, from 7.9% in 2015. It is at its lowest lever since 2008, according to official statistics. Economic growth is also gaining traction with 3.8% predicted for 2017, up from 3.5% in 2016.

Mauritius has diversified in recent years, from sugar and textiles, to build meaningful sectors in offshore banking and business outsourcing, as well as tourism. It is considered one of Africa's most stable and prosperous economies.

Despite being geographically part of Africa its links economic links with India are strong – Mauritius is in the top two (with Singapore) biggest recipients and sources of foreign direct investment with India. In May 2017, Mauritius was been offered a \$500m credit line by India in a deal connected with maritime security, given its strategic position in the South Indian Ocean.

### > MOROCCO

UNWEIGHTED		
RANK		Score
1	BNP Paribas Securities Services	6.43
2	Citi	5.36
3	Société Générale Securities Services	5.11
WEIGHTED		
RANK		Score
1	BNP Paribas Securities Services	6.22
2	Citi	5.86
3	Société Générale Securities Services	5.59

The Casablanca Stock Exchange has



the second largest market by capitalisation in Africa, at \$55bn split between 75 firms. It is also expanding – it had its largest initial public offering (IPO) in eight years in June 2016 had reportedly has two firms planning to list in 2017/18 and has a programme to encourage small and medium sized firms to list.

The Casablanca Stock Exchange (CSE) announced last November that it planned to list 20% of its shares and sell a further 15-20% to a strategic investor (possibly at the same time) at some point over the next five years. In preparation it changed its ownership structure in June 2017 from a mutual company for brokers.

"However, the bourse's all-share index remains below the levels seen before the global financial crisis, as do IPO and trading activity more generally, and it seems likely to be some time before these return to pre-crisis levels," stated a Oxford Business Group report. "Nevertheless, the coming years will see a wide range of reforms applied across the kingdom's capital markets, including the launch of new exchanges and a variety of products, all of which should help to boost the CSE's substantial potential."





## ► NIGERIA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.51
WEIGHTED		
RANK		Score
1	Standard Bank	6.54

There is a single central depository in Nigeria for NSE (Nigerian Stock Exchange) and NASD (National Association of Securities Dealers OTC Exchange) trade instruments, the Central Securities Clearing System (CSCS). The Central Bank of Nigeria introduced a depository system for government-issued securities in April 2014, the scripless securities settlement system (S4).

"2016 was a challenging macro story in Nigeria as the country formally slid into recession," said Akeem Oyewale, head of investor services at Stanbic IBTC, Nigeria. The foreign exchange situation was also "dire", as the country suffered from increased unmet foreign exchange demand by investors who sought to repatriate proceeds of investments sold and delayed dividend/coupon remittances. The Naira was also officially devalued in the middle of the year as the CBN allowed the NGN to trade from N199 to N285 to the US dollar in June 2016.

Despite the significant macro headwinds, Nigeria's economy is expected to recover, said Oyewale, with many experts predicted a 1% GDP growth and further spending on infrastructure by the government.

There were also positive changes in the market, according to Oyewale. The FMDQ OTC Exchange (the licensed OTC market operator), in conjunction with the CBN, introduced the Naira-settled OTC FX Futures, stretching out to one year.

The NSE also conveyed its desire to have a CPP. "This would facilitate derivatives trading in the market and also enhance the confidence levels in the Nigerian market," said Oyewale.

## ► NAMIBIA

UNWEIGHTED		
RANK		Score
1	Standard Bank	4.76
WEIGHTED		
RANK		Score
1	Standard Bank	4.34

2016 was a year of change for business with the implementation of TCS BaNCS custody system. All custody assets are on a single platform allowing additional functionality to service domestic and international clients, said Corny Zaaruka, head of investor services at Standard Bank Namibia. The Namibian market initiated discussions in 2015 to launch a CSD for local listed and unlisted securities (including government securities).

"These discussions are progressing well and there has been a material

stretch made on the regulatory side of things during 2016 in order to enable the operations of this national infrastructure in 2017 at the back of the implementation of the Financial Institutions Market Bill (FIM Bill)," said Zaaruka.

Two significant regulatory requirements that were implemented in the market in 2016: disclosure requirements and withholding tax on interest.

The disclosure requirements saw the amendment of the Companies Act Administrative regulations, which were published in the government gazette on September 1 2016, and are in line with the FIA for collecting, requesting, receiving and analysing suspicious transaction reports.

A new section 35B was added to the Income Tax Act in respect of withholding tax on interest (WTI) paid to a non-resident.

“2016 was a challenging macro story in Nigeria as the country formally slid into recession”

**Akeem Oyewale, Stanbic IBTC Nigeria**



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The plan to demutualise the market was deferred to 2017. A major announcement was also made regarding the potential listing of MTN Nigeria, the largest telecommunications operator in Nigeria, on the NSE. "Its listing would provide a major boost to the Nigerian bourse, which had been bereft of major listings for the last few years."

The Securities & Exchange Commission (SEC) continued in its drive to implement the recommendations of its 10-year masterplan. The Nigerian Sovereign Wealth Fund was involved in the setting up of the supra agency for Infrastructure Credit Guarantee, which would enhance credit ratings for transactions in the country.

### > OMAN

UNWEIGHTED		
RANK		Score
1	HSBC	5.29
WEIGHTED		
RANK		Score
1	HSBC	5.99

As an oil exporter, Oman has been hit by sharply lower oil prices in the last couple of years. Its budget deficit peaked at 22% in 2016 and is now heading in the right direction; it is projected to almost halve to 12% this year. In May it announced another \$2bn Islamic bond issue to bridge the shortfall, adding to the \$5bn it has already borrowed in 2017. Earlier issues were heavily oversubscribed.

The authorities are confident of a further improvement in the budget situation, having embarked on a programme of privatisation and public-private partnerships. It is also has a policy of reducing and rationalising spending generally. As a GCC state, it is also set to implement VAT of 5% from some point during 2018, although perhaps not meeting the January target.

These increases in taxes, combined with an increase in the corpo-

ration tax rate from 12% to 15%, has not yet harmed the economy but more appear to be planned and could combine to be a drag on activity. "Parliament's vote to raise corporate taxes in May 2016 is among the most significant financial developments in Oman in recent years. A low-tax environment is a key incentive to invest across the GCC, and the tension between drawing growth-promoting investment and maintaining state revenues has made such increases a contentious issue for decades," an Oxford Business Group report stated. "The ramifications will become apparent over the course of 2017, but the taxation debate looks unlikely to end there."

In common with many oil producing nations it is also seeking to diversify its economy. The IMF estimates that its oil revenue will fall by 2.5% this year but this is will more than be made up by the growth of non-oil activity.

### > PALESTINE

The World Federation of Exchanges (WFE) approved the full membership application made by the Palestine Exchange (PEX) in 2015 at its 56th AGM in Colombia in November 2016.

The FTSE Russell indices upgraded the Palestine Exchange (PEX) to frontier market status during its annual review.

The Bank of Palestine received a safe custody licence in 2014 from the Palestinian Capital Market Authority (PCMA) and in 2015 from PEX to perform safe custody for securities for local and foreign investors, according to Suleiman Nasr, head of investment and placements at the Bank of Palestine.

"PEX was fully automated upon establishment – the first fully-automated stock exchange in the Arab world and the only Arab exchange that is publicly traded and fully owned by the private sector," said Nasr.

The Bank of Jordan entered the market, starting to provide custody and clearing services in Palestine in May 2016. "After having obtained the custody license, the membership of the Clearing Depository and Settlement and completed a successful User Acceptance Testing on the custody system," said Mohammed Aburoub, executive manager of services at the Bank of Jordan.

### > QATAR

UNWEIGHTED		
RANK		Score
1	HSBC	5.52
WEIGHTED		
RANK		Score
1	HSBC	6.07

Since the MSCI upgrade to emerging status in 2014 sub-custodians agree that they have seen a significant uptick of activity and have witnessed a move towards more transparency and effective governance.

Continuous trading in rights shares has been permitted on the Qatar Stock Exchange since October 2016. Previously, rights shares were permitted as one-time sales and could not be traded further.

The first Qatar-based ETF is expected to be launched in the second quarter of 2017, according to Shreen Abeysekera, head of HSBC Securities Services, Qatar.

The stock exchange is considering the introduction of the CCP concept, covered short selling and Islamic structured products similar to futures and options. "The exchange is working with Sharia scholars to determine how to best structure these products," said Abeysekera.

The Qatar Central Securities Depository (QCSA) introduced an ultimate beneficial owner disclosure requirement for account opening at the central depository, effective December 4 2016 and focussed on upping AML and KYC standards.

Abeysekera said that HSBC is

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currently working closely with the QCSD and Qatar Financial Markets Authority to simplify the process further by adopting international best practices. "One of the changes we hope to see in the near future is the introduction of bulk order execution. This will enable brokers to trade on

behalf of multiple NINs (National Identification Number) through one single trading account and by end of day allocate the shares to clients' NINs."

HSBC also hopes to implement an "error trade correction window" to rectify error trades without impacting clients.

## ➤ SAUDI ARABIA

UNWEIGHTED		
RANK		Score
1	HSBC	5.37

WEIGHTED		
RANK		Score
1	HSBC	5.84

Saudi Arabia's Tadawul stock market has switched to a two-day settlement cycle for equities, bonds, Reits and ETFs, effective at the end of April 2017. Trades were previously settled on the same day, or T+0.

The bourse had outlined the details of its T+2 settlement plans in January 2017 along with draft rules on covered short-selling and the borrowing and lending of securities, which also commenced in April.

Officials first announced the proposed changes in 2016 in a move to align its market model with international standards, attract foreign investors, improve trading efficiency and reduce risk.

The Saudi Stock Exchange had consulted on its T+2 and securities lending plans, ending on February 8 2017.

Securities Depository Center (SDC) acts as Saudi Arabia's CSD, performing securities settlement safekeeping and registry functions.

As a member of the GCC, Saudi has agreed to implement VAT of 5% from an unconfirmed point in 2018. An initial deadline of January was set but there is a 12-month window built into the agreement.

Saudi Arabia has been tapping the bond markets heavily in response to its budget deficit and shrinking for-

eign reserves. It set a new record for emerging or frontier market issuance in October 2016 when it attracted \$67bn in investor bids for a \$17.5bn issue.

## ➤ SOUTH AFRICA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.86
2	RMB Custody and Trustee Services	5.35
3	Société Générale Securities Services	5.31
4	Standard Chartered	4.82

WEIGHTED		
RANK		Score
1	Standard Chartered	6.59
2	Société Générale Securities Services	5.72
3	Standard Bank	5.06
4	RMB Custody and Trustee Services	4.56

In 2016 the South African capital market saw a number of changes to infrastructure, operations, participation, rules and regulations, according to Rajesh Ramsundhar, head of investor services at Standard Bank South Africa.

The South African equities market shifted to a T+3 trading and settlement cycle on July 11 2016 and is now aligned with international best practice. Following this change, volumes have increased by around 3-5% and there is an improvement in liquidity. "Surprisingly though, settlement expectations and failures have been low and well below expectations of the market," said Ramsundhar.

2016 also saw a new strategic project introduced, replacing South African CSD Strate's UnexCor system. Strate launched the new system for the settlement of money market securities in April last year, beginning Strate's wider plan to replace its IT infrastructure for all asset classes.

Strate is also progressing towards the introduction of a Debt Instrument Solutions (DIS) project, which is to manage the implementation of its new bond system for the clearing, settlement and asset servicing





of debt instruments, said Andy Osborne, global head of network management at Northern Trust. This will subsequently result in the migration of bond securities onto the TCS BaNCS MI platform will be carried out during 2017.

In addition to replacing Strate's core custody and settlement system for bonds, the DIS project will also introduce a new settlement model for bonds. "The initiative is aimed at creating efficiency and reducing risk for bond settlement and will be a welcome development for foreign investors," said Osborne.

Phase one of the project is to replace the technology coupled with the introduction of a new settlement model and an AS-IS account structure. Phase two involves the migration from the AS-IS account structure to a more transparent securities holding and ownership model.

Ramsundhar said that Standard Bank is in the process of migrating clients to its new online platform for custody services and investor services online.

The South African capital market saw the emergence of a number of new stock exchange licence applications during 2016, including ZAR X and four African exchanges, which were officially licensed by the Financial Services Board (FSB).

The Johannesburg Stock Exchange (JSE)'s Integrated Trading and Clearing initiative (ITaC) is a multi-year programme of work focused on the introduction of an integrated solution for the JSE's trading and clearing services. "The project is making good headway and is expected for delivery in Q1 2018," said Ramsundhar.

ITaC will implement multi-product solutions to enhance the JSE's current trading and clearing functions by migrating all derivatives and cash bond markets into the Millennium IT trading platform. Clearing members will be allowed to hold securities as collateral of up to 20% of their mar-

gin requirements, freeing up their cash for other uses and resulting in greater utilisation of Strate's collateral solution.

Granite (an alternate Bond CSD) has a conditional license and is currently engaging with Strate to work on interoperability, said Ramsundhar.

South Africa increased the capital gains tax and introduced a Special Voluntary Disclose Programme for tax and exchange controls in 2016.

## ➤ SWAZILAND

UNWEIGHTED		
RANK		Score
1	Standard Bank	4.65
WEIGHTED		
RANK		Score
1	Standard Bank	5.45

The Capital Markets Association (CMA) was formed in December 2016, comprising of trustees, custodians, investment advisors, brokers and asset managers. "It will be instrumental in the identification and resolution of issues within the market," said Lindiwe Manana, head of investor services Swaziland at Standard Bank.

A review of both the listing requirements and the Swaziland Stock Exchange (SSX) Rule Book is underway. Amendments have been drafted and submitted by SSX for approval by the Financial Services Regulatory Authority (FSRA).

The SSX has also advised the industry on its intention to launch of an automated trading system (ATS). Manana said that the implementation is delayed due to issues with the "mobile trading platform integration" but added "the change is expected to give improved efficiency and accuracy, as well as increased activity".

Manana said that there has however been development in the local market and particularly in terms of investments from local institutions. The formation of the FSRA has seen an increase in the adherence of the



30% local market investment requirement for insurance and retirement funds. The FCA has intimated a 50% increase by the end of 2017.

The Central Bank of Swaziland has implemented phase 1 of its CSD, which has resulted in the dematerialisation and creation of an electronic register and transfer system for government securities.

## > TANZANIA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.64
2	Standard Chartered	4.50

WEIGHTED		
RANK		Score
1	Standard Bank	5.00
2	Standard Chartered	4.96

"Tanzanian capital markets have gone through notable developments over the last few years," said Avith Massawe, head of investor services at Standard Bank Tanzania.

One of these was the removal of foreign ownership limits on equities and corporate bonds listed on the Dar es Salaam Stock Exchange from the previous cap at 60%. It has also seen partial removal of limits on participation in government debt trading by foreign investors, allowing residents from East Africa to participate up to 40% of the total issuance.

The Dar es Salaam Stock Exchange (DSE) was demutualised and self-listed in 2016, in order to "enhance its financial and operational capacity, corporate governance, increase access to efficiently priced funds to finance the exchange's growth and capital markets development in the country," said Massawe. Investment is being made in trading technology and the introduction of new products and services.

In December 2016, the DSE revised the settlement guidelines for equities and corporate bonds following their inclusion of custodian banks as settlement participants for foreign investors and local institutional investors, effective April 2017. "With the new settlement guidelines, the risk faced on the sale side, where securities were transferred to the brokers' trading account prior to trade date, has been addressed," said Massawe.

The initiative has also reduced the time difference between movement of cash and securities to five minutes. This is a "major step towards

“Tanzanian capital markets have gone through notable developments over the last few years”

Avith Massawe, Standard Bank Tanzania

achieving true DVP", according to Massawe.

However, an adverse requirement to pre-advise on sale transactions was also introduced.

Up until early 2016, the pension industry was governed, regulated and serviced by the Social Securities Regulatory Authority (SSRA). The tabling of administrative guidelines on management of segregated schemes would open the industry to entry by intermediary participants such as administrators and custodians; this is expected H1 2017.

## > TUNISIA

UNWEIGHTED		
RANK		Score
1	Société Générale Securities Services	5.43

WEIGHTED		
RANK		Score
1	Société Générale Securities Services	6.39

The sole depositary is Tunisie Clearing, responsible for safekeeping and clearing its electronic book-entry system. All securities are dematerialised at the Tunisie Clearing; however, it does not act as a central registrar.

The Tunis Stock Exchange (TSE), "Bourse des Valeurs Mobilières de Tunis" (BVMT), signed a new agreement with Euronext, which will provide electronic trading technology through its multi-market and multi-asset platform of Optiq by January 2018. It manages the cash and derivatives markets.

TSE is also planning to implement a certified quality management system ISO 9001. An RFP has been published by the CSD for the acquisition of a new system with better

STP capabilities. It should be operational by 2018, according to Wagih Gacem, Societe Generale's head of Tunisia: "The provider has been chosen and will be disclosed in the coming weeks."

Decree number 2017-393 of March 28 2017, states that a non-resident person or entity is allowed to sell securities to a non-resident person or entity versus an abroad payment. This applies to OTC trades where CSD, CBT and TSE are not involved.

The 50% foreign ownership limit was removed by the new investment law, effective September 30 2016.

A new general regulation governing the Tunisian CSD was approved in early 2016, which includes participant requirements and conventions, mandatory monthly reconciliation custodian records, and the setting of an audit committee within the CSD.

Three projects have been submitted by the Tunisian regulator, CMF, for public consultation and have been approved. These are: insider trading, (approved March 2017); brokers (approved January 2017); professional cards to access the CSD secured platform (approved November 2016).

The CMF is yet to give final approval to the extension of market trading hours to between 8.30am and 3.40pm, from 9am to 2.05pm, and the extension of the maximum variation range from 6.09% to 9%.

March 2017 also saw a memorandum of understanding signed between the TSE and Nasdaq Dubai, as well as a cooperation convention signed between the CMF and the financial authority of Qatar.





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## ► UGANDA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.37
2	Standard Chartered	4.75
WEIGHTED		
RANK		Score
1	Standard Chartered	5.29
2	Standard Bank	4.06

The main driver of custody business in 2016 was the high level of activity in fixed income, particularly government securities, said Andrew Omiel, head of investor services at Stanbic Bank Uganda. "These continue to be very attractive securities in the Ugandan market into 2017," said Omiel. "This fact is attributable to the prevailing macroeconomic fundamentals, which have led to fairly high yields for government securities and also the desire for capital preservation."

With regards to the equities market, the Uganda Securities Exchange (USE) All Share Index (ALSI) showed a marginally declining trend in 2016, especially in the second half of the year due to the subdued activity at the bourse and effect of the cross-listed stocks from the Nairobi Stock Exchange (NSE), which lost significant value.

Omiel added: "However, the outlook is positive as the USE tries to attract more products, including new listings, especially for the alternative market segment, for 2017 and beyond."

USE is in advanced discussions with the central bank, Bank of Uganda, to start trading in treasury bonds. Currently treasury bonds, although listed at USE, are traded OTC through primary dealers.

"The trading of treasury bonds at the USE will increase activity at the bourse and also allow the investors full benefits of price discovery and competitive pricing by the traders," said Omiel.

Other USE initiatives in 2017 include the linking of the CSD with the national payment system (RTGF)

to allow "true DVP settlement," facilitated by Bank of Uganda, rather than using commercial banks at settlement banks, expected H2, 2017. There are also plans to dematerialise all securities listed at USE by the second half of 2017 and also to demutualise the exchange, and eventually list the USE on the bourse.

## ► UNITED ARAB EMIRATES

UNWEIGHTED		
RANK		Score
1	HSBC	5.64
WEIGHTED		
RANK		Score
1	HSBC	5.93

Over the last year, UAE witnessed several significant announcements and measures to enhance the regulatory framework and modernise the markets. The UAE regulator, Securities and Commodities Authority (SCA), has an ambitious five-year plan to elevate the UAE stock market to a developed market status by 2020.

The plan was co-developed with Dubai Financial Market (DFM) and the Abu Dhabi Securities Exchange (ADX) and included measures to meet MSCI requirements, including the transfer of the governance role currently undertaken by the SCA to the UAE-based exchanges, so that the exchanges become "self-governing."

Another initiatives are the issuance of derivatives and options for providing liquidity, developing the technological infrastructure related to disclosures and general electronic services, and introducing a CCP.

As per the new CCP regulation, clearing functions will be performed by a company legally segregated from the financial markets and will operate under a license granted by the SCA. The specialised CCP clearing entity is expected to ring-fence the risks associated with the clearing and settlement of trades, enhance



collateral efficiency, increase liquidity and create a settlement default fund.

The long-awaited new insolvency law came into effect on December 29 2016, which modernises bankruptcy regulations and allows troubled business owners to reschedule debt, said Georges Cattani, head of HSBC Securities Services UAE.

The DFM and ADX are both enhancing their systems and have introduced several measures, including allocation accounts and appointing Central Bank of the UAE as their settlement bank.

The UAE is an investor ID market, requiring investors to obtain an investor number (NIN) from the exchanges prior to initiating trading. Investors are only allowed to keep assets under one NIN with a specific local sub-custodian.

This has been perceived by many investors as restrictive for various reasons including the inability to appoint a contingent service provider in line with AIFMD and UCITS V regulations, the inability to support certain Islamic structures and repo transactions, according to Standard



Chartered Bank.

However, the regulator approved an amendment in Q3 2016 to cater to different scenarios by allowing investors to open multiple sub-NINs under different custodians.

Local depositories are making changes to their systems to implement this arrangement, which is likely to be completed by the end-2017. Global custodians (and their underlying investors) could then keep their assets with multiple sub-custodians if they so wished.

## > ZAMBIA

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.17
2	Standard Chartered	4.89
WEIGHTED		
RANK		Score
1	Standard Bank	5.99
2	Standard Chartered	5.45

The major driver of the custody business in 2016 was the strong activity in the fixed income market, specifically government securities towards the end of the year. "Government bonds will continue to be very attrac-

tive securities in the Zambian market," said Chenge Besa-Mwenechanya, head of investor services at Stanbic Bank Zambia. "This is attributable to the prevailing macro-economic fundamentals, which have led to high yields for government securities."

Looking ahead, the government has indicated the need to scale down its expansionary fiscal policy and coordinate fiscal and monetary policy. "This will likely put downward pressure on borrowing costs, in turn warranting further monetary policy easing, enhancing access to credit and increasing investor confidence," said Besa-Mwenechanya.

The project to separate the CSD from the exchange is still underway, as well as the process to link the Bank of Zambia CSD to the Lusaka Stock Exchange CSD. Both of these have reached advanced stages. The long-awaited new SEC Act was finalised and signed off at the end of 2016, regulating the CSD, tackling inefficiency and enhancing investor protection.

"Given prevailing global conditions for economic growth and domestic challenges, GDP growth is projected by the World Bank to improve to 4% in 2017 and 4.2% in 2018," said Besa-Mwenechanya. "This is assuming significant strides in the economic recovery programme, improved electricity generation, implementation of an IMF programme and higher copper exports."

## > ZIMBABWE

UNWEIGHTED		
RANK		Score
1	Standard Bank	5.21
WEIGHTED		
RANK		Score
1	Standard Bank	4.73

The Zimbabwean economy has been under huge pressure in the past 12 months due to foreign currency shortages.

Chengetedzai Depository Company (CDC), the central securities depository for Zimbabwe and the Reserve Bank of Zimbabwe (RBZ), changed the settlement process from BIS DVP model one to DVP model two.

Settlement is now occurring using central bank rather than commercial bank money. The new process has banks funding net cash positions and securities positions settling on a gross basis. RBZ now oversees the regulation of the cash settlement with the Securities and Exchange Commission while retaining supervision of the securities leg of the process.

At some point in 2017, the settlement cycle is to shorten from T+5 to T+3. The market will also explore the possibility of migrating from DVP model two to DVP model three. DVP three will see settlement happening on a net basis for both securities and cash.

The Zimbabwe Stock Exchange is currently working on a process to introduce the trading of fixed income instruments on the bourse. The listing of corporate bonds and government debt will provide the domestic market with a secure mechanism for trading and settling fixed income instruments.

"For instruments issued in Zimbabwe, an improved settlement mechanism should attract more investors, both foreign and local, which is positive for the economy," said Takunda Magumise, head of investor services at Stanbic Bank Zimbabwe. The foreign currency shortages have had an impact on firms that are dependent on importing raw materials and trading stock. "This, together with the increased selling pressure, will have an adverse impact on the bourse in 2017."

Contrarians believe that local investors will seek to switch their positions from money markets to the capital market in order to hedge against a possibility of a weaker currency such as the rand being adopted.