



AFRICAN DEVELOPMENT BANK GROUP



African Exchanges Linkage Project (AELP)

Participating Exchanges:



The Egyptian Exchange
البورصة المصرية



Stock Exchange of Mauritius

Coordinated by:



AFRICAN DEVELOPMENT BANK GROUP

Supported by:



Africa's Capital Markets

COMMON CHALLENGES

- **Insufficient liquidity** associated with high costs of trading, increased cost of raising capital, and low returns.
- **Lack of a diverse investor base:** Low income among retail investors and the small size of the private sector in these markets make investors and issuers scarce.
- **Investment products & Securities Offering:** Investors seeking to diversify are forced to look outside their local markets.
- **Regulatory blockages and lack of harmonization:** Restrictions on cross-border investing and movement of capital limit investors to their local market's offerings

OPPORTUNITIES THROUGH INTEGRATION

- Regional integration has the potential to help capital markets overcome these constraints.
- Developing domestic capital markets can be done through a regional approach,
 - through facilitating cross-border trading,
 - harmonizing market infrastructure,
 - investor education on cross-border trading,
 - Aggregation of market information,
 - removing constraints on capital transactions and movement.
- Absence of restrictions on capital mobility increase the allocation of international financial resources into the economies.

AELP OVERVIEW

The African Exchanges Linkage Project (AELP) is a Capital Markets integration initiative by the African Securities Exchanges Association (ASEA) and the African Development Bank (AfDB). It aims to facilitate cross-border investment flows through trading of securities across participating exchanges in Africa. Supports AfCFTA objectives to create free flow of investments and capital throughout Africa.

Objectives

- **Boost Pan-African investment flows** through linked Exchanges and wider investment ecosystem cooperating.
- **Enable seamless trading** of securities on participating Exchanges in Africa.
- **Facilitate access to, and free flow of information** on African capital markets to investor community.
- **Promote innovations in product creation** supporting diversification needs of investors in Africa.
- **Build capacity for regulatory and policy formulation and standards harmonization.**
- **Address the lack of depth and liquidity**

Participating Exchanges

The AELP Phase 1 has linked seven (7) African exchanges. Phase 2 kicks off in 2Q2023 to link a target additional 8. Total target 15 Exchanges representing ~90% of Africa's market capitalization and access over 2,000 securities.

Nairobi Securities Exchange

Johannesburg Stock Exchange

Casablanca Stock Exchange

Nigerian Exchange Limited

Stock Exchange of Mauritius

The Egyptian Exchange

Bourse Regionale des Valeurs Mobilieres (BRVM)

Botswana Stock Exchange

Ghana Stock Exchanges

ACHIEVEMENTS TO DATE:

❑ **Interconnectivity of securities exchanges and brokers**

- ✓ AfDB mobilized a Grant of USD 980,000 from the KOAFEC for the AELP Phase 1 Implementation
- ✓ Partnership with Direct FN Ltd. for design & implement of **AELP Link** trading platform
- ✓ 7 Exchanges successfully connected to the AELP Link
- ✓ Network of 31 Broker firms

❑ **Capacity-building for financial industry regulators and operators**

- ✓ Legal and Regulatory Framework documents on AELP accessible to participating members.
- ✓ Training and awareness sessions for Regulators, Asset Managers and other stakeholders

❑ **Establishment of the African Stockbrokers and Security Dealers Association (ASSDA) in 2019**

- ✓ Platform for security dealers to collaborate on capital markets integration and products innovation.

❑ **AELP Project Management Office:** Oversees implementation and create continent-wide awareness on the AELP.

❑ **AELP Phase 2 kick-off in 2Q23**

- ✓ Grant of \$600,000 from KOAFEC through AfDB for Phase 2
- ✓ Scaling to potential 15 participating Exchanges representing 22 countries.