THE NETWORK FORUM AFRICA

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TNF Africa – The Highlights

Getting Operational Resilience right

ICT resilience is something our industry is rightly prioritising.

In fact, TNF Africa took place just one month after several West African countries were hit by massive internet outages caused by damage to underwater cables, resulting in widespread disruption at a number of companies, including Ghana's main stock exchange, which had to extend its trading hours by an hour on the Thursday and Friday after the incident.

Having been identified as a top five risk every year since 2013 in the Depository Trust & Clearing Corporation's annual Systemic Risk Barometer survey, cyber-crime is a problem that is only expected to get worse, especially as new technologies, such as Generative AI, become increasingly ubiquitous.

We heard that Financial Market Infrastructures (FMIs) in Africa are working hard to mitigate these risks. Aside from having robust cyber-security procedures in place, one speaker at TNF said FMIs can help ensure business continuity by building co-location data centres and using cloud-based solutions.

Through engagement and collaboration at public forums such as TNF, FMIs across Africa are working together to ensure that they adopt best practices around resiliency and cloud development.

Given their systemic importance, this is not something FMIs can compromise on.

Network Managers talk about the good, the bad and the ugly

I spoke to several Network Managers during the course of TNF, and the consensus appears to be that while a number of African countries have made excellent progress implementing capital market reforms, a lot of work still needs to be done.

Let's start with the positives.

Network Managers praised several African markets for having efficient account opening processes in place, and for introducing new investment products (i.e. sustainable bonds, etc). For instance, Kenya is set to become the first African country to issue a sustainability linked bond (SLB), a $400 million issuance which is expected to take place in November.

Experts highlighted that the growing availability of investment products will help attract global investors and bring much needed liquidity into a region, which has suffered serious outflows since COVID. It could also encourage more regional and domestic institutions (i.e. pension funds) to invest within Africa as opposed to chasing returns overseas.

But there are pain-points.

Not everybody likes surprises, and least of all Network Managers. A recurrent complaint is that some African regulators and FMIs are guilty of making big market announcements but with little forewarning, giving Network Managers and their clients little time to prepare for the changes.

However, several Network Managers said regulators in the region are increasingly engaging with them about market reform initiatives.

Other obstacles, include restrictions around repatriating FX, and the existence of multiple Central Securities Depositories (CSDs) in individual markets. Having too many CSDs in a single market not only creates fragmentation but adds to Network Managers' already sizeable workloads, as it forces them to carry out multiple due diligence reviews.

Africa is bursting with limitless potential, and once these issues are fixed, investors will once again return to the continent.

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