

# **CEU Capstone Project**

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## **Public Summary**

**Project Title: Analysis of Africa's Stock Exchange Brokerage Market**

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## Introduction

Over the past decades, Africa has seen stock exchanges thrive: in the late 1980's there were only five (5) exchanges, and today there are twenty-nine (29) exchanges operating. A large number of the exchanges are concentrated in the Sub-Saharan region. The most known and performing exchanges are: Johannesburg Stock Exchange and Nigeria Group Exchange in the Sub-Saharan, and the Egyptian Exchange. This has been coupled with simultaneous growth of number in shares listed, and volume traded on stock exchanges. The market capitalization of stock markets in Africa has also tremendously grown – from \$113 billion in the early 1990's to exceeding \$1,130 billion presently.

Owing to this recent growth records, Africa's exchange markets are attracting international investors. Thus, this report expounds on the analysis on current state of Africa's exchanges and securities brokerage markets. The analysis in the report is aimed to be utilized with Broker-Chooser to have clear understanding of the Africa's stock exchanges regulatory and brokerage landscapes with focus on twelve (12) selected countries.

The exhaustive analysis of the selected stock/securities exchanges serves to Broker-Chooser's advantage – which is to support their advisory services in Africa's emerging exchange markets. Thus, with the developed analysis, Broker-Chooser will be able to benefit from the analysis by understanding how Africa's stock exchange markets operate, and what opportunities there are for international investors, and how are the stock exchange markets enabling towards foreign investors. Broker-chooser also wants to understand the cost of investing through brokers in various stock markets in Africa. Broker-chooser's understanding of Africa stock exchange and stock brokerage markets landscape is accomplished in this analysis through: conducting a deep digest in

to the stock exchanges' regulatory approach, considerations for international investors, investor protection, market transparency, and comparing stock brokerage charges (fees) of different exchange markets in Africa.

BrokerChooser is an online brokerage advisory firm that connects investors who want to invest in different stock markets globally, to right/suitable brokers that satisfy their investment needs.

### **Data Collection and Analysis**

The market capitalization data analyzed is for total-equity markets. The data on country exchange markets was sourced from the World Federation of Exchanges statistics. Additionally, market capitalization data and selection of exchange markets to analyze, it was done with consultation of Broker-Chooser – to their expectations of the market analysis. The data covered market capitalization trends for the last two years (January 2020 – to – January 2021) with year-to-date percentage changes in the respective years. To generate analysis of trends 'Tableau' dashboard has been made. Part of the analysis also involved understanding securities brokerage landscape of the selected markets. Analysis of the brokerage markets involved understanding brokerage commissions and regulatory mandatory fees in different markets, and the resultant cost of trading/investing in the selected markets. The information about commissions and fees was got from exchange websites and commission fees and charges structure from different brokerage companies contacted. Analysis of this data was done in MS Excel.

The qualitative analysis part of data involved:

- understanding and expounding on regulatory approach of different exchanges by observing from regulatory and/or statutory articles specifying rules of capital markets are operated
- expounding on investor protection standards in African markets in comparing with international standards. This was largely based on comparing investor compensation fund

standards established as par regulatory standards. Comparison was done with USA's Securities Investor Protection Corporation (SIPC), and other compensation standards in UK and Europe

- expounding on transparency of the selected exchange markets. This encompasses disclosure of information about either of the following; size of compensation funds available, disclosure of exchange regulatory authority's actions against market malpractices by licensed brokers, level of investor compensation pay-outs as a result of pecuniary misconduct of licensed stock exchange members, and easy accessibility of information about brokerage firms' performance ranking.
- Understanding consumer behavior by analysis of BrokerChooser data

### **Findings and Conclusion**

- The cost of investing to trade on stock exchange markets in Africa is substantially higher compared to developed global exchange markets.
  - o Selection of brokers in Africa can be guided on factors like:
  - o cost of investing compared to other countries, and efficiency of regulation,
  - o how developed market is, and variety of products; and performance of brokerage firms in each market
- On the overall; according to BrokerChooser data,
  - o Forex trading is much more popular in the selected countries (average is 28%) compared to the average globally (16%)
  - o On the other hand, even though stock trading is on largescale as well, it is less with average of 36% compared to the average globally (42%).











