



RNB PROPERTIES Ltd BECOMES THE FIRST COMPANY TO LIST SHARES ON THE MASERU SECURITIES MARKETS (MSM)



Speech by the Governor of the Central Bank of Lesotho, Dr. Retselisitsoe Matlanyane (Picured) during the celebration of listing RNB properties on Monday 06th December, 2021

His Majesty King Letsie III
The Right Honorable the Prime Minister, Dr. Moeketsi Majoro
Honorable Minister of Finance, Mr. Thabo Sophonea
Board of Directors of the Central Bank of Lesotho
Board of Directors and Management of RNB Realtors
Leaders of the Financial Industry
The Sponsor – Katlego Securities team
Members of the Media present here
Distinguished Guests
Ladies and Gentlemen

Good morning

1. I feel honoured and privileged to address this august gathering to commemorate this noble occasion that marks a new dimension in the operations of financial markets in our country. I am overly excited to witness and celebrate with you this momentous and a major milestone in the development of capital markets in our country, more specifically, the equity market.

Ladies and Gentlemen

2. Our phased approach towards the development of capital market started in 2008 when we dematerialized holdings of treasury securities by introducing Central Securities Depository System (CSD). As you may be aware, the CSD serves our capital market through the safekeeping of the legal, digital record of securities ownership, providing associated settlement and the reuse of securities for the benefit of the wider economy. Furthermore, auctions frequency of treasury bills was increased to bi-weekly. Subsequently,

treasury bonds were introduced to the market later on in 2010, starting with the three and five years' tenors. Later on, the ten and seven years' tenors were added to extend the yield curve. Generally, primary issuance of these bonds were successful with frequent oversubscriptions. To the downside, their secondary market trading activity remains challenging.

Ladies and Gentlemen

3. Despite the challenges, our relentless efforts and quest to further develop the capital markets beyond treasury bonds continued, resulting in the introduction of the Capital Markets Regulations, 2014. This piece of legislation was meant to facilitate issuance of securities by other institutions other than the Government.
4. It should, however, be mentioned that, in their development, a cautious decision was made not to suffocate the market with strict regulation, but to promote and nurture market fairness, orderli-

ness and efficiency through minimum disclosure requirements. In particular, these regulations discharge a function of a Principal Law and allow the Bank to regulate and operate the Maseru Securities Market Platform in the interim while the private sector prepares itself to take over.

5. You will recall, Ladies and Gentlemen, that this entity was inaugurated in January 2016. Although it has been registered as an independent institution, MSM is 100% owned by the Central Bank of Lesotho. The main objective of having this platform is to allow for trading of securities (equities and bonds) in the secondary market. More importantly, it can also be used for raising further capital for listed companies.

Ladies and Gentlemen

6. What a turbulent journey and relief to finally get to list our first company on the exchange. I must confess it was unexpected that five years later we would not have had a single listing! Or put better, that we would only get our first listing after the fifth year! Thanks to the efforts pulled together by the various departments of the Bank to translate this dream into reality. In particular, the Department of Financial Markets of the Bank has, over this period, engaged in many initiatives that were aimed at encouraging legitimate companies to come on board by offering various incentives including the successful motivation for the removal of Stamp Duty on all marketable financial securities and other bottlenecks that were identified to hinder trading in financial securities.
7. We also carried out both targeted and general campaigns to companies by unveiling opportunities brought by having unlimited access to capital and other benefits of participating on the centralized capital market that improves visibility of a participating company's brand.

8. Among other reforms that we undertook, was to introduce laws that mandate contractual savings institutions such as Pension Funds and Insurance Companies to invest a portion of their portfolios locally. The mandatory local requirements imply that there would be supply of funds that are looking for worthy investment opportunities. In the absence of such investment vehicles, it would be difficult for contractual savings institutions to comply and will be forced to invest those locally mobilized funds offshore.
9. It is also worth noting that we are not an exception from what is happening across the world. Globally, more and more companies are seeking access to the capital market, underscoring its crucial role in sustaining long-term growth for businesses and the economy in general.

Ladies and Gentlemen

10. While it is quite disappointing to note that many businesses borrow short-term to invest in long-term projects, it is my fervent hope that today's event marks the beginning of a new chapter towards applying strategic, long-term thinking that will enable us navigate major risks and challenges in the highly complex and dynamic financial markets today.
11. Among other interventions, the capital markets are a source of patient capital, in some instances, equity which is described as a permanent loan. In the absence of a well-functioning capital markets, businesses resort to using banks as source of capital. However, banks by their very own nature are unable to provide long-term loans because of how their balance sheets are structured – matching of short-term liabilities with long-term assets! In few cases where Banks provide such finance, they do so cautiously and at a considerably higher cost. Thus, making it difficult for businesses to compete in the tough business environment.

12. What we are witnessing today as RNB Properties Limited come to the platform is a giant step into the right direction. RNB Properties Limited have become the pioneers of this noble initiative that I believe will challenge many other entrepreneurs who have previously shied away from capital markets. Many entrepreneurs could have hesitated to come on board, probably because they did not want to be subjected to the probity and corporate governance standards that the Registrar of Companies and Registrar of Capital markets insists on before participating in the capital markets. I am hopeful that after today, many will not only see it as a possibility but will also see it as an opportunity to raise that much need capital for their business expansions.

Ladies and Gentlemen

13. In conclusion, you will agree with me that the task ahead of us is huge. I, therefore, would like to challenge every one of us to continue navigating our diverse roles to make capital markets work for our domestic businesses and definitely our economy. The journey will not be as smooth for various reasons but I strongly believe that if we can join hands, both the public and private sector, eventually we can see a breakthrough for the benefit of our economy.

14. It would be remiss of me if I were not to express my sincere words of thanks to the Ministry of Finance which has supported the process to develop capital markets in Lesotho all the way. Without its cooperation, support and believe in this noble initiative, our efforts could have been a futile exercise.

15. The role played by all our strategic partners, both domestically and internationally, including the private sector cannot be over-emphasised. Their entity of knowledge and experience on the major risks and challenges facing the global economy today, have contributed immensely towards the success-

ful implementation of the MSM. As a result, the Bank was able to tailor-make the initiative to address real issues facing our great country.

16. Last but not least, allow me to seize the opportunity to congratulate the team that worked tirelessly to make this listing possible, the Board and Shareholders of RNB Properties Limited, the Sponsor – Katlego Securities, Director Other Financial Institutions and his team, Director Financial Markets and his team and Registrar of Companies for their efforts to make this listing a success.

Ladies and Gentlemen

17. It is my greatest honour to celebrate the admission of RNB Properties as the pioneers of the Maseru Securities Market trading platform! Congratulations to RNB Realtors Board of Directors and Management, I wish you and the company success throughout this new journey!

I Thank You Ladies and Gentlemen!!