

Saving and Investing through Rwanda's Capital Market

What is Capital Market

- ❑ **Capital** is money
- ❑ **Market** is a public place where buyers and sellers meet and make transactions
- ❑ **Capital Market** is a market where buyers and sellers meet to buy or sell money /capital
- ❑ **Capital Market** is a market that facilitates investors to access Long term funding to finance Long term projects. Where shares and bonds are bought and sold. Selling & Buying is done through intermediaries.

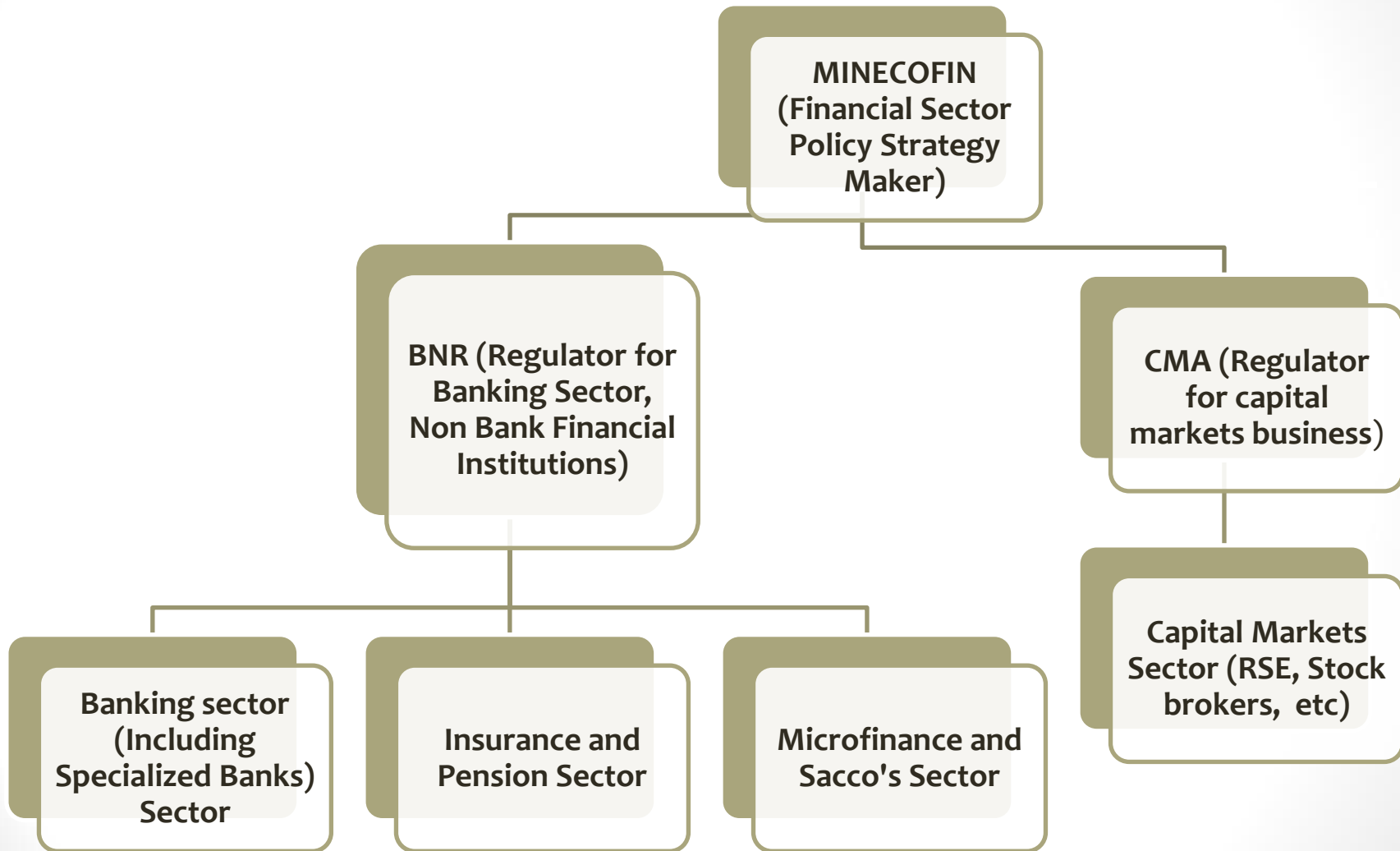
Establishment of Capital Market in Rwanda

The GoR established Capital Market in March 2007 with the purpose of guiding the development of the capital market industry in Rwanda.

The Capital Market was officially launched in 2008.

The Stock Exchange was established as a private limited company in 2011.

Capital Market in Rwanda's Financial Sector



Importance of Capital Market

Benefits to Country's Economy

- Sustains high economic growth through easy access to long term finance (capital): supplements banking sector
- Promotes development of financial sector services
- Tapping into savings from diaspora community looking to invest back in country
- Attract Foreign Direct Investments (FDI's)
- Encourage country's self reliance (EuroBond, Government Treasury Bonds, ...)

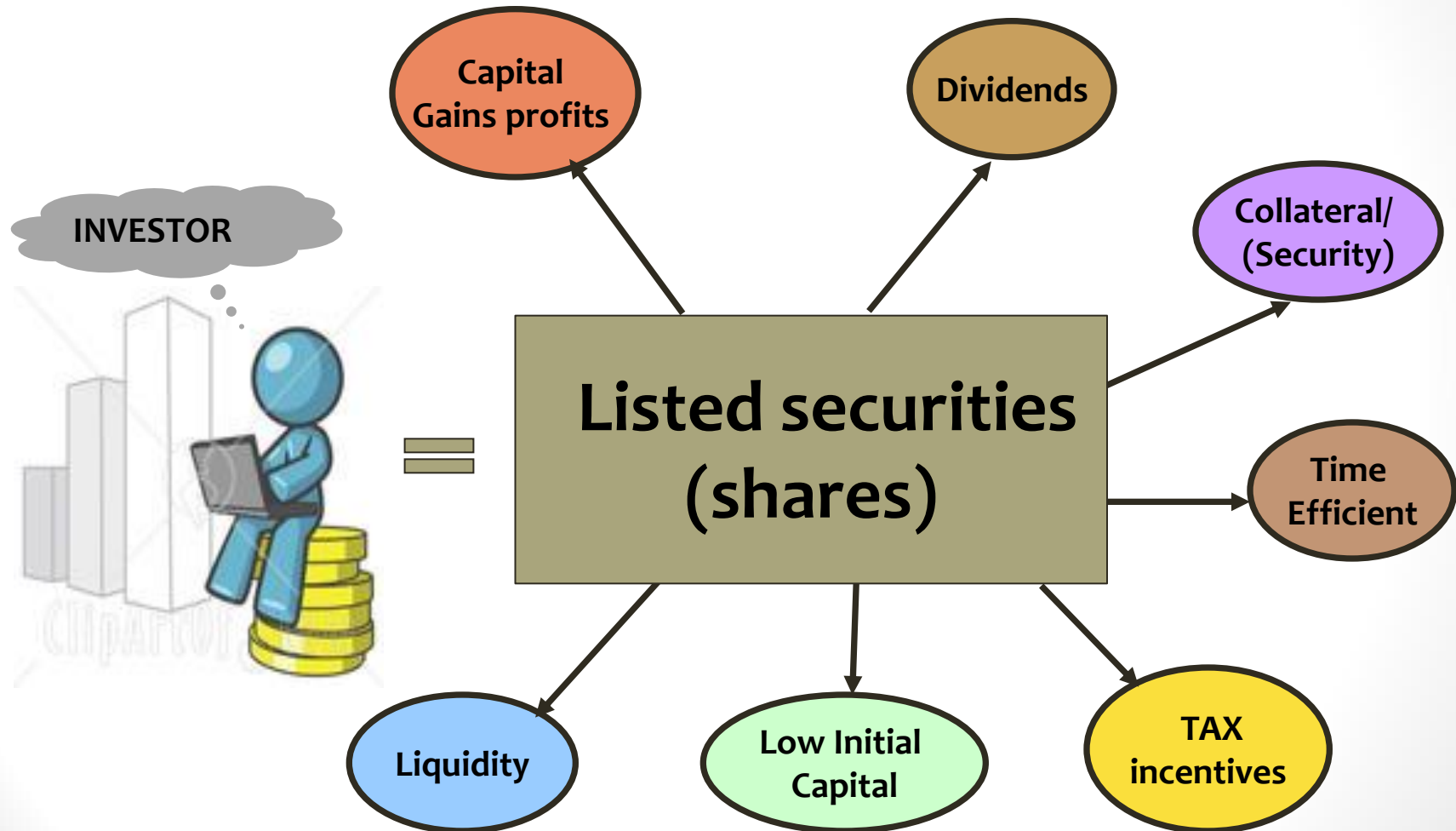
Importance of Capital Market

Benefits to a business

- ❑ Access to long term and cheaper finance (capital)
- ❑ Discover the real value of your business
- ❑ Enhance corporate governance (management) practices
- ❑ Use of shares as currency

Importance of Capital Market (Cont.)

Benefits to an individual



Products in Capital Market

- **Equities (shares)**
- **Bonds:** corporate and treasury bonds
- **Commercial Paper**
- **Collective Investment Schemes:** E.g. Unit Trusts through Rwanda National Investment Trust (RNIT)
- **Real Estate Investment Trust (REIT's)**

Products in Capital Market (Cont.)

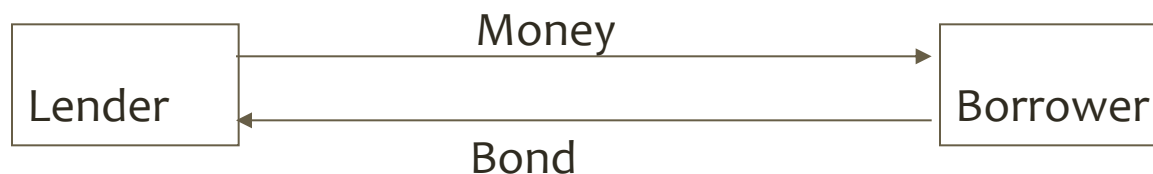
Shares

- A share is a unit of ownership in a company.
- When you buy a share in a company, you become one of the owners of the company to the extent of your shareholding.
- You participate in the affairs of the company through your voting rights at the General meetings.
- When the company reports profits and decides to distribute the profits, you are paid a dividend income.

Products in Capital Market (Cont.)

Bond

- A bond is a debt.
- When you buy a Treasury bond issued by Government you are a lender and the Government is a borrower.
- Equally, when you buy a bond issued by a company, the company is a borrower and you are a lender.
- The bonds will promise to pay you an interest income periodically.



Products in Capital Market (Cont.)

Who issues bonds and why?

Who: Public Sector (Government)

- Government (Treasury bond)

Why

- To raise money to finance a specific project – Building a school/hospital
- To ‘fund the deficit’ - raise money to fund a shortfall in tax revenues

Who: Private Sector (Non-government institutions)

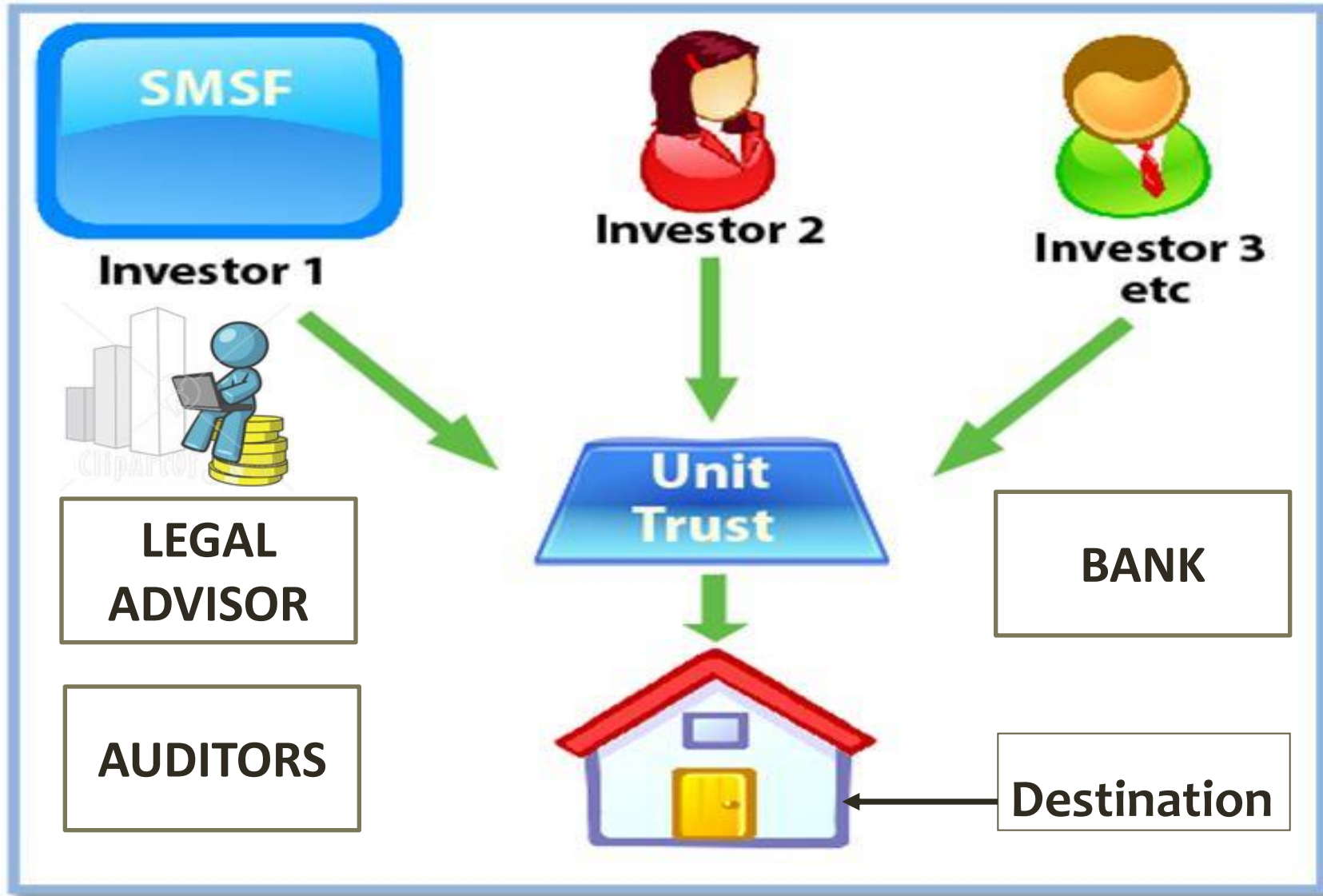
- Corporates and SMEs

Why

- To raise money to finance a specific project - investment in new factory/acquisition of a firm
- To fund a cash flow shortfall

Products in Capital Market (cont.)

Collective Investment Scheme (CIS)



Service Providers in Capital Market Industry

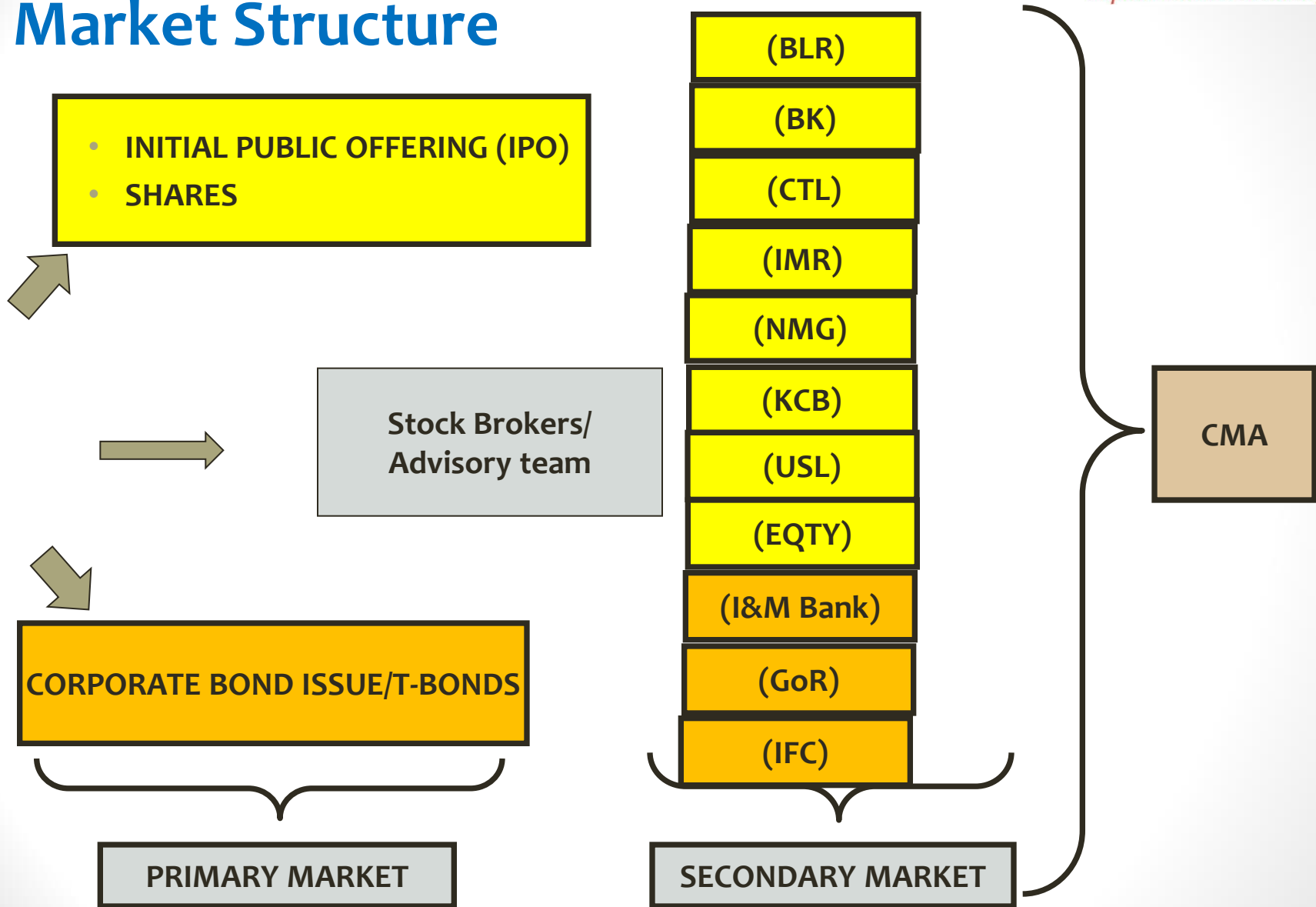
- Stock Exchange
- Brokers, Dealers, Sponsors, Advisors
- Investment banks, Fund/Asset Managers
- Custodians
- Trustees
- Registrars
- Central Depositories
- Credit Rating Agencies
- Legal services, Auditors, Accountants, Financial analysts,
- Commodities exchange
- Etc...

Capital Market Industry Structure

- ❑ **Supply side: listed securities** (shares or bonds) – by Public Sector (Government) or Private Sector (Companies)
- ❑ **Demand side: Investors** – by Private Sector (Institutional/Individual)
- ❑ **Intermediaries: Middlemen between the supply and demand sides** of the market – by Private Sector (stock brokers, advisors, fund/asset managers, etc...)

Rwanda Stock Exchange (RSE)

Market Structure



RSE Achievements (2011 -2015)

- **Listings :**
 - 4 IPOs (Bralirwa, Bank of Kigali, Crystal Telecoms Ltd, I&M Bank (Rwanda) Ltd)
 - 4 cross-listings (Uchumi Supermarket, Kenya Commercial Bank/KCB, Nation Media Group/NMG, Equity Bank)
 - 8 Government/Treasury bonds listed
 - 2 Corporate bonds listed (I&M Bank and IFC)
- **Members to Regional and International Professional Bodies:** EASEA, ASEA, UN-SSE Initiative
- Active market participants: so far 15,020 investors

RSE Performance (2011 -2015)

- **Equities Market:**

- ❖ Total IPOs 2011-2015: Rwf 83.3 Bill or (USD 116.67 Mill)

- **Debt Market:**

- ❖ Raised so far: Rwf 113.5 Bill or (USD 155.47 Mill)

- **Pipeline:** Infrastructure bonds, Diaspora bonds, Commercial papers, Munis, SME Segment, REITs, ETFs etc.

Capital Market Regional Integration

- Capital account is fully liberalized (Rwanda, Kenya, Uganda): non fiscal incentive.
- East African Community (EAC) citizens treated like domestic investors in the capital market with respect to taxation and other market transactions (Rwanda, Kenya, Uganda and Tanzania)
- Harmonization of the legal framework through directives (legal instruments used within the EAC region)
- Linking of market infrastructures: Central Securities Depositories (CSDs), Electronic Trading Platforms (ETPs)

GoR Role through Capital Market Authority (CMA) as Regulator

Promoting development
of capital market
industry

- Products diversification**
- Infrastructure**
 - Trading operations
 - Payment/settlements
 - Back office of CM players/practitioners

Regulating capital market
industry **for investor**
protection (laws, regulations,
guidelines, directives)

- Licensing**
- Inspection/Supervision**
- Enforcement**
- Public education**

Thank You!

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