



BOURSE
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African Markets. Global Opportunities.



Botswana Resource Conference

June 2009

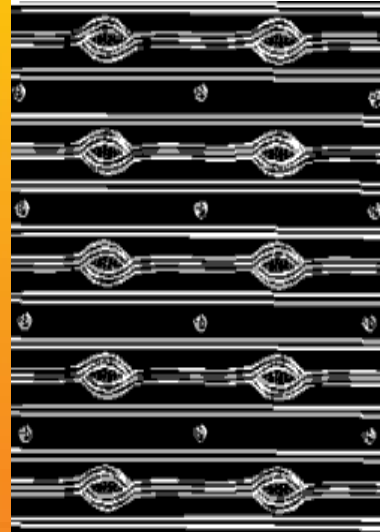
*Adam Gross, Head of Strategy
adam.gross@bourseafrica.com*

www.bourseafrica.com

Introducing Bourse Africa

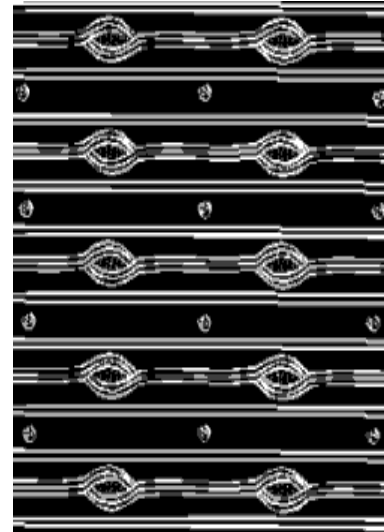
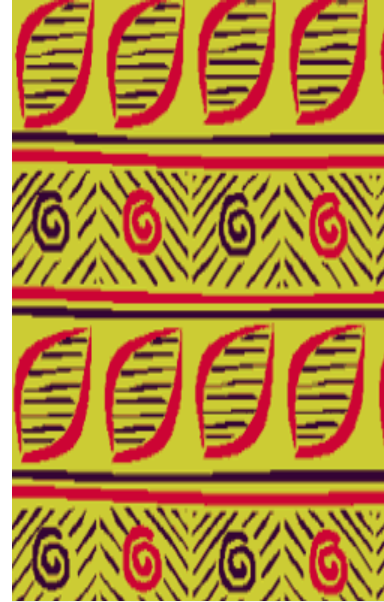


- ❖ World's 1st combined commodity spot & futures exchange
- ❖ Africa's 1st central counterparty clearinghouse (ex-RSA)
- ❖ Trading markets across Africa via electronic screen-based trading, easily accessible to market participants worldwide
- ❖ Multi-sector: metals, minerals, energy, agri, currency, other...
- ❖ Hub and spoke model delivers continental-scale gains while keeping a strong focus on local needs
- ❖ Hub location in Botswana, spokes across the continent
- ❖ Projected launch by Q4 2009, already fully licensed in Botswana



Contents

- **Who are we?**
- **What do we do?**
- **Where are we doing it?**
- **Why are we doing it?**
- **What are the opportunities?**

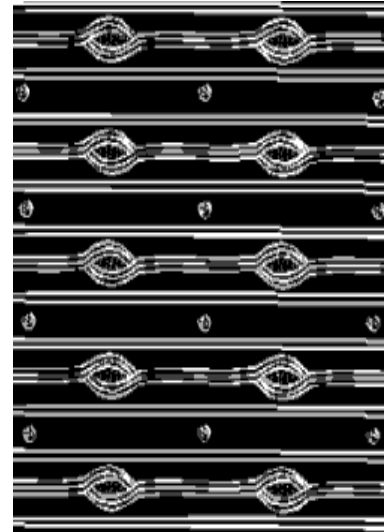
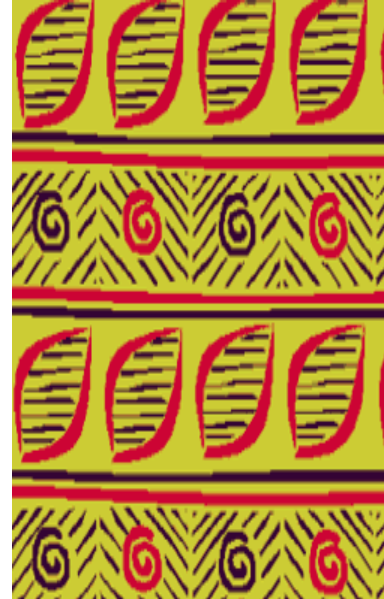




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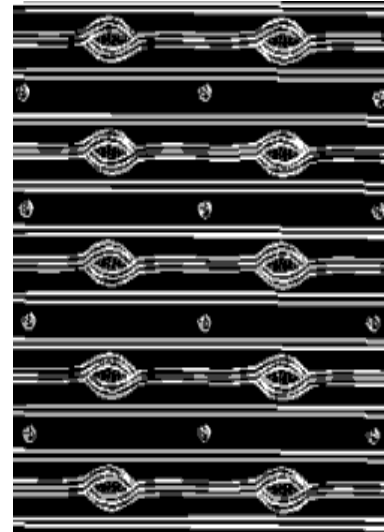
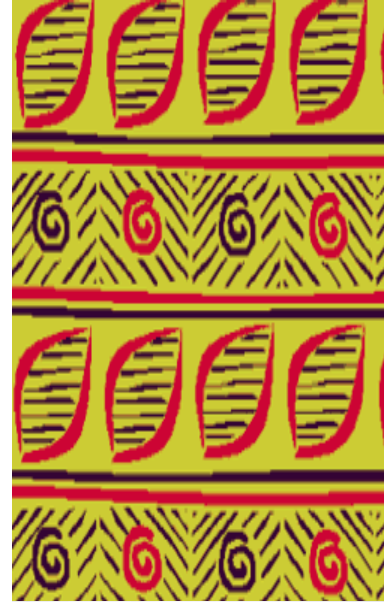
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Who are we?

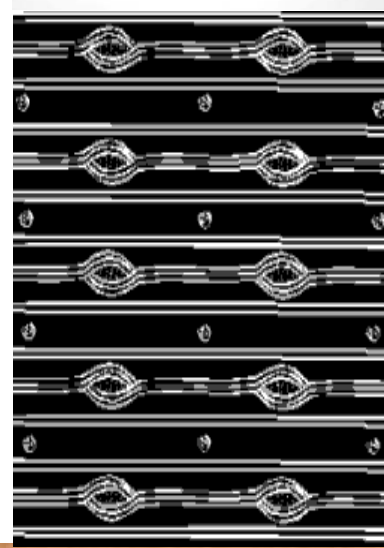
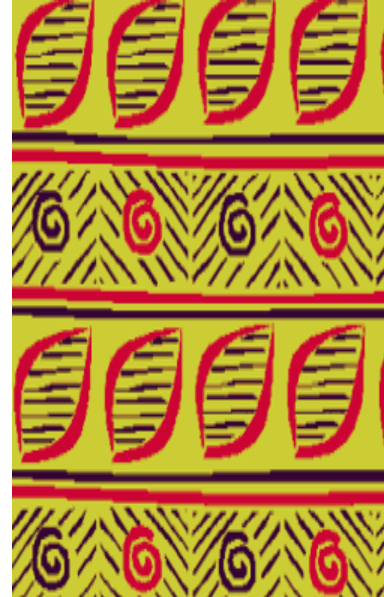
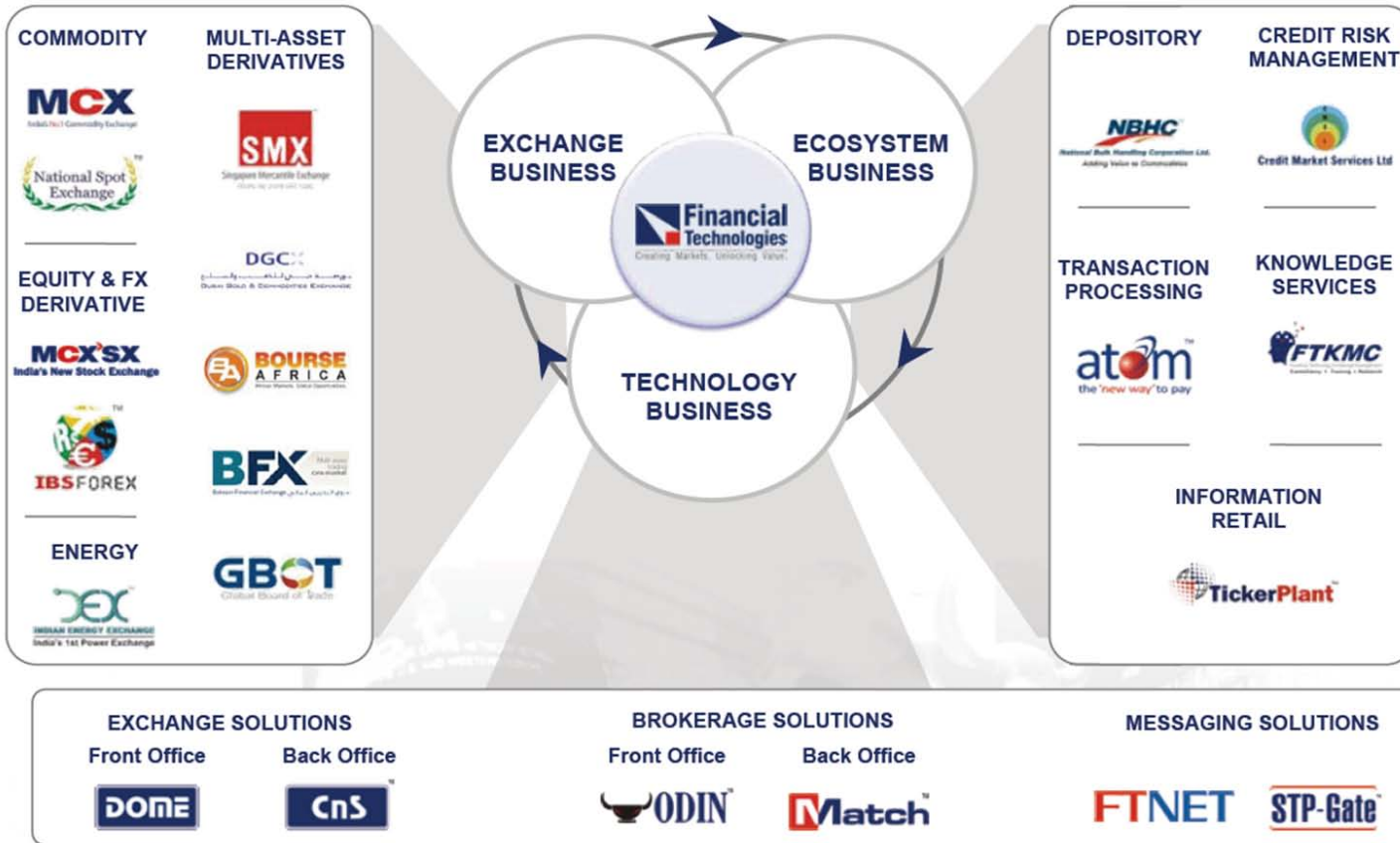


A new pan-African institution

- **Corporate Level:** A public-private partnership blending the best of Africa and Asia
 - Promoted by Financial Technologies (India) Limited together with leading African Institutions
- **National/Regional Level:** Joint ventures with prominent institutions in each country of presence
- A fully commercial, for-profit venture
 - US\$ 100 million+ initial investment
- Advisory Board Chairman: **H.E. Festus Mogae**, former President of Botswana



The Financial Technologies (FT) Group



We have done this before!

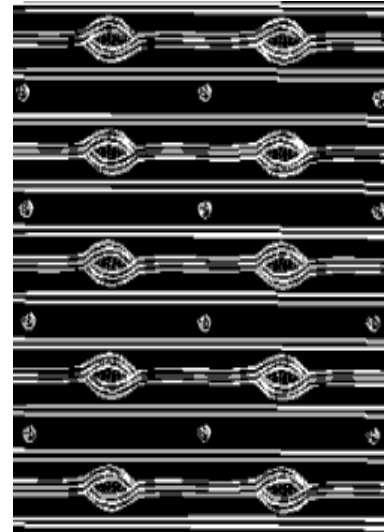
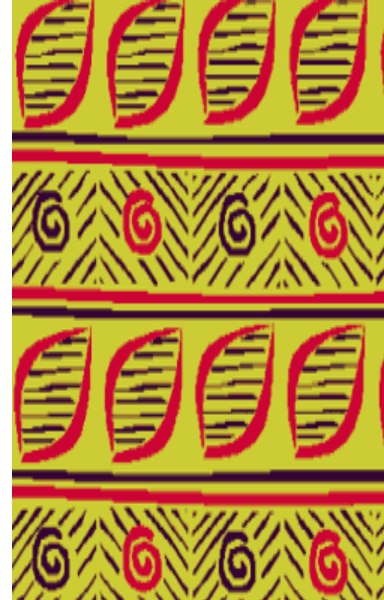
MCX, our sister company in India

- Fragmented Markets
- Deficient Infrastructure
- Skills/expertise shortage
- Pervasive underdevelopment
- Political sensitivity



- 7th largest in the world
- 70+ commodities traded
- 1m+ individuals trained
- 4-500,000 jobs created
- Zero defaults
- ~100m contracts per annum
- US\$ 4-5 billion traded per day

(Africa's commodity base is nearly 5 times larger)

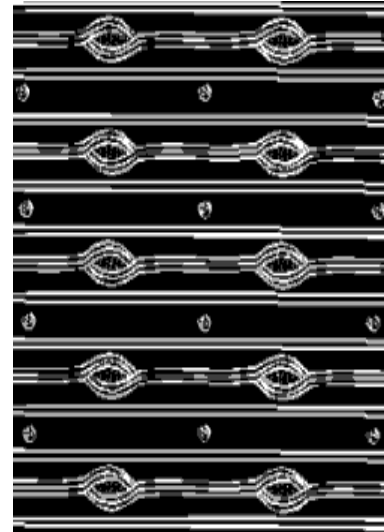
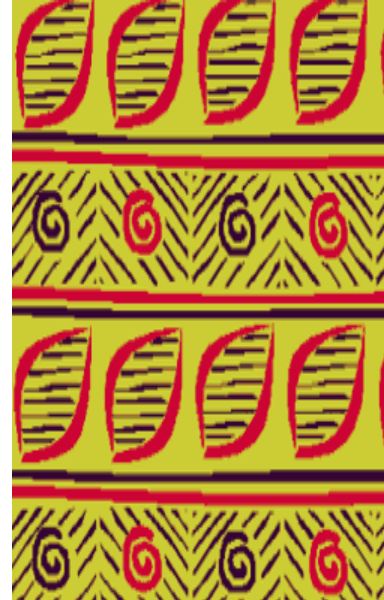




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What do we do?

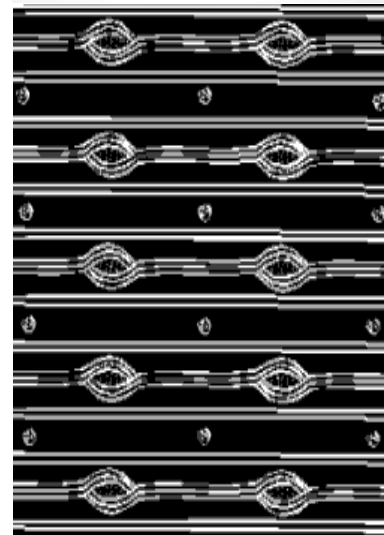
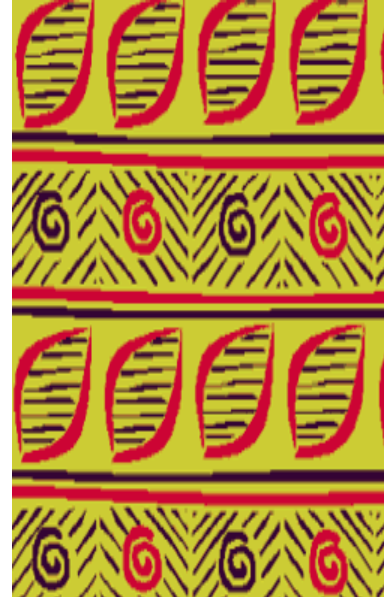


What is a commodity exchange?

A market in which multiple buyers and sellers trade commodity-linked contracts on the basis of rules and procedures laid down by the exchange

The exchange is neither a broker nor a trader, but the market itself...

... Thus, the exchange facilitates and guarantees transactions, but never takes ownership of any physical commodity



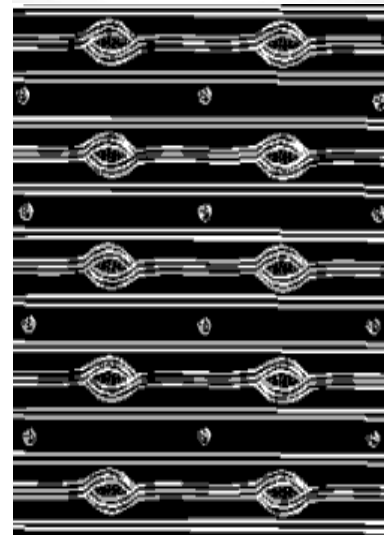
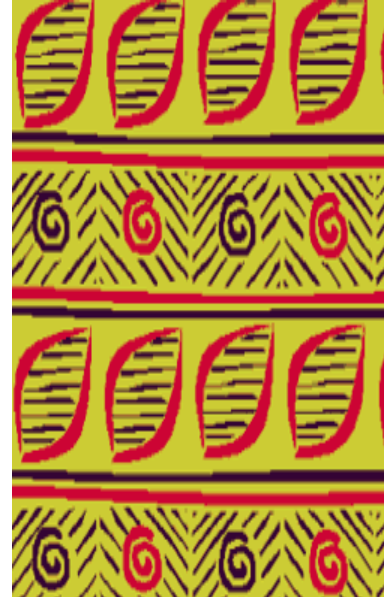
What is traded?

➤ **Spot contracts:**

- *Buy and sell commodities*
- *Delivery versus Payment*
- *Designated quantity, quality & delivery points*

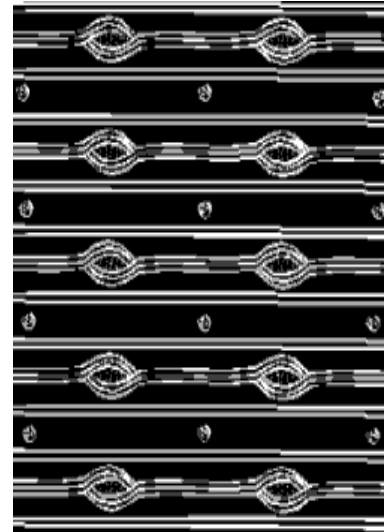
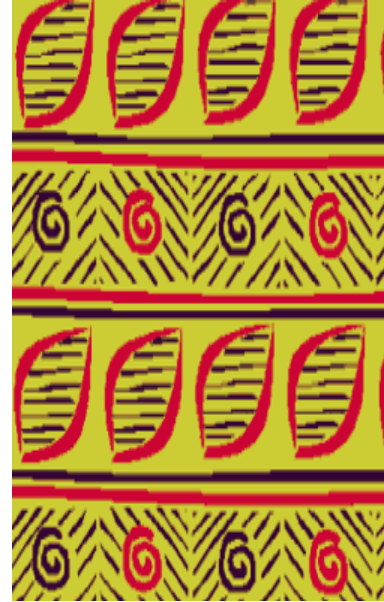
➤ **Futures contracts:**

- *Manage price risk through ‘hedging’*
- *Perform investment and arbitrage*
- *Make or take delivery in the future (optional)*



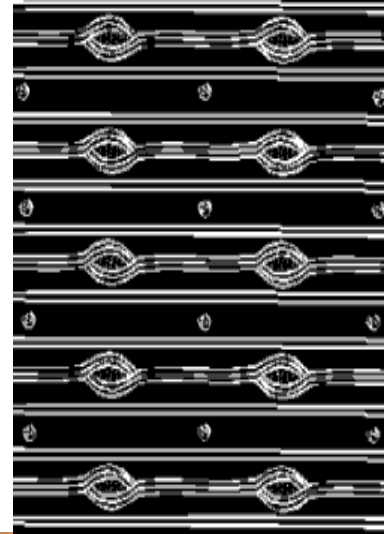
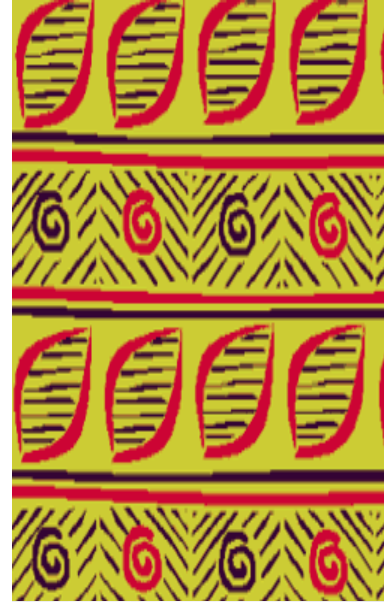
Under Guarantee

- **Guarantee of financial performance:**
 - *The seller is guaranteed to get their cash*
- **Quality and quantity guarantee:**
 - *The buyer is guaranteed to get the commodity they ordered*

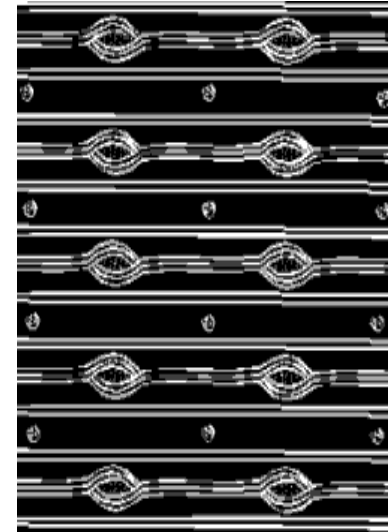


We are in some ways similar to...

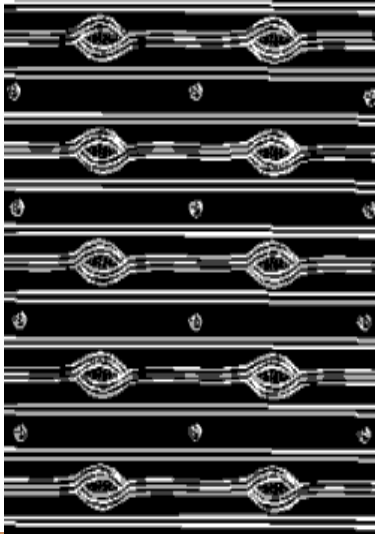
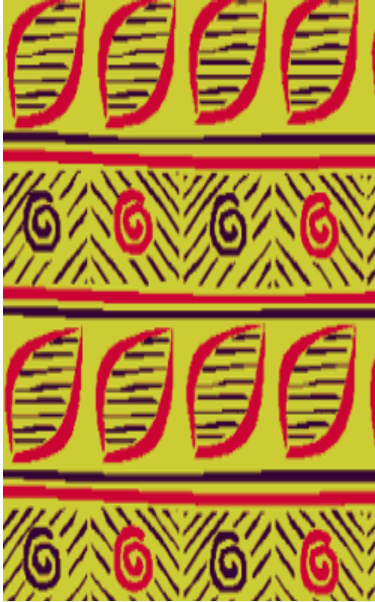
- **London Metal Exchange (LME)**
- **Chicago Board of Trade (CBOT)**
- **New York Mercantile Exchange (NYMEX)**
- **London International Financial Futures Exchange (LIFFE)**
- **South African Futures Exchange (SAFEX)**



What does it look like? Not This



What does it look like? And Not This



What does it look like? But This

NEST Trader Workstation Ver 9.0.2.0 (Powered By FT-Engines) 13 May 2009 11:04:34 AM

File View Market Orders Trades Tools Windows Help

CHANADELHI XX 1 @ 2210.00 GOLDAHMC2 XX 1 @ 14050.00 YELPEAMUM2 XX 1 @ 1446.00 CASTPLNPR7 XX 1 @ 446.10

SPTCOM CASTMHSN7 XX

Market Watch - AA

U/L Asset	Symbol	Price Qu...	OI	Close	Bu	Buy Price	Sell Price	Se	Value...	Vo	LTP	Open	High	Low
CASTORSEED	CASTMHSN7	20 KGS	3	458.30	1	458.20	458.30	5	12.89	5	458.30	458.40	458.40	458.30
CASTORSEED	CASTPATN7	20 KGS	1	461.70	1	461.70	461.80	2	2.60	1	461.80	461.80	461.80	461.80
CASTORSEED	CASTPLNPR7	20 KGS	1	446.00	1	446.00	446.10	1	5.02	2	446.10	446.00	446.10	446.00
CHANA	CHANADELHI	1 QTL		2210.00	1	2210.00	2211.00	1	4.42	2	2210.00	2210.00	2210.00	2210.00
CHANA	TCHANAIND5	1 QTL	18	2130.00	1	2129.00	2130.00	14	40.47	19	2130.00	2130.00	2130.00	2130.00
COTTON BLS	COTNKHMB	1 CANDY	11	21000.00	10	20970.00	21000.00	5	120.96	12	21000.00	21000.00	21000.00	21000.00
COTTON BLS	COTNMAH8	1 CANDY	2	22100.00	4	22080.00	22100.00	11	21.22	2	22100.00	22100.00	22100.00	22100.00
COTTON BLS	COTNYTL8	1 CANDY	5	21200.00	6	21180.00	21200.00	5	50.88	5	21200.00	21200.00	21200.00	21200.00
GOLD	GOLDAHMD	10 GRAMS	5	12050.00	2	12050.00	12051.00	11	72.31	6	12051.00	12050.00	12051.00	12050.00
GOLD	GOLDAHMC2	10 GRAMS	9	14050.00	15	14050.00	14051.00	5	140.50	10	14050.00	14050.00	14050.00	14050.00
GOLD	GOLDKOL0	10 GRAMS	8	12722.00	3	12719.00	12722.00	9	101.78	8	12722.00	12722.00	12722.00	12722.00
GOLD	GOLDKOL2	10 GRAMS	5	12732.00	6	12731.00	12732.00	13	63.66	5	12732.00	12732.00	12732.00	12732.00
GOLD MINI	GOLDMHYD0	10 GRAMS	8	14674.00	5	14673.00	14674.00	11	11.74	8	14674.00	14674.00	14674.00	14674.00
GOLD MINI	GOLDMHYD2	10 GRAMS	11	14674.00	8	14670.00	14671.00	3	16.14	11	14674.00	14674.00	14674.00	14674.00
GOLD MINI	GOLDMKOL0	10 GRAMS	11	12732.00	3	12727.00	12729.00	3	14.01	11	12732.00	12732.00	12732.00	12732.00
GOLD MINI	GOLDMKOL2	10 GRAMS	9	12742.00	6	12735.00	12737.00	7	11.47	9	12742.00	12742.00	12742.00	12742.00
GUARSEED	GUARSDBKNR	1 QTL	3	1551.00	5	1550.00	1551.00	16	4.65	3	1551.00	1551.00	1551.00	1551.00

Order Entry

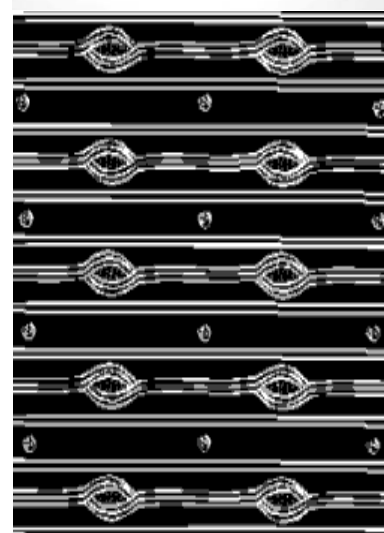
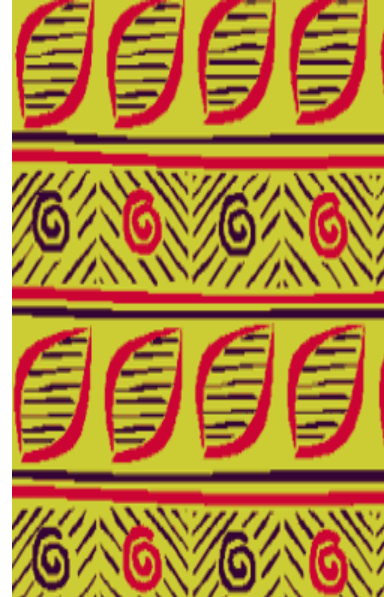
BUY	Inst. Name	Order Type	Symbol	Series	Expiry Date	Strike Price	Opt. Type	Qty	Price (10 GRAMS)	D. Qty
SPTCOM	Regular Lot		GOLDAHMD	XX				3	12051.00	
Own/Cl/Inst	Client Name	Client	Part. Id	Trig. Price	Validity	User Remarks				
CLI		AS240			EOS					

8370.00 18370.00 18370.00
7790.00 17790.00 17790.00
7800.00 17800.00 17800.00
6200.00 16200.00 16200.00
1450.00 1450.00 1446.00
1450.00 1450.00 1450.00

User : 2001 | Member Id : 2000 | Normal Market : Open N | Qty In : LOTS |

11:00:25 AM 13/05/2009 ORDER : 109051300000593 SELL Regular Lot 3 CASTMHSN7 XX @ 458.70 VALIDITY: EOS Dis Qty : 3 For CLI 120 CONFIRMED

Start N... O... M... R... Q... S... C... M... 11:04 AM



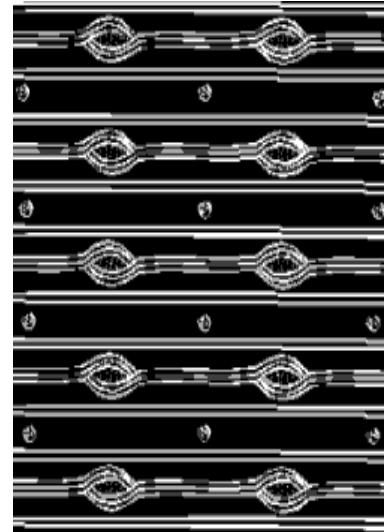
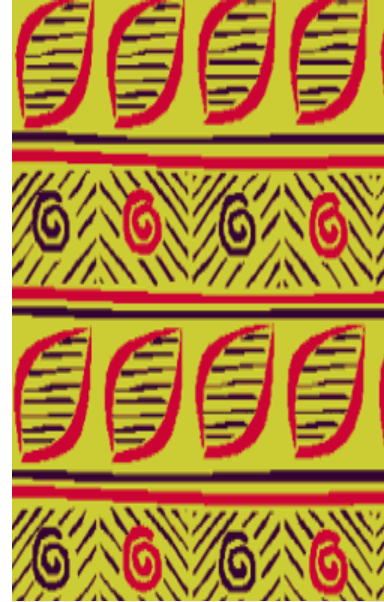
Products

For Launch

- **Futures contracts** on select pan-African commodities tradable in Botswana, deliverable in production centres across Africa
- **Spot contracts** on products of interest to specific African national/regional markets:
 - *Domestic spot contracts* tradable in local currency across production areas
 - *Export spot contracts* tradable in hard currency at export terminal(s)

Over Time

- Additional commodity spot and futures contracts:
 - Diamonds
 - Carbon Emissions
 - Others (metals, minerals, agri, energy), ***per market demand***
- Options
- Index-Trading
- Currencies
- Other asset classes

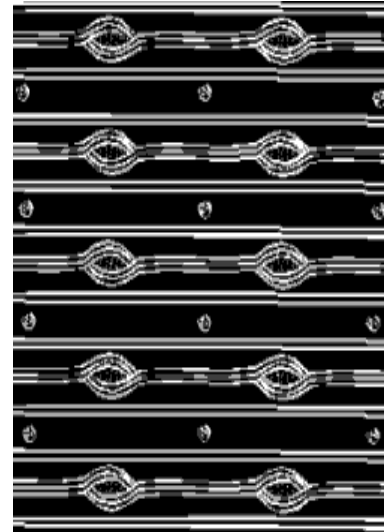
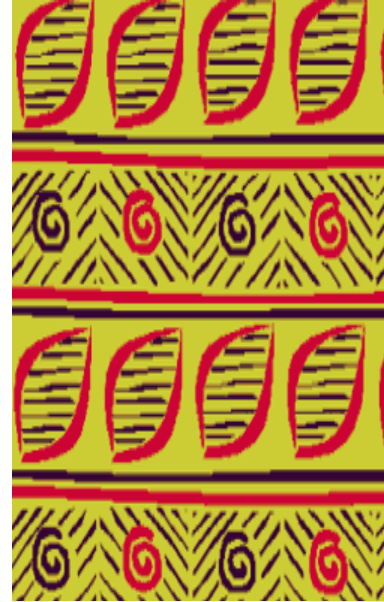


Markets are not imposed!

- Commodity exchanges do not work in isolation, and they do not impose ways of doing business on the industry
- We work closely with interests across respective commodity and financial sectors for each specific contract traded

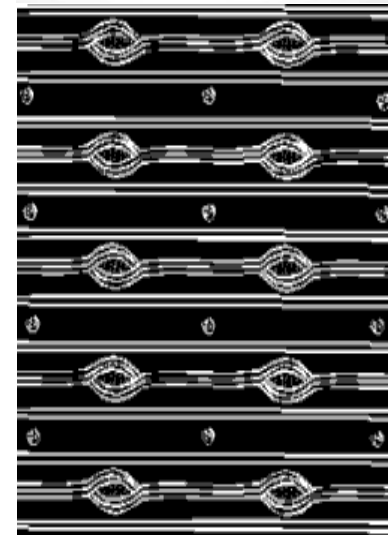
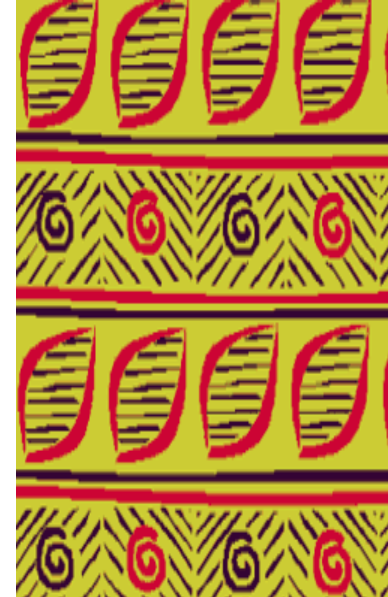


- Therefore, we want to form strong relationships and perform extensive dialogue / consultations with the industry:
 - What products / contracts should we offer?
 - What specifications should these contracts have?
 - How should we approach the market?



Not just a commodity exchange

- Sophisticated capital market institution
- World class venue for regulated investment
- Central Counterparty Clearinghouse (CCP)
- Depository for Warehouse Receipts & other documents of title
- Financial network for clearing and settlement, commodity finance and other services
- Connectivity network for linking Africa and rest of world
- Warehouse network for delivery and storage
- Market Information System
- Capacity-Building Academy



Projected Launch

Q4 2009

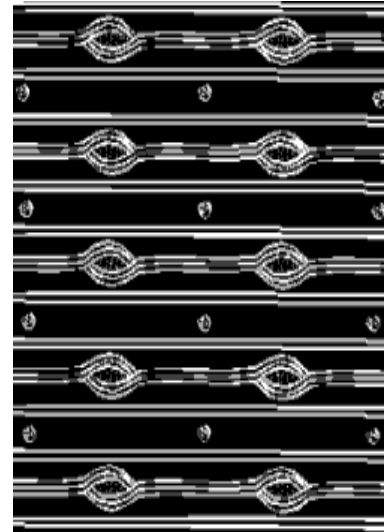
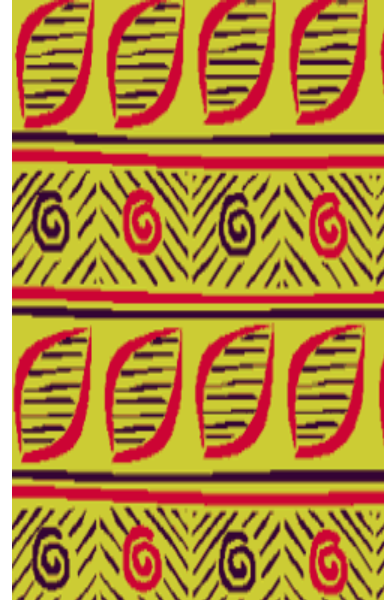




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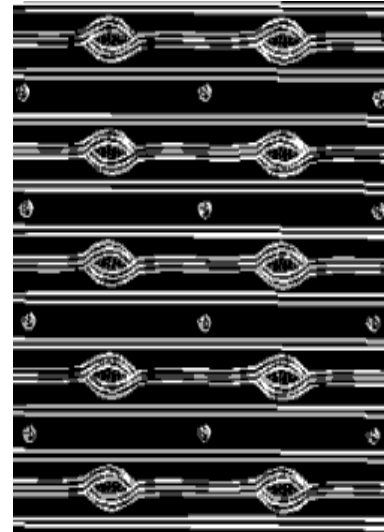
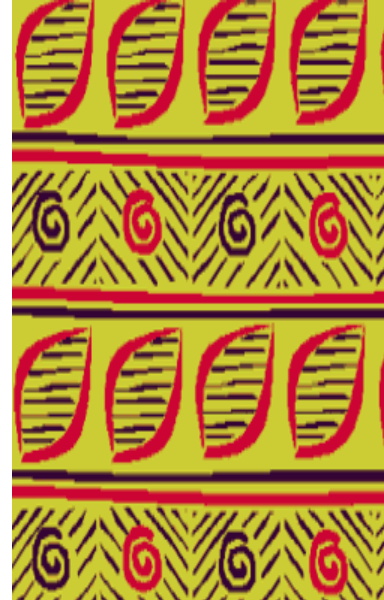
Where are we doing it?



Early country focus



- ***Rollout to other African markets as rapidly as the situation allows***



Bourse Africa's Pan-African Hub and Spoke Structure

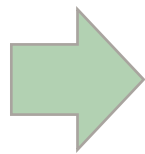
Bourse Africa

A hub, located and regulated in Botswana, which links together national exchange platforms as well as warehouse facilities in countries across Africa

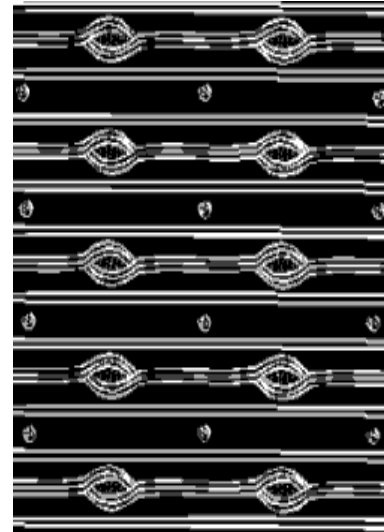
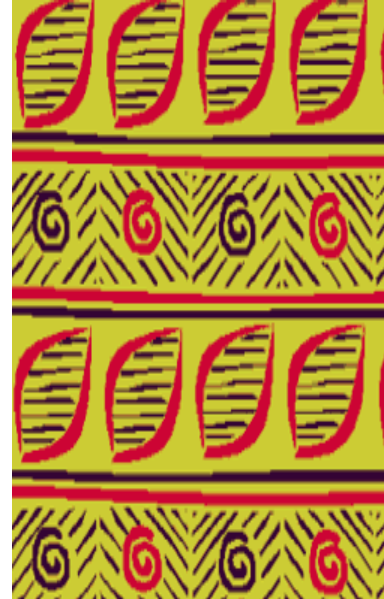


National/Regional Exchanges

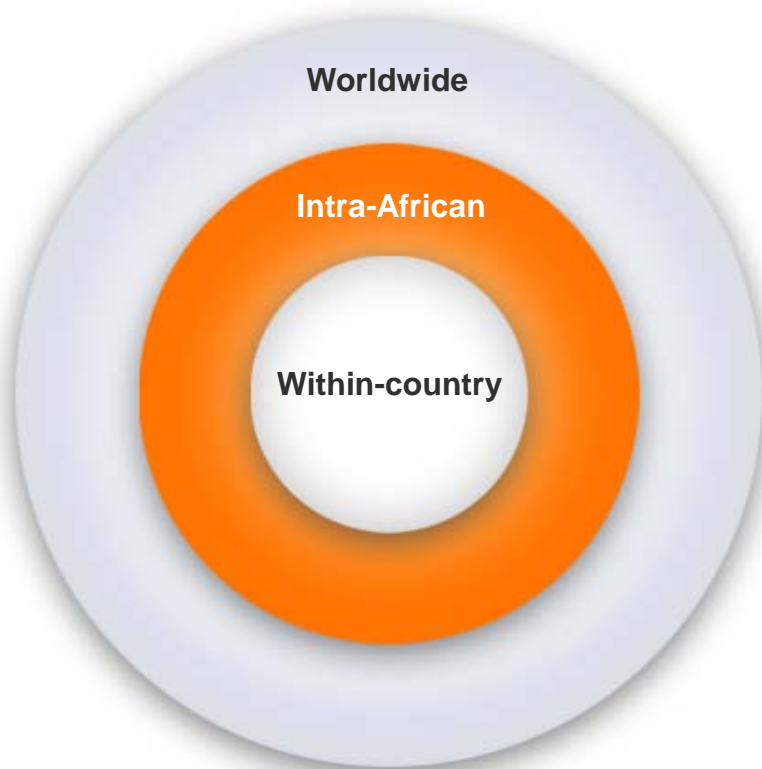
National exchanges using a common trading and 'back office' system to enable trade both within - country and cross - border



Combines local focus with global scale



Expanding the scope of trade



1) Within-country e.g. Botswana - Botswana

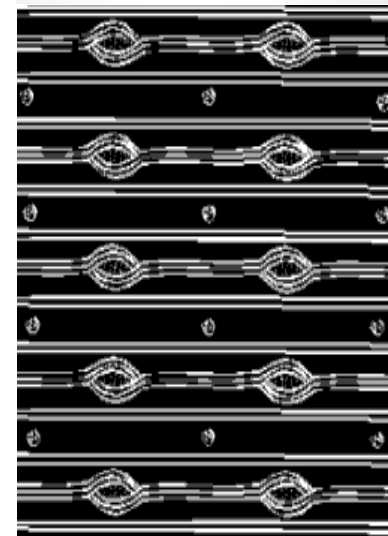
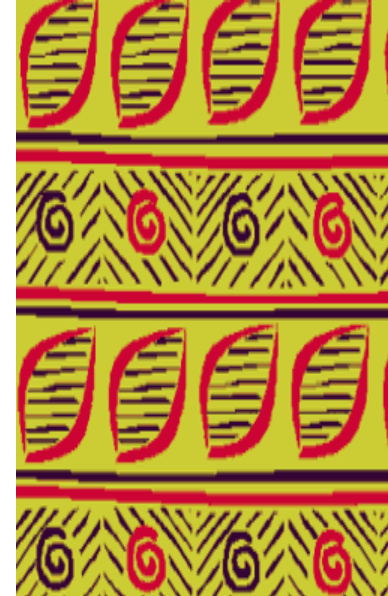
A standalone exchange could generate within-country trade, albeit at higher cost than Bourse Africa because of fewer economies of scale

2) Intra-African e.g. Botswana – Nigeria

A standalone exchange could generate marginal intra-African trade, but would face high barriers to enabling cross-border participation and building requisite capabilities

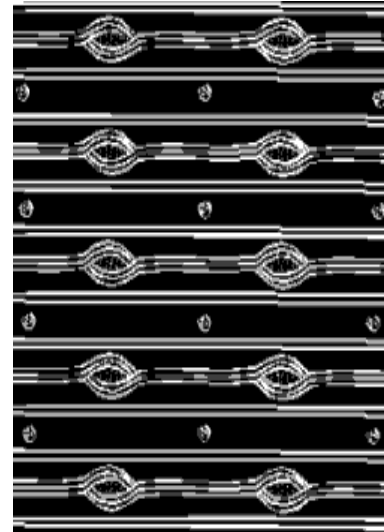
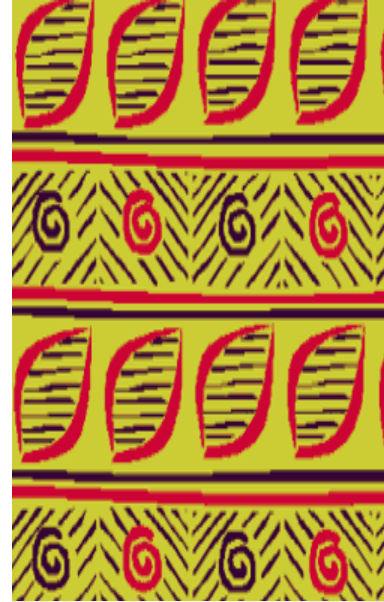
3) Worldwide e.g. Botswana – Canada

A standalone exchange would be highly unlikely to attract much trade if any from outside Africa due to costs of trading, membership and compliance, and ability to meet the high requirements of international participants



Why Botswana?

1. **Politics:** Stable, multiparty democracy since independence in 1966
2. **Economy:** Robust, open, low-tax economy with track record for over 40 years of impressive growth
3. **Society:** Free and open society; high standards of health and education; low crime rate;
4. **Governance:** Transparent, non-corrupt, growth-oriented modes of governance
5. **Legal framework:** Rule of law, effective judicial system (speedy recourse), a commitment to develop world-class regulatory frameworks
6. **International relations:** Perception of neutrality; seen as an 'honest broker' on the continent; non-threatening to the larger African countries
7. **Strategic vision:** Long-term commitment to develop the financial services sector for strategic diversification of the economy
8. **Commodities:** Large metal and mineral base; population substantially engaged with commodities (agriculture, livestock, metals & minerals)
9. **Currency / Capital Flows:** No restrictions on currency or capital flows; substantial foreign exchange cover and high credit rating
10. **Natural environment:** Attractive environment to establish a new financial services hub surrounded by diverse natural beauty already established as one of the world's premier high-end tourism destinations



The Botswana Hub

Institutions

Regulated by Non-Bank
Financial Institutions
Regulatory Authority
(NBFIRA)

Clearing and settlement /
payments oversight by
Bank of Botswana

Under the umbrella of the
Botswana International
Financial Services
Centre (IFSC)

Functions

Corporate HQ

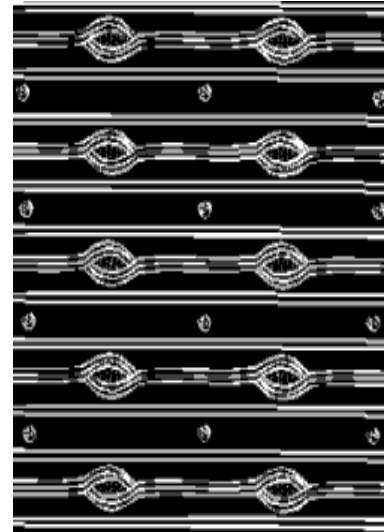
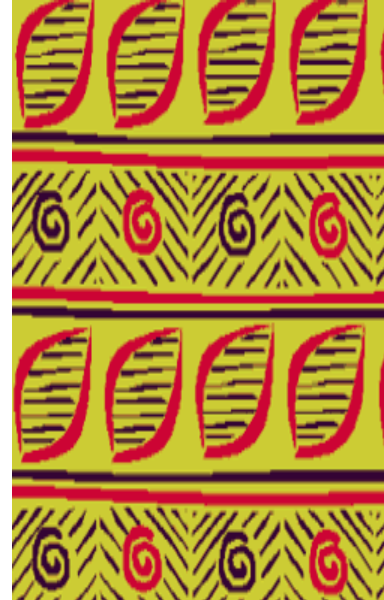
Regulatory Environment

Knowledge Repository

Technology Data Centre

Connectivity Centrepont

Gateway for regional and
international participants

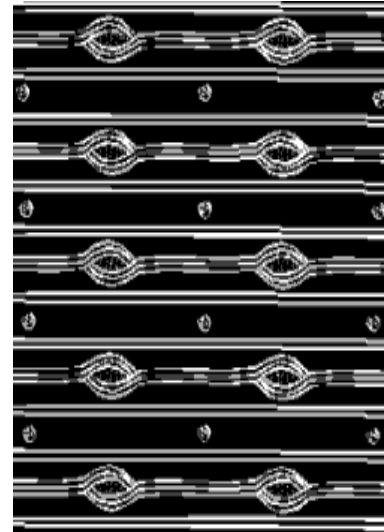
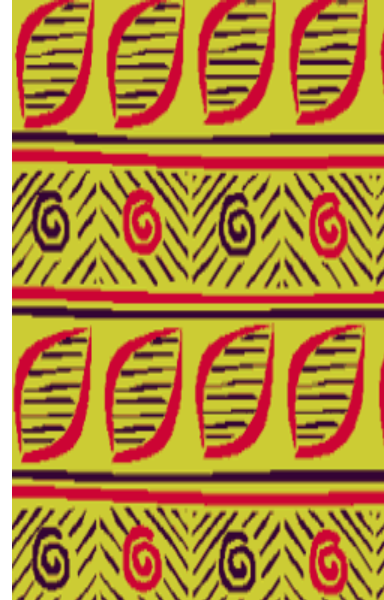




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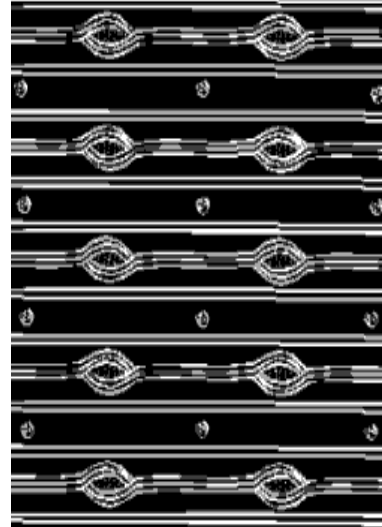
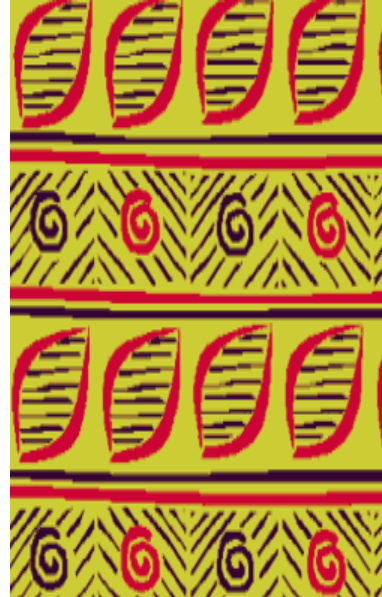
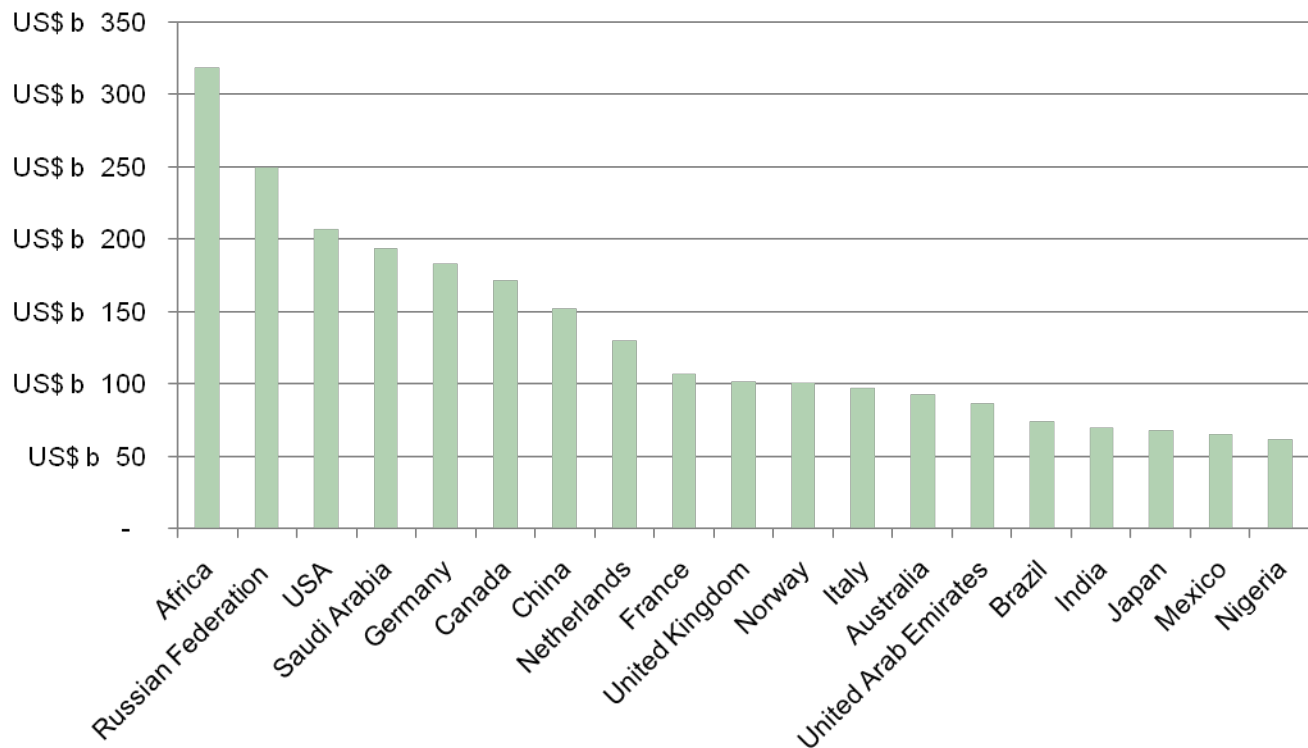
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Why are we doing it?



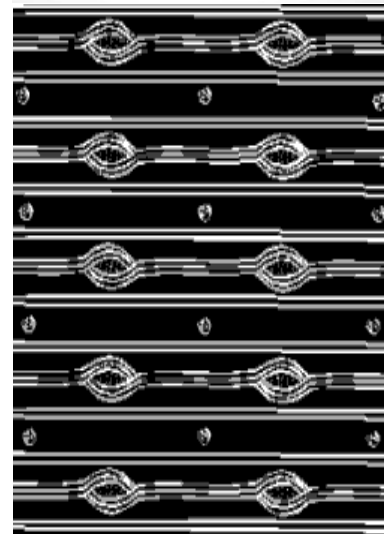
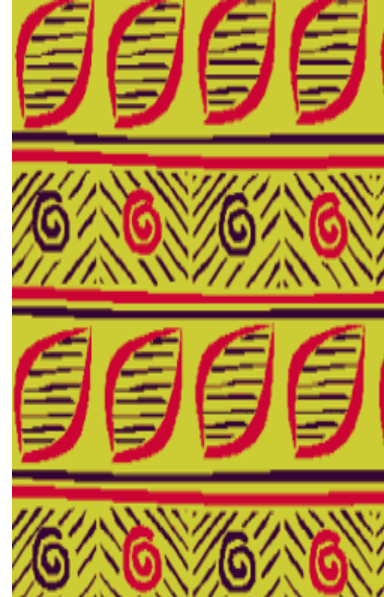
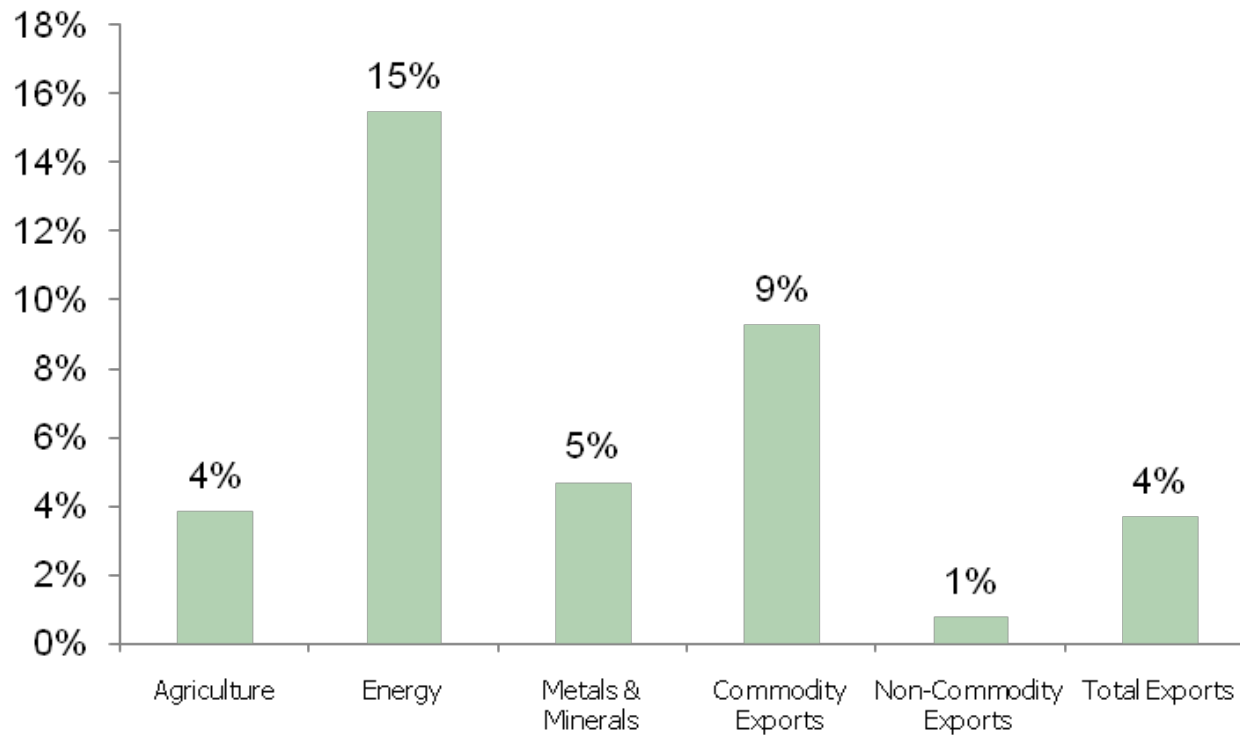
The African Commodity Sector

Annual Commodity Export Value, 2006



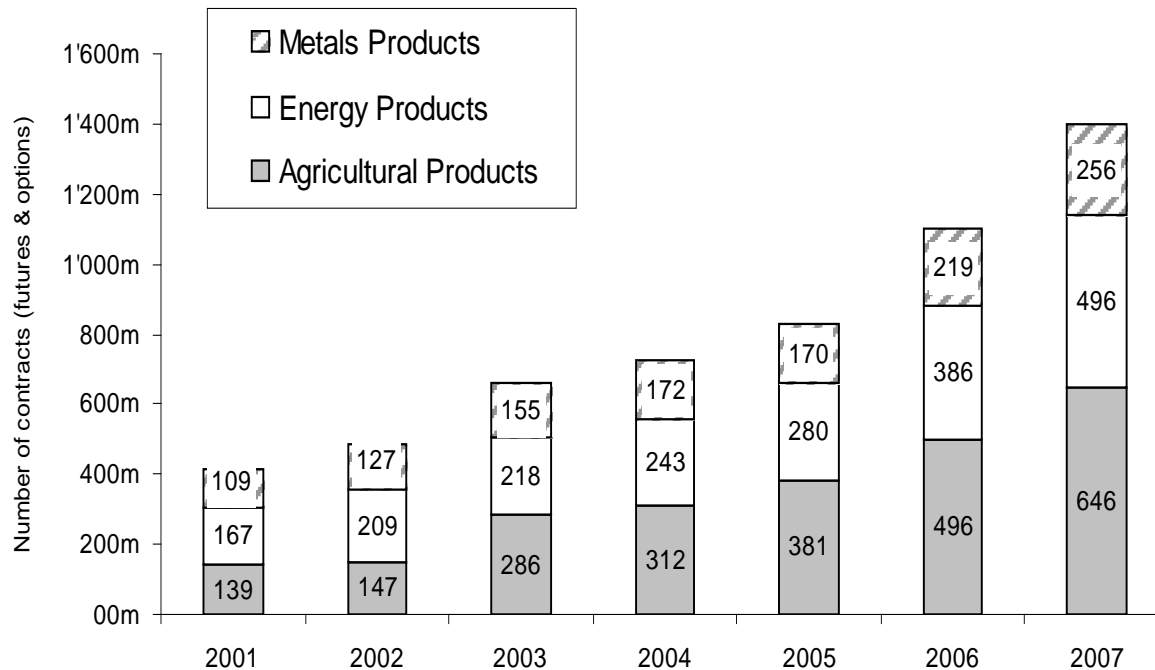
The African Commodity Sector

African Share of Global Exports, 2006



Exchange-trading: Growth in all sectors

Global Commodity Contracts 2001-7



CAGR
2001-07

15%

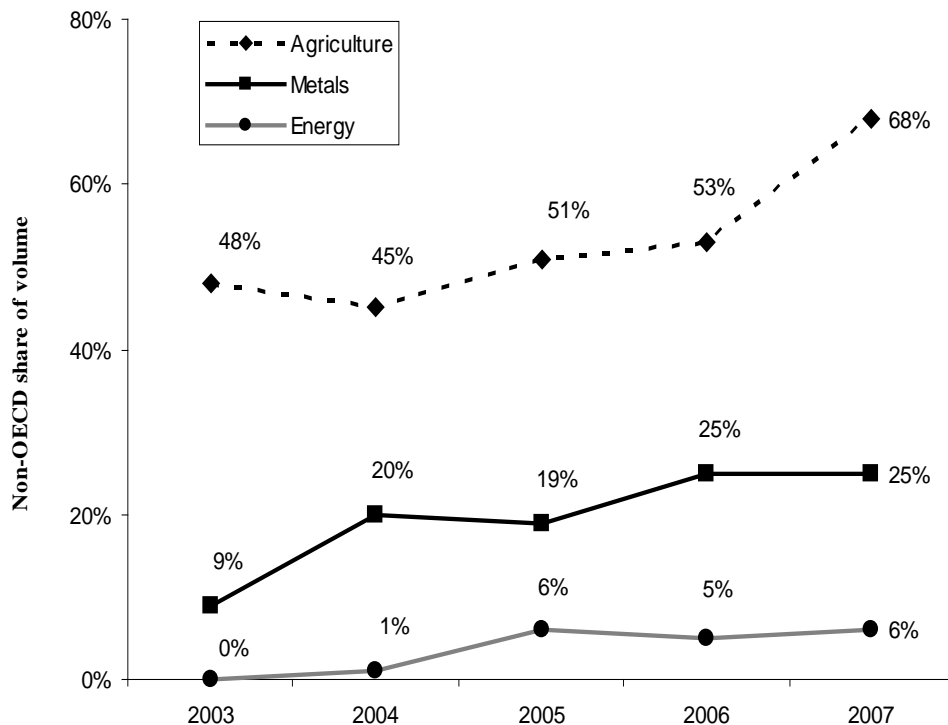
20%

29%

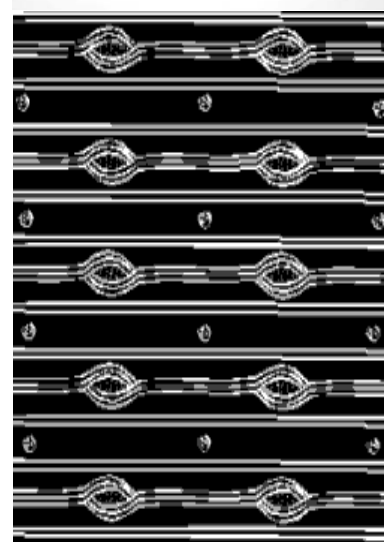
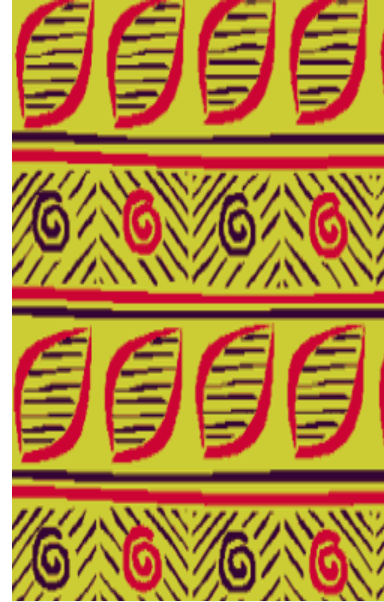


Exchange-Trading: Emerging Market Outperformance

Share and growth – emerging markets
2003-7



	OECD CAGR 2003/07	Non-OECD CAGR 2003/07
Agriculture	16.60%	25.30%
Metals	5.60%	72%
Energy	18%	134%



Exchange-Trading: Growth Drivers

Global Factors

Counterparty Risk:

Lehman; No-one is safe

Regulatory Push:

Transparency, system stability

Technology:

Market Access, Reduced Cost, Faster Speed, Ease of Use

Market Sophistication

Growing Incomes

Heightened Volatility

Africa Factors

Economic Reforms:

Liberalisation, Market-Driven

Commodity Growth:

New demand, New investment

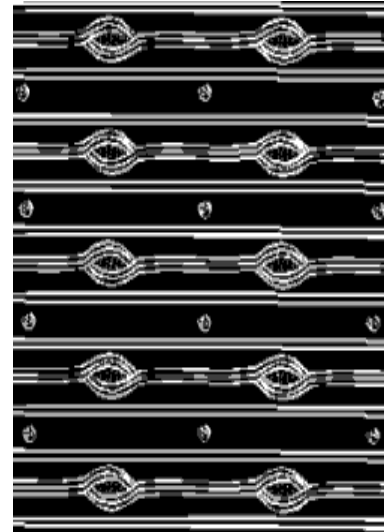
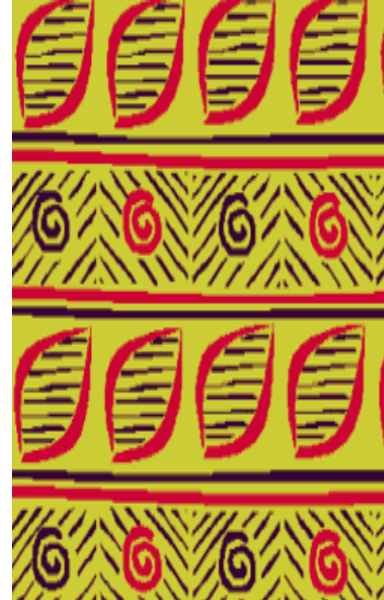
Emerging Middle Class:

Demand for a broader investment landscape

Awareness

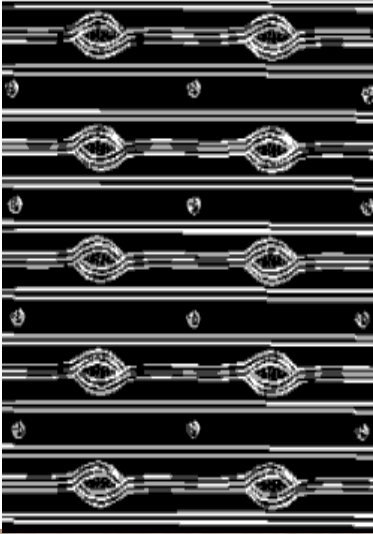
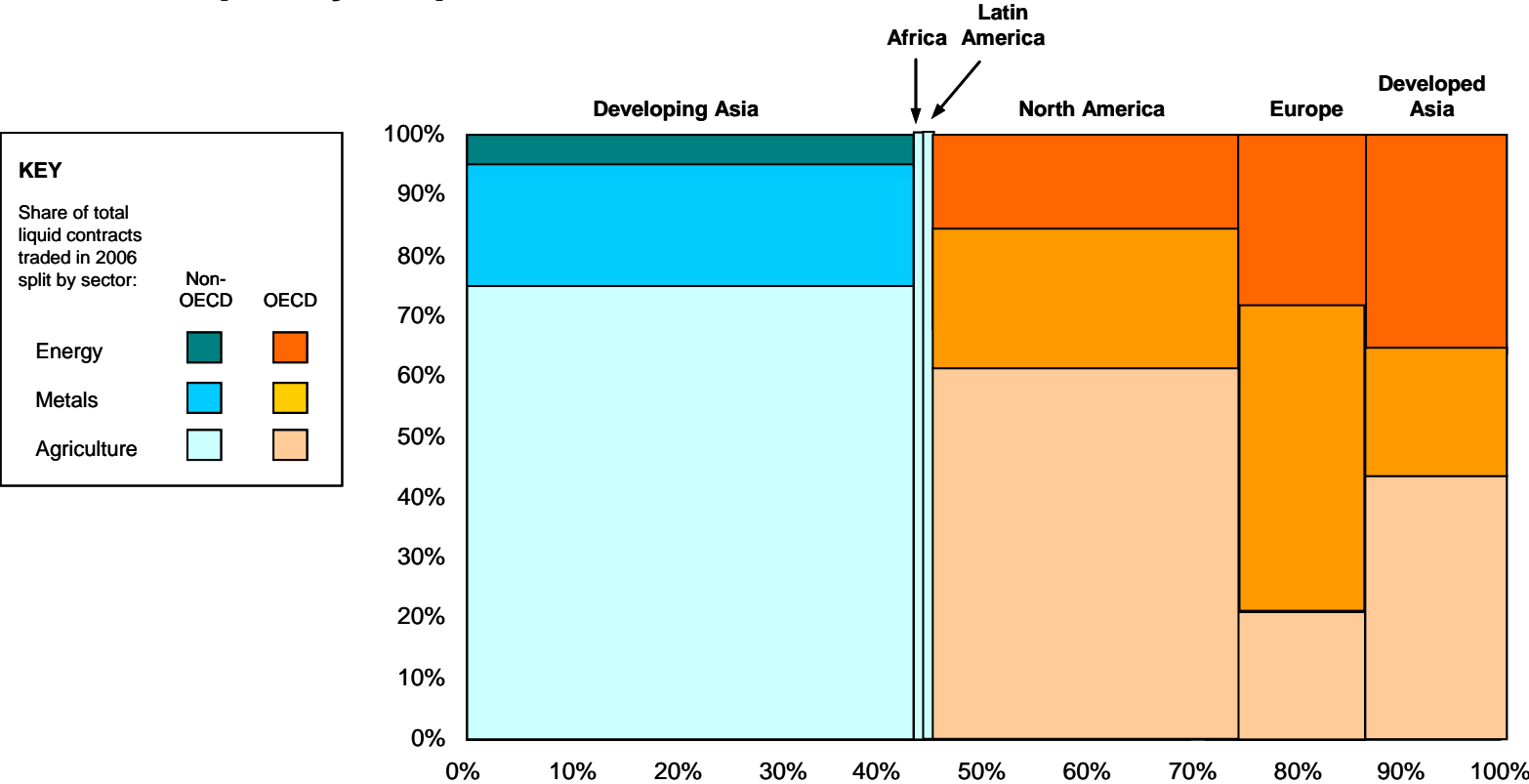
Connectivity

Thirst for Development



But the African space is still empty

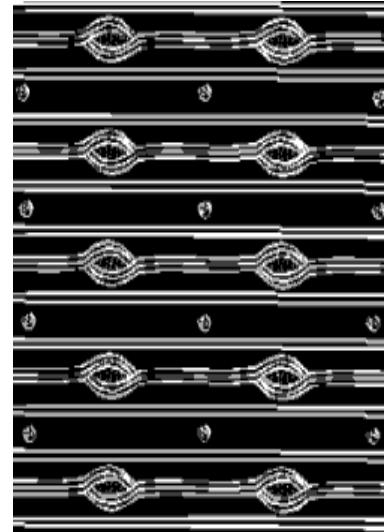
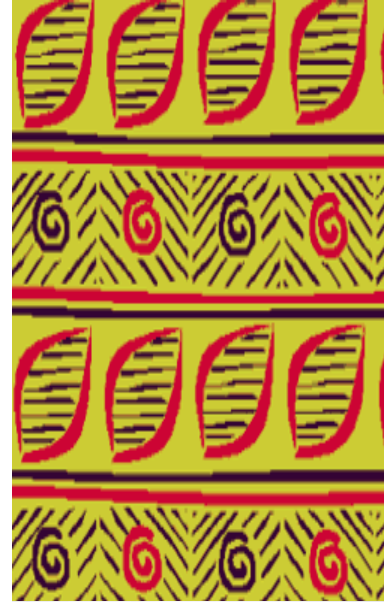
World Liquidity Map, Commodities, 2006





BOURSE
A F R I C A

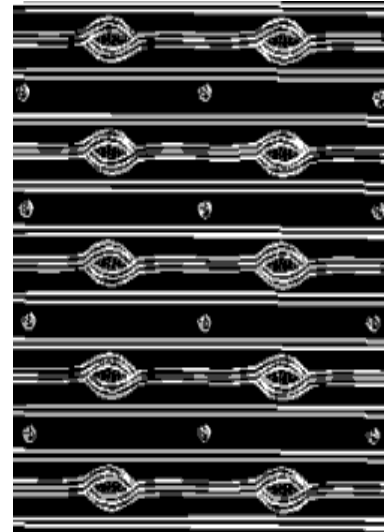
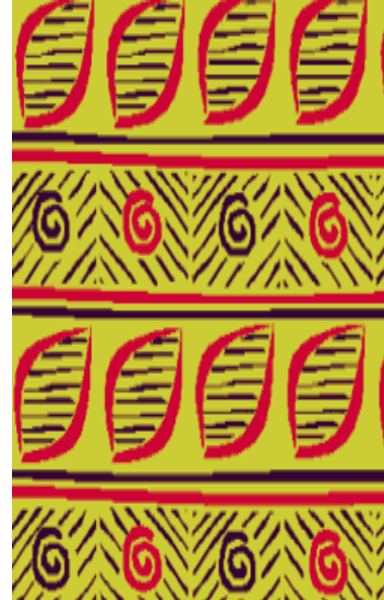
African Markets. Global Opportunities.



What are the opportunities?

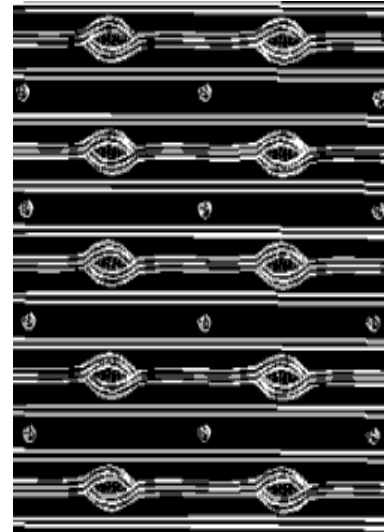
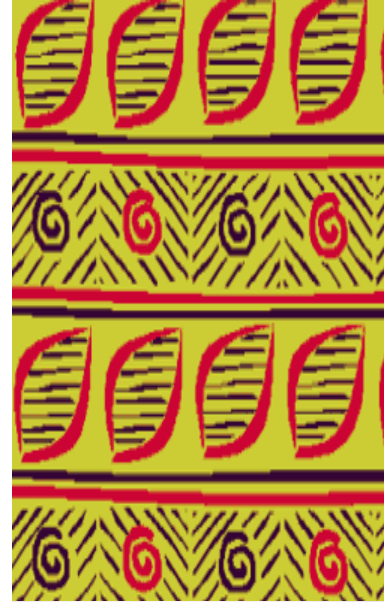
Opportunities for people in this room

- A neutral and authoritative reference for pricing of transactions – spot pricing and forward pricing
- A transparent information source to appraise commodity stocks and locate offtakers
- A delivery/procurement hub with extensive reach, underlying counterparty guarantee and a full audit trail
 - *Including customised auctions/transaction models for specialised requirements of producers and purchasers*
- A gateway to storage and depository solutions
- A means for processors and other purchasers to manage inventories
- A mechanism for locking in forward sales and hedging exposure to price risk
- A venue for arbitrage and trading
- A means to secure increased access to financing



Why Bourse Africa matters

- Africa becomes a *price-maker* rather than a price-taker for the commodities that contribute ~90% of total export revenues
- A catalyst towards greater organisation of African commodity markets
- Organisations and people in Africa can efficiently and securely trade with each other, as well as the rest of the world
- African commodity sectors have the instruments to increase *financing, value addition and risk management*
- Stimulating investment to upgrade commodity production and marketing activities, and to develop *world-class infrastructure*
- Creating a new industry that generates jobs in their hundreds of thousands, and *builds the capacity* of a new cadre of *skilled African industry professionals*





*Thank
You!*

