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BODIVA

The role of market development in the growth of capital markets relevance to the economy

Since its founding in 2014, BODIVA has had to take the lead role in promoting the stock market and developing new products and services that catered to the reality and idiosyncrasies of our economy, at its different stages and for the different economic players.

Early in 2015, the Government, with its high levels of short-term debt with suppliers, recognized the advantage of listing their bonds in the stock exchange which allowed for the holders of the titles to freely trade them in a liquid market. And as such, the public debt market has continued to grow and it now accounts for 98% of the trading volume at our Markets. Which, on one side is a positive indicator of the investors' confidence on the market, but on the other side reveals the continuous need to diversify the market instruments offer.

And this is where our Market Development's focus has been centred for the past years:

Equity Market

- ✓ Delivery, since 2020 and in partnership with Euronext, of a capacity building program for companies to better understand the requirements and procedures for financing through the issuance of shares, as well as hone them in aspects of financial reports, corporate governance, building an equity story.
- ✓ Continuous promotion of the advantages and disadvantages of being listed, both to the public in general, and in smaller groups with the 10 business associations we have signed MoUs, with the primary aim of identifying and preparing companies to meet market requirements and together find solutions aligned with the needs of each specific industry.



- ✓ Partnering with financial advisors in identifying and preparing potential listing companies.
- ✓ Assurance, with the tax authority, of a package of fiscal benefits for shareholders with the possibility of a 50% reduction (from 10% to 5%) in the value of the Capital Investment Tax (IAC) in case of dividends.
- ✓ Specific for the state-owned enterprises (SOE), we worked with the state agency responsible for the Privatisation Programme, to promote the advantages of selling the assets through the capital markets and help identify and prepare potential companies. As a result, last year, the first two IPOs in the market were of former SOEs, namely Banco BAI and Banco Caixa Angola, which raised around US\$142 million. These stocks have appreciated to a market capitalization of \$842 million and the equity market traded amount represents 1,56% of the total traded amount. Also, to note, related to the two IPOs, we registered an increase in our investors base of 291% from 2021 to 2022, reaching 64.031 active accounts. A good indicator that there's demand for new assets.

The combined efforts here mentioned, are due to briefly result in at least 7 new IPOs both from private sector and SOE, from the finance, telecoms and agriculture industry.

SME Market

Considering the composition of our private sector, we acknowledged a lot of potential (and interest in the capital markets) within our Small and Medium Enterprises (SMEs), which urged the development of the SME segment with more flexible entry requirements:

- ✓ Allow the audit service to be carried out by an individual accountant registered at the Capital Market Commission, a measure that will reduce the structuring costs.



- ✓ Presentation of a 3-year business plan instead of the 5-year one required at the main market.

To encourage this segment, BODIVA reduced the admission and maintenance in trading commissions applicable to SMEs by around 50%.

More recently, we have also signed a Memorandum of Understanding with the Credit Guarantee Fund (FGC), which enables bond-issuing SME's to obtain a public guarantee to reinforce the company's credibility with the investors, and as such capture more funding while protecting the investor.

Overall, with the SME market, we aim to create an entry level for the main market, whilst providing for greater financial inclusion and access to more capital sources for the SMEs.

Exchange traded funds (ETF) market

Recognizing that investment funds constitute a fundamental channel for the development of the capital market, the ETF segment allows for the units to be traded on the stock exchange. Although inexpressive, we have registered a growth in the % of total volume traded, from 0.0057% in 2022 to 0.08% in the first quarter of 2023.

Repos Market

With the aim of encouraging and increase the exchange of liquidity between the market participants, we launched the Repo's segment in May 2022, that has grown to a market share of 16.61% as of March 2023, from a 5.31% market share year end 2022.

It enables short-term operations, even offering the possibility of overnight investments, at a competitive remuneration rate with room for customization of the deal, secured by government bonds, and with a tax incentive (exempt of stamp duty).



For the buyer, REPO's add an associated risk premium when compared to traditional money market instruments such as treasury bills and central bank bonds. For sellers, it represents a source of short-term financing at controlled and negotiated costs.

On Going developments

FRACTIONAL SECURITIES MARKET

The nominal investment value for treasury bonds, can be high for the financial capacity of some investors. As such, with the aim of pursuing more financial inclusion and increase the investor's base, BODIVA is developing a market segment that will allow the trading of "splitted" parts of an asset. An example: a treasury bond with a 100USD nominal value can be divided into 10 parts and investors can buy each part at just 10 dollars each.

We are currently awaiting the approval of the Capital Markets Commission and expect to launch it during the third quarter of 2023.

SUSTAINABLE FINANCE

As part of the 2023 action plan, we intend to boost the issuance of sustainable bonds (green, blue and social). To this end, we are adjusting the admission rules to include specific requirements, namely the creation of a framework for issuing and preparing and publishing periodic reports. Additionally, we are preparing a guide to sustainable emissions that will guide issuers through the issuance process.

In this regard we note that the government has recently published their framework for sustainable instruments which may led to a sovereign issuance in the medium term.

Overall, we are slowly reaping the results of past and current market development initiatives, crucial to the growth of the capital markets contribution to the economy.