



**In pursuit of efficient financial markets for
the SADC region**

(Executive summary)

Working paper series

WP/2017/01



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Executive Summary

The desirability of an efficient financial market within national borders is well documented. Cross-border financial integration as a regional goal, should recognise the need for national objectives to be co-ordinated under an appropriate regional organisation, facilitating change to national domestic legislation where appropriate. A process of subscription to international best practices will over time, provide the necessary benchmark from which each territory could be assessed for their compliance with this objective.

A critical path towards achieving these scholarly benefits would be to embrace regional harmonisation by introducing international standards for documentation that underpins cross border financial transactions. By adopting these international standards and addressing key legal impediments which currently exist within domestic legal frameworks, the recognition of international contractual arrangements would make provision for transactions with any jurisdiction and provide comfort to international investors, pan-African banks and firms with regional and international reach.

International organisations such as the International Swaps and Derivatives Association (**ISDA**¹) and the International Capital Markets Association (**ICMA**²) provide globally agreed contracts, understood by industry participants including regulators and policymakers in both the derivatives and bond repurchase market. Embedding these contracts into the financial system will however require a review of each jurisdiction's approach to bankruptcy legislation. As an economic block, SADC is

¹ The ISDA Master Agreement provides a globally accepted standard for enforceability of netting and collateral for over-the-counter derivatives transactions by policymakers, regulators and supervisors, and financial institution around the world. For further information see www.isda.org

² ICMA publishes the Global Master Repurchase Agreement (**GMRA**) providing a legal agreement for repurchase transactions. For further information see www.icmagroup.org

encouraged to begin implementing a project to review insolvency legislation to meet a common objective for all its members.

A commitment to ensuring that each domestic legal framework recognises and upholds the legal enforceability of these international standard legal contracts would reduce the risk premium attached to transacting, and enable risk sharing through the transfer of risk to those parties willing and able to do so. For the systemic risk supervisor, understanding the impact of these contracts on a recovery or resolution workout is key to making informed decisions. Furthermore, domestic recognition could unlock risk sharing in country where counterparties that have a natural fit can trade domestically whilst allowing multinational banks and corporate entities to provide liquidity to those markets. There are many benefits which the SADC region could unlock through this process including the reduction of costs on legal and audit fees, the improvement of investor confidence and country risk premium, and the provision of tools to risk managers that can improve risk mitigation.



