Study on Liberalisation of Financial Services under the

SADC Protocol on Trade in Services

July 2014

This study was supported by:

GFA/GIZ SADC Trade in Services project

Suppoted by

implemented by

Imprint

Published by:

Southern African Development community (SADC) Secretariat
SADC Headquarters
Plot No. 54385
Central Business District Gaborone

Botswana

http://tis.sadc.int/

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This study was supported by: Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH on behalf of the German Government

GIZ Programme: Strengthening of Economic and Trade Policy Capacities and Competences in SADC, Phase II - GFA/GIZ SADC Trade in Services Project

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1.1 Introduction

SADC member countries are due to begin substantive negotiations on trade in services liberalisation later this year. Six sectors have been identified for priority negotiation, including financial services. These sector negotiations will focus on traditional banking and insurance activities, as well as a much wider range of intermediation, advisory and information services. The main purpose of these negotiations will be to reduce all barriers to intra-regional trade and investment across all of these sub-sectors, or at least, to make existing regulations more certain and transparent.

In preparation for these negotiations, it is critical that member countries and the Secretariat have an informed understanding of the current regulatory framework across all SADC member states, and the extent of regional trade and competition in this sector. Together, this information should serve to highlight areas where regional reform[1] or harmonisation might be beneficial; as well as those areas where additional discussion or research is needed. This paper represents a first step in this process.

The information presented in this report is based on a desktop review of the available literature and legislation. It provides an initial but incomplete snapshot of the economic, policy and regulatory status quo in all 14 SADC member countries, and where possible, identifies specific barriers to trade and investment. The key findings from this report are summarised below; and will be presented for discussion at the SADC Financial Sector Forum in July 2013.

1.2 Background

1.2.1 Economic development and convergence in SADC

In the 1990s many SADC countries liberalised their financial services sectors as part of the economic structural adjustment programmes prescribed by the International Monetary Fund and World Bank. These reforms included the removal of barriers that hindered competition from either new domestic banks and insurance companies or foreign financial service providers. Tanzania for example, had no foreign banks before implementing these market reforms, yet by 1998 there were five foreign banks. Following the lifting of economic sanctions on South Africa in the early 1990s, South African financial service providers entered regional markets aggressively, and rapidly gained a substantial regional footprint. International companies also re-entered the South African market.

Traditional banking, in particular, is a high fixed cost industry. As such, the cost of regulatory compliance, renting branch and other office space, equipping and staffing physical branches accounts for a large proportion of operating costs, regardless of the volume of business or revenue they generate. A good ATM and branch network is important in terms of creating a positive perception of the bank, as nobody wants to put their money in a bank that does appear robust. These large fixed costs mean that large banks have cost advantages as they are able to spread their fixed costs out over more units of output. Studies show that for commercial retail banking in emerging markets, these cost

[1] Regional reforms must of course strive to comply with international best practice in terms of regulatory practices and standards. Organisations such as the Financial Stability Board coordinate the work of national financial authorities and set international standards for the development of effective regulatory and supervisory policies in the financial sector that promote financial stability. It is also important to note that South Africa is a member of the G20, an organisation that was created in the wake of the Asian Financial Crisis of the late 1990s. The aim of the G20 was to create a platform for emerging market economies to participate in the decision making processes that affect the global financial markets. Achievements to date of the G2- include improving and tightening oversight over national financial institutions and regulators thus improving the quality of financial regulation in emerging economies. Other international standards setting organisations include the International Organisation of Securities Commissions and the Committee on Payment and Settlement Systems in the Bank for International Settlements.

advantages emerge at the point where a bank has between US$1 billion and US$10 billion in assets. There are likely to be similar benefits from economies of scale (especially with regard to the spreading of risks) in the insurance and other financial service industries.

As shown below, some SADC countries report real gross domestic figures of less than US$10 billion, and most others do not exceed this threshold by much. This suggests that in the absence of trade, the relatively small size of African economies would prevent domestic banks and insurance companies from being able to spread their fixed costs and risks over a large number of customers and take advantage of the economies of scale seen in larger markets. The result is that the only way in which consumers in these countries can obtain access to a wide range of low cost financial services, might be through the entry of a large, foreign provider; or some form of regional consolidation.

Table 1: The size and state of the SADC economy

	Pop. (millions)	GDP PPP adjusted US$ (billion) (2011)	Real GDP Growth (2011)	Public Debt as % of GDP	CPI Inflation (2011)	Unemployment (2011)
Angola	19.6	118.1	3.5%	18.1%	13.5%	
Botswana	2.0	30.3	6.4%	13.4%	8.5%	
D. R. Congo	71.7	25.7	6.5%		15.5%	
Lesotho	2.2	3.8	3.1%		5%	3.7%
Malawi	14.9	14.0	5.8%	32.4%	7.6%	
Mauritius	1.3	19.6	4.1%	57.1%	6.5%	7.9%
Mozambique	23.9	24.4	7.2%	34.4%	10.4%	
Namibia	2.3	16.2	3.8%	26.8%	5%	
Seychelles	0.09	2.3	5.0%	44.4%	2.6%	
South Africa	51.8	564	3.1%	38.6%	5%	24.9%
Swaziland	1.1	6.3	1.1%		6.1%	
Tanzania	44.9	69.0	6.4%	37.6%	12.7%	
Zambia	13.8	22.2	6.6%	26.7%	8.7%	
Zimbabwe	12.9	6.6	6.8%	219.7%	5.4%	

Source: CIA World Factbook and World Bank Development Indicators for unemployment

1.2.2 The potential contribution of regional integration and financial liberalisation

In a region characterised by small economies and markets, it is generally acknowledged that in order to deepen the gains from these market reforms, regional economic integration is a desirable development strategy. Hence in 2012, the SADC launched negotiations on the liberalisation of trade in services for six priority sectors, including banking and other financial services. It is expected that these negotiations will be finalised within three years.

The liberalisation of trade in banking and financial services refers to the removal or reduction of entry barriers to foreign owned/controlled and domestic service providers. The main argument in favour of liberalisation is that the introduction of competition from foreign banks and insurance companies places downward pressure on pricing and forces domestic financial service providers to be more efficient. Banks and insurance companies will therefore look to improve the quality of their products, be more innovative and explore opportunities in untapped markets. Domestic providers can also benefit from the entry of a foreign competitor through spill-over effects as they learn from the better or different techniques and technologies introduced by the foreign entrant. In theory, the liberalisation of trade in banking and insurance services is therefore expected to improve service quality as well as access to a wide range of financial services. In practice, this is not always the case.

In practice however it is important to bear in mind that the need for prudential regulation in order to maintain a stable financial system places some limits on the liberalisation of trade in financial services. Whilst at the extreme, a very competitive market may be characterised by high entry and exit, in the financial services sector, high entry and exit is not desirable, and may have knock effects to other sectors of the economy.

1.2.3 Financial depth and harmonisation in SADC

Various FinScope studies conducted between 2009 and 2011 on access to financial services, particularly banking services in 14 sub-Saharan countries (9 of which were SADC countries) show that access to banking services remains generally low and unequal. The studies also show that foreign banks are reluctant to provide banking services to less profitable poor areas that remained largely unbanked. This raises questions about the true benefits of financial liberalisation, for the majority of the population.

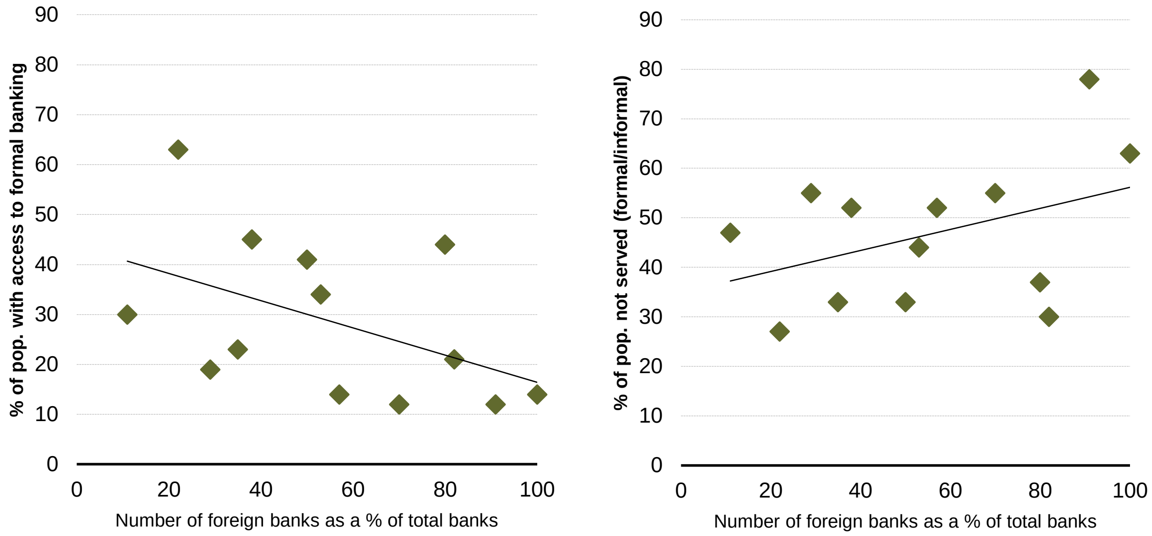
Table 2: Access to finance in SADC

Country Name	ATMs per 100,000	Commercial bank branches per 100,000	Access to formal financial services	No access to formal/informal financial services)
	2009	2009	(year in parenthesis)	(year in parenthesis)
Angola	7.8	5.5		
Botswana	29.3	6.9	59% (2009)	33% (2009)
D.R. Congo		0.3		
Lesotho	7.1	1.9	21% (2011)	19% (2011)
Malawi	1. 5	1.8	26% (2008)	55% (2008)
Mauritius	37.7	19.4		
Mozambique	4.3	2.9	13% (2009)	78% (2009)
Namibia	27.3	7.3	65% (2011)	31%(2011)
South Africa	54.8	8.0	73% (2012)	19% (2012)
Swaziland	156.0	2.9	50% (2011)	37% (2011)
Tanzania	2.6	1.8	16% (2009)	56% (2009)
Zambia	4.5	3.5	23% (2009)	63% (2009)
Zimbabwe		2.8	38% (2011)	40% (2011)

Source: World Bank Development Indicators and various Finscope Surveys
N.B.: The FinScope survey data in columns 4 refers to the percentage of the population that is formally banked and that which is formally served by non-bank financial institutions

In order to gauge whether the presence of foreign banks has had the desired effect of increasing access to banking services, we have constructed a simple two-way scatter plot for 13 of the countries covered by the FinScope's access studies. Contrary to the theoretical view, the plot shows that access to formal banking services declines as the number of foreign banks as a percentage of the total number of banks increases. Similarly, a comparison of foreign bank presence against the percentage of the population not served (by either formal financial institutions or informal financial groups such as savings clubs) shows that the presence of foreign banks does not necessarily result in improved access to banking services.

Figure 1: Two-way scatter graph of access to banking services and number of foreign banks



Data source: Claessens & Horen, (2012) andvarious FinScope studies (2009-2011)

The scatter plots suggest that the presence of foreign banks is not sufficient to improve access to finance for individuals. This should not be interpreted to mean that competition is bad, but rather, that there are many other factors that may be preventing the expected increase in access. For example, rolling out banking infrastructure and services to non-urban centres reduces a bank's efficiency by increasing its fixed costs whilst the units of output, upon which the fixed costs are shared, do not increase proportionately.

A similar pattern emerges in the insurance industry. SADC countries with a comparatively higher number of insurance companies and strong foreign participation do not necessarily show high insurance densities (Table 3). In Malawi, for example, the average amount spent on insurance by each individual is only 6.5 US Dollars, while at the same time there is a high involvement of foreign-owned insurance companies in the market.

Table 3: Insurance density in SADC

Country	Number of licensed insurance companies	Distribution of Total Gross Premiums Written (GPW)	Insurance Density in US Dollar Units (GPW per capita)	Insurance penetration ratio (GPW contribution to GDP)
	2010	2010	2010	2010
Angola	9	1.44%	43.0	1.00%
Botswana	18	0.75%	236.9	2.80%
Lesotho	7	0.17%	50.1	4.45%
Malawi	12	0.16%	6.5	1.65%
Mauritius	21	0.97%	433.9	5.86%
Mozambique	8	0.21%	5.3	1.26%
Namibia	30	1.70%	426.0	7.98%
South Africa	182	93.71%	1,070.0	19.30%
Swaziland	9	0.15%	83.0	2.12%
Tanzania	26	0.34%	4.5	0.89%
Zambia	14	0.39%	17.1	1.38%
Zimbabwe	45	0.36%	15.0	3.01%
SADC	368	100.00%	211.0	11.76%

Source: Mwiru 2011

Consequently, countries with large geographic areas that have low population densities and low levels of disposable income are unlikely to attract the interests of traditional financial service providers, even if they are foreign. Moreover, foreign involvement is likely to be limited to the main commercial centres of these countries. Thus, in order to enhance access and competition, additional and alternative banking and insurance methods may be needed. Regional innovations and competition might assist in this regard.

1.2.4 Trade in services and the FIP

In addition to negotiations on trade in services, SADC has concluded an agreement to harmonise finance and investment policies through the Finance and Investment Protocol (FIP), which was signed by SADC Heads of State and Government in August 2006 and came into force in April 2010.

The detailed areas of focus of the FIP are contained in 11 Annexes which deal with: Investment, including the creation of a regional common investment zone; Macroeconomic Convergence; Co-operation in Taxation and Related Matters; Development Finance Institutions; Regulation and Supervision of the Non-bank Financial Services Institutions; Cooperation and Coordination of Exchange Control Policies; Cooperation in the area of Information and Communication Technology for Central Banks; Harmonisation of the Legal and Operational Frameworks for Central Banks; Payment, Clearing and Settlement Systems in SADC Countries; and Anti-Money Laundering. An Annex on Accounting and Auditing Standards is currently being developed.

Whereas the FIP does not include specific commitments to reform or reduce barriers to trade and investment, it complements existing and proposed regional trade agreements by encouraging cooperation, information-sharing, skills development and harmonisation across a wide range of regulatory issues which are key to financial sector strengthening and integration. That said, progress across these areas and annexures has been slow (on average, 12% of regional commitments and 63% of country commitments have been fully achieved), and where progress has been made, this is largely in response to international developments, which happen to coincide with the regional objectives of the FIP[2].

1.3 The state of trade liberalisation

1.3.1 SADC member country GATS commitments in banking services

At the WTO level, seven of the 14 SADC member states have already made commitments in banking services. This suggests a relatively strong interest by the region in trade in this sector. That said, the commitments made by these seven countries differ substantially in terms of scope, depth and design. This makes it difficult to draw general conclusions about SADC's banking commitments at the WTO.

Malawi, Mozambique and Zimbabwe have made commitments across the entire banking sector (with the exception of mode 4, where horizontal limitations relating to work permits would still apply). That said, Mozambique does refer to domestic rules and regulations relating to establishment in mode 3, without specifying whether any such regulations actually limit market access or not. And Zimbabwe does limit its commitments to 5 sub-sectors (excluding most trading, broking and advisory services), and specifies some market access limitations in mode 3 (including a 60% limit on foreign equity participation).

South Africa and Lesotho provide detailed (sub-sector by sub-sector) commitments, but with the exception of mode 3, the sector is entirely unbound. In Lesotho, these commitments provide clarity on the process to be followed by a foreign bank in establishing or acquiring interests in a bank in Lesotho. In the case of South Africa, these commitments specify registration requirements for foreign exchange dealers and the need to incorporate in South Africa in order to provide asset management or trading services. For conventional banking services, there are no specific market access limitations on investment. South Africa is however the only country to specify a national treatment limitation in this sector: "branches of banks not incorporated in South Africa must maintain a minimum balance of R 1 million on the deposit accounts of natural persons".

Mauritius too has made commitments across most banking sub-sectors, but the effect of these commitments is difficult to interpret. Unlike South Africa and Lesotho, Mauritius has specified that it imposes no limitations in modes 1 and 2, except for deposit taking and clearing services. This suggests an unusually high level of openness when it comes to allowing foreign service providers to offer banking products from abroad (without a physical presence in Mauritius). On the other hand, in mode 3, few specific limitations are listed. Rather, it is indicated that financial institutions require a license or Central Bank approval to provide certain services. Unless these approval or licensing processes include specific market access limitations, it is not clear why this general (prudential) requirement is listed.

Angola's commitments apply only to conventional banking activities (deposit-taking, lending and money transfers), and deal largely with limitations on residents to borrow or bank abroad. With regards to establishment, foreign banks may invest in Angola as long as they adhere to local laws and regulations. No specific market access limitations are listed here.

From this initial review, a number of scheduling challenges emerge, which will need to be considered and clarified during regional negotiations:

- Many of the limitations listed in these schedules are too general. They refer to the existence of the underlying legislation, without describing the specific conditions which may or

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2 Finance and Investment Protocol Baseline Study, Finmark Trust, 2011.

may not limit market access in this sub-sector. This greatly diminishes the usefulness of these schedules both in terms of transparency and in providing certainty to investors

- Many of the limitations listed in these schedules are prudential and may not need to be included in these schedules. However, unlike the GATS, the SADC Services Protocol does not contain a prudential carve-out. This will require further consideration.

- Finally, it would seem that some of these limitations (or the absence of limitations), as reflected in member country GATS schedules, do not or no longer reflect the situation on the ground. This is dealt with in the following section.

Table 4: GATS schedule of commitments - SADC countries in banking services

Country	Limitations		
Angola	**Mode**	**Market access**	**National Treatment**
(a) Acceptance of deposits and other repayable funds from the public	1	None	None
	2	Resident legal persons ("personnes collectives") must transfer to Angola all their accounts abroad unless they have received a special authorization from the National Bank of Angola (Central Bank) (Decree 16/94 of 22 April 1994 of the Council of Ministers)	None
	3	None. Banks and foreign financial institutions in Angola may operate as long as they abide by the regulations of the country concerning the activities of such bodies.	None
	4	At least half of the personnel of subsidiaries, branch offices and agencies of foreign financial institutions must be Angolan citizens.	None
Lending of all types	1	Residents may request loans abroad after the National Bank of Angola has authorized them to do so.	None
	2	Residents may request loans abroad after having received the prior authorization of the National Bank of Angola.	None
	3	Unbound	None
	4	Unbound	None
Liquidation and monetary transfer services	1	Unbound	None
	2	Unbound	None
	3	Branches of foreign institutions obligatorily accountable for the principal order after having fulfilled the commitment.	None
	4	Unbound	None
Lesotho	**Mode**	**Market access**	**National Treatment**
07.B. Banking and Other Financial Services: (a) , (b) , (d) , (e) , (f) - selected instruments	1	Unbound	Unbound
	2	Unbound	Unbound
	3	No bank or controlling company (domestically or foreign controlled) may allot or issue any of its shares to a person to the extent that the total nominal value of such shares exceeds in total nominal value of all the issued vote-bearing shares in the bank or the controlling company. The Minister of Finance may, however, grant permission to a bank or controlling company to issue more than 49 per cent of its shares to such a person, provided that competition is not impaired. This restriction does not apply to	None

Country	Limitations		
		the allotment of issuing of shares in a bank or a controlling company registered in respect of that bank, or another bank or an institution which has been approved by the Registrar and which conducts business of a bank in a country other than Lesotho. Foreign banks wishing to obtain a controlling interest in a local bank are required to establish a domestic public company. No person (domestic or foreign) shall conduct the business of a bank unless such person is a public company, and is registered in terms of the relevant Lesotho Laws.	
	4	Unbound excepted as indicated in the horizontal section	Unbound excepted as indicated in the horizontal section
h) Money broking	1	Unbound	Unbound
	2	Unbound	Unbound
	3	None	None
	4	Unbound excepted as indicated in the horizontal section	Unbound excepted as indicated in the horizontal section
Malawi	**Mode**	**Market access**	**National Treatment**
10. Banking services	1	None	None
	2	None	None
	3	None	None
	4	Unbound except as indicated in the horizontal section	Unbound except as indicated in the horizontal section
Mauritius	**Mode**	**Market access**	**National Treatment**
07.B. Banking and Other Financial Services: (a) Acceptance of deposits	1	Unbound	None
	2	None	None
	3	Only institutions holding a banking licence and non-bank deposit taking institutions authorised by the Bank of Mauritius can accept deposits.	None
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(b) Lending of all types (excluding factoring and specialized and structured products)	1	None	None
	2	None	None
	3	None, except with regard to credit exposure of branches of foreign banks where the capital of the head office is not to be taken into account.	None

Country	Limitations		
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(c) and (d)	1	None	None
	2	None	None
	3	None	None
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(f) Trading for own account or for account of customers - money market instruments, transferable securities, foreign exchange	1	None	None
	2	None	None
	3	None, except that trading for own account by commercial banks in shares is subject to prior approval of the Central Bank, i.e. Bank of Mauritius. Trading in listed securities can only be carried out by licensed stockbroking companies.	None
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(f) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues	1	None	None
	2	None	None
	3	None, except that participation by commercial banks in share issues requires the approval of the Bank of Mauritius.	None
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(g) Settlement and clearing services for the following: (i) inter-bank transactions, (ii) securities	1	Unbound, except for the provision of settlement and clearing services for financial assets which are listed on overseas exchanges only.	None
	2	None	None
	3	None, except that inter-bank transactions are to be cleared through the Central Bank and clearing and settlement of securities may be conducted only through the statutory clearing system.	None
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
(h) Provision and transfer of financial information, and financial data pro-	1	None for financial information that is public.	None
	2	None	None
	3	None, except for services provided by computer software or service firms. Provision of financial data processing services to commercial banks is subject	None

Country	Limitations		
cessing and related software by suppliers of other financial services		to the approval of the Central Bank and to domestic laws on protection of confidentiality of information of customers of commercial banks.	
	4	Unbound, except as indicated in the horizontal commitment.	Unbound, except as indicated in the horizontal commitment.
Mozambique	**Mode**	**Market access**	**National Treatment**
B. Banking and other Financial Services (excl. insurance)	1	None	None
	2	None	None
	3	Any foreign bank or financial institution can operate in Mozambique as long as they abide by the domestic rules and regulations governing investment and operations of such institutions	None
	4	Work permit required	None
South Africa	**Mode**	**Market access**	**National Treatment**
07.B. Banking and Other Financial Services: (a) , (b) , (c), (d) , (e) , (f) - selected instruments	1	Unbound	Unbound
	2	Unbound, except for provision and transfer of financial information and financial data processing.	Unbound
	3	Dealings in foreign exchange in South Africa must be carried out through a dealer authorised by the SA Reserve Bank. Only banks registered to operate in South Africa with the required minimum capital base are eligible to seek authorization as a foreign exchange dealer. Companies involved in asset management, collective investment schemes and custodial services for securities and financial instruments (including equities and bonds) need to be incorporated as public companies in South Africa and registered with the supervisory authority to carry on business in South Africa. Trading for the account of customers on a licensed exchange requires separately capitalised incorporation in South Africa as a public or private company and registration with the relevant supervising authority.	Branches of banks not incorporated in South Africa must maintain a minimum balance of R 1 million on the deposit accounts of natural persons.
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section.
Zimbabwe	**Mode**	**Market access**	**National Treatment**
07.B. Banking and Other Financial Services:	1	None	None
	2	None	None

Country	Limitations		
(a) , (b) , (c), (d) , (e) Merchants banks are also authorized to: - underwrite new issues - manage portfolios - raise development capital - arranging financing for mergers and takeovers	3	Foreign equity participation in financial institutions is bound at 60 per cent. Commercial banks may not lend for building. Building societies may not lend for working capital requirements of firms, and may not issue cheque books. Only commercial banks and merchant banks are authorized to accept deposits of money withdrawable by cheque, draft or order payable on demand. Commercial banks and merchant banks may not engage on their own account in wholesale or retail trade, including export/import trade except as necessary in the course of recovering debts and may not acquire or hold immovable property except as related to providing housing amenities for staff. Commercial banks may not take equity in non-banking institutions.	None
	4	Unbound except as indicated in the horizontal section	Unbound except as indicated in the horizontal section

Source: WTO Services Database

1.3.2 SADC member country GATS commitments in insurance services

In the insurance services sector only three of the 14 SADC member states have made commitments at the WTO level: Lesotho, Mauritius and South Africa. Only Mauritius provides detailed commitments by subsector, whereas Lesotho and South Africa specify commitments which are valid for all insurance subsectors.

Lesotho specifies market access limitations with regard to commercial presence but leaves mode 1 unbound. The limitations under mode 3 stipulate that foreign and domestic insurers need to be incorporated as a public company under the Companies Act to operate in Lesotho. Furthermore, acquisition of 25% of ownership or more in an insurer requires the written approval of the Registrar. Mode 4 is left unbound except for limitations specified in the horizontal section.

Mauritius has made full commitments with regard to the equal treatment of foreign and domestic insurance operators across all subsectors (apart from mode 4, where horizontal commitments apply). For direct life and non-life insurance companies it has further specified that there are no market access limitations with regard to commercial presence. But the schedule prescribes insurers (domestic and foreign) to place 5% of their insurance business with the African Reinsurance Corporation. And insurance intermediaries selling insurance services in Mauritius are only allowed to do this for insurers registered in Mauritius.

Similar to Lesotho, South Africa requires insurers and reinsurers to be incorporated as a public company in the country to carry on insurance business. The acquisition of 25% of ownership or more in an insurer requires the written approval of the Registrar. Furthermore, the executive chairman, public officer and the majority of directors must be resident in South Africa. Life actuaries are also required to reside in South Africa. Under mode 1 South Africa has not made any commitments under the GATS and has left the sector unbound.

Table 5: GATS schedule of commitments - SADC countries in insurance services

Country	Limitations		
Lesotho	**Mode**	**Market access**	**National Treatment**
07.A. All insurance and Insurance-related Services (a) Direct Life Insurance (CPC 8121 +) (b) Non-life Insurance Services (CPC 8129 +) c) Reinsurance and Retrocession (CPC 81299 +)	1	Unbound	Unbound
	2	None	None
	3	To transact business in Lesotho, insurers (foreign and domestically controlled) must be incorporated as a public company in terms of the Companies Act. To ensure that competition is not impaired, the acquisition of shares or any other interest (by a resident or non-resident) in a registered insurer resulting in the holding of 25 per cent or more of the value of all the shares or other interest in that business, requires the written approval of the Registrar of Companies.	None
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section
Mauritius	**Mode**	**Market access**	**National Treatment**
07.A.a. Direct Insurance (including co-insurance) (a) Direct Insurance Life and non-life	1	Unbound	None
	2	None, except for insurance of assets and insurances which are compulsory in Mauritius including compulsory Third Party Insurance under the Road Traffic Act 1963.	None
	3	None	None
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section
07.A. All Insurance and Insurance-related Services (b) Reinsurance and retrocession	1	None, except for compulsory reinsurance of at least 5% to be placed with African Reinsurance Corporation.	None
	2	None, except for compulsory reinsurance of at least 5% to be placed with African Reinsurance Corporation.	None
	3	None, except for compulsory reinsurance of at least 5% to be placed with African Reinsurance Corporation.	None
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section.
(c) Insurance Intermediation comprising Agents and Brokers	1	Insurance Intermediaries must act only for insurers registered in Mauritius and must be registered intermediaries with commercial presence in MauriNonetius.	None

Country	Limitations		
	2	None, except for insurance of assets and insurances which are compulsory in Mauritius including compulsory Third Party Insurance under the Road Traffic Act 1963.	None
	3	Insurance Intermediaries selling insurance services in Mauritius must act only for insurers registered in Mauritius.	None
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section.
South Africa	**Mode**	**Market access**	**National Treatment**
07.A. All insurance and Insurance-related Services (a) Direct Life Insurance (CPC 8121 +) (b) Direct non-life Insurance Services (CPC 8129 +) c) Reinsurance (CPC 81299 +) (d) Insurance intermediation and auxiliary services (CPC 8140)	1	Unbound	Unbound
	2	None	None
	3	All insurers/reinsurers (and insurers on whose behalf policies are sold) need to be incorporated as a public company in South Africa and registered with the supervisory authority to carry on insurance business in South Africa. The acquisition of shares or any other interest (by a resident or non-resident) in a registered insurer resulting in the holding of 25 per cent or more of the value of all the shares or other interest in that business, requires the written approval of the Registrar of Insurance. The executive chairman, public officer and the majority of directors must be resident in South Africa. Life insurance actuaries must also be resident in South Africa.	None
	4	Unbound, except as indicated in the horizontal section.	Unbound, except as indicated in the horizontal section.

Source: WTO Services Database

1.3.3 Limitations on market access in banking services

Looking beyond these countries GATS commitments (and the lack of commitments made by many SADC states), this report tries to identify those areas where barriers to market access remain, either in law and/or in practice. In doing so, we encountered two main challenges. Firstly, being a desktop review, we depended almost entirely on the information made available by each country on public websites. In many cases, this information is incomplete or out of date. Secondly, whereas the GATS (and SADC trade in services negotiations) are structured according to clear sector categories and sub-categories, national legislation seldom follows this same pattern. While we have tried to collect information across all relevant subsectors, in most cases, the results are restricted to the main commercial banking activities.

The attached report provides detailed results by country. Given the above limitations, these findings do still need to be reviewed by regulators. But based on this preliminary review, a number of common themes emerge.

- In most cases, the SADC banking sector seems relatively open to trade and competition. Existing laws and regulations are predominantly prudential, and there are few instances of GATS-type barriers to market access.

- This is especially the case in mode 3, where few specific market access limitations were identified. In all SADC countries, banks are permitted to operate subsidiaries and representative offices, though direct branch banking is not permitted in most countries. The only potential exception is Angola, where banks are required to incorporate locally after doing business in the country for a year or more.

- Many SADC countries still impose foreign exchange controls or restrict the ability of local consumers to access financial services (cross border) from abroad. This is not unusual in this sector – just 25 WTO members have made full commitments for lending and borrowing across mode 1. Interestingly, this short-list includes four SADC member countries: Angola, Malawi, Zimbabwe and Mozambique. The extent to which the commitments of these countries conflict with local laws and regulations would need to be carefully considered.

- Most barriers in this sector apply across mode 4 and refer to the ability of banks and other financial institutions to employ foreign staff. In most cases, these requirements refer to appointment of citizens or residents in key positions, and they are therefore dealt with under limitations on national treatment below. However in a few instances, countries do seem to impose limits on the total number of foreigners that can be employed by a bank. For example, in Tanzania, the number of non-Tanzanians in financial institutions may not exceed five during the start-up period of the investment. The start-up period of the investment is however not prescribed in the legislation. There is also no prescription regarding the skill level of the foreign worker, as long as it can be shown that there are no Tanzanians ably qualified to do the same job[3]. In the event that the need arises for a company to hire more than five foreign employees, then an application must be made to the Tanzania Investment Centre (TIC), which will, in consultation with the Immigration Department will determine the merits of the application. If the TIC is satisfied that there is a need that cannot be satisfied by Tanzanians, it will then authorise the employment of additional foreigners beyond the five person quota.

- .

- Whereas the only country that currently imposes an explicit limit on the participation of foreign capital in banking-sector investments is Zimbabwe, this may change in the near future. In Botswana, some degree of local ownership in financial institution is encouraged and is a 'consideration' in the award of all banking licenses. It is difficult to know what this means in practise.

- Finally, in most SADC countries, there are prudential limits on the shareholdings in financial institutions. In Malawi, for example, an individual or entity (foreign or local) may not own more than 49% of a prudentially regulated entity without the approval of the registrar. In Zambia, this prudential cap is set at 25%, in Tanzania and Botswana it is 50%, and in Lesotho, individual shareholdings (or the shareholding of a group acting in concert) above 10%, 25%, 33% or 50% require prior approval from the Central Bank. There is no evidence to suggest that these rules impose a barrier on foreign investment.

1.3.4 Limitations on national treatment in banking services

South Africa is the only SADC country to specify a national treatment limitation. Most limitations on national treatment (in SADC and elsewhere) relate to residency and in some cases citizenship requirements that are imposed on many key positions across the banking sector (over and above general work permit requirements). Some examples are given in the table below.

Table 6: Potential national treatment limitations

Country	Limitation
Botswana	There are nationality requirement for the board of directors of banks and collective schemes. Moreover, all stock brokers must reside in Botswana and must own assets in Botswana that exceed their liabilities by no less than P50,000.
Lesotho	A foreign financial institution should appoint at least two natural persons who reside in Lesotho to manage the business of a branch, and one of these appointed persons should be the Chief Executive Officer.
Malawi	The majority of a financial institution's board should be non-executive and reside in Malawi. Moreover, at least one audit committee member must be a resident of Malawi (unless there is reasonable evidence to suggest that they can attend meetings regularly).

[3] See – Section 24(1) of the Investment Act of 1997

Country	Limitation
Mauritius	At least one director of a Bank must be a resident. Moreover, applications for a Category 1 Global Business license require that at least 2 directors are resident in Mauritius, and that the business maintains its principal business account in Mauritius. In order to qualify for a Mauritian work permit, the basic salary of that individual should exceed MURs 20,000 (approximately US$701.80) monthly. Should the expatriate be earning less than this then they must be vetted by the Ministry of Labour and industrial Relations and Employment.
Mozambique	All employment contracts with foreign workers have to be authorised by the Ministry of Labour. Mozambican labour laws also encourage the transfer of skills from foreigners to locals by requiring that the number of foreigners in management positions should decline over time. Therefore in the first two years a company can have a maximum of 60% of its management positions occupied by foreigners. This should decrease to 40% from the second to the fifth year; and 20% from sixth to tenth year and 10% from the tenth year onwards.
Namibia	At least two Namibians residents may be appointed to manage the branch of a foreign banking institution in Namibia with at least one being appointed as the principal officer. Moreover, the Minister may issue regulations that may impose further limits on the citizenship or residence of members of the board.
Seychelles	Section 5(1)(l) of the Financial Institutions Act requires that application for a license to operate as a financial institution by a foreign entity should be accompanied by a certificate of designation specifying at least one director is resident in the Seychelles.
South Africa	At least 2 people that reside in South Africa must be appointed to manage a branch of any bank, one of which shall be the chief executive. Moreover, brokerage firms must be headed by a locally licensed and resident broker.
Tanzania	A licensed institution must seek and obtain the approval of the Bank of Tanzania before employing a non-Tanzanian. All banks and financial institutions regulated by the Bank should appoint a minimum of five board members, of which at least two must be Tanzanian and the majority of the board members must reside in Tanzania.
Zambia	The minimum percentage of domestic residents that should be appointed onto the board of directors of a Bank is 51%. Moreover, Part III Section A of the Securities Act requires that non-Zambian collective investment schemes should appoint a Zambian representative who is in turn licensed under section 82 of the Securities Act.
Zimbabwe	A labour market test is required to show that the desired skill is not available locally. At the senior management level, the composition of the Board of Directors must reflect the requirements as set out in the indigenisation and Economic Empowerment Act, and the managers and trustees of collective investment schemes, custodians, investment advisors, and transfer secretaries should be licensed by the Securities and Exchange Commission of Zimbabwe. Likewise, registered stockbrokers/securities dealers must be licensed by the Commission, and be ordinarily resident in Zimbabwe with domestic assets that exceed their domestic liabilities by no less than US$10,000[4].

[4] Securities (Registration, Licensing and Corporate Governance) Rules, 2010

In addition to these limitations, some evidence was found of prudential and licensing regulations that on the face of it, seem to discriminate against the establishment of foreign financial institution. These include:

- In **Zambia**, the World Bank database (2009) notes that the security vetting fee that is payable upon application for a microfinance operators licenses is substantially higher for international applicants compared to local applicants. Moreover, the Bank of Zambia has announced that they will be tightening prudential regulations by introducing a tiered Minimum Statutory Capital (MSC) structure for commercial banks, with foreign owned banks required to set aside around five times as much as local banks[5].

- In **Botswana**, foreign banks may be allowed to open a representative office only if they are part of a reputable international banking organisation headquartered in jurisdictions recognised by the BoB as being compliant with international standards.

- In **Namibia,** all foreign applicant banks that have adequate capital may conduct such business by means of only one branch office in Namibia. The business operations of a branch must at all times be covered and supported by a valid letter of comfort issued by the relevant foreign banking institution, in which letter of comfort, to the satisfaction of the Bank, such foreign banking institution duly confirms its understanding and acceptance of the ultimate objective of the maintenance of financially sound branch in the interest of an efficiently functioning financial system in Namibia . Moreover, the Bank of Namibia has published a determination instructing all foreign banks to localise their core banking functions (i.e. records, documents, IT systems etc).

The extent to which this kind of discrimination can be justified on prudential grounds (i.e. the additional cost or risk associated with the registration of foreign banks) and whether foreign banks see these measures as a barrier to entry, may require further investigation.

1.3.5 Limitations on market access in insurance services

As in the banking services sector, sector categories and sub-sector categories for insurance services in the GATS are not necessarily in line the categorization of national legislation reviewed in this study. National legislation generally distinguishes between the three sub-sectors: short-term insurance, long-term insurance and reinsurance. In some countries there are separate insurance acts for short-term and long-term insurance, in others they are combined. While the WTO services sectoral classification list (W/120) generally also distinguishes between the three sub-sectors: life (long-term), non-life (short-term) and reinsurance (and services auxiliary to insurance as a fourth category), the classification of insurance products under these categories is not always consistent with national legislation. Many national regulators, for example, seem to classify accident and health insurance as short-term insurance products, whereas with the WTO W/120 lists these products with life insurance.

The attached country reports provide detailed results by country for the three sub-sectors, as identified in national legislation. Given the methodological limitations described in the banking

[5] (Ng'andu, B, 2012)

services section, these findings still need to be reviewed by country regulators and policy makers. In the following, the main limitations identified in the SADC insurance sector are as follows:

- Similar to the banking services sector, the insurance services sector seems relatively open to trade and competition in most SADC countries. One exception is the DRC's insurance market, which is characterized by a state-owned monopoly and does not allow for the entry of foreign operators by any means of commercial presence.

- Although market access in the insurance sector appears relatively open to foreign operators, not all legal forms of commercial presence (Mode 3) are liberalised. Specifically, in the majority of SADC countries the law does not allow foreign insurers to establish a commercial presence through a branch. Moreover, in many countries the foreign insurer has to be a company incorporated under the Companies Act of the host country. Mauritius is an exception, which allows foreign branches across all insurance subsectors. Malawi and Tanzania are open to branching by foreign reinsurers, but do not permit foreign short-term and long-term insurers to set up branches. In Mozambique, foreign branches are only permitted in types of insurance for which the respective insurer is authorized in its home country and for which it can demonstrate more than five years of operational experience. Lesotho restricts the establishment of foreign branches in its GATS commitments, but has no corresponding regulation in the national legislation.

- The picture is different for foreign operators wanting to establish a subsidiary in another SADC country. In this case, the majority of SADC countries are open and do not impose any ownership restrictions on the foreign insurer. The two exceptions are the DRC and Swaziland, which do not allow the establishment of foreign subsidiaries. In Tanzania, foreign ownership of a subsidiary is limited to 66.7% and in Zimbabwe 51% have to be held by indigenous Zimbabweans.

- Many SADC member states do not impose any barriers on the participation of foreign capital in the domestic insurance market. Botswana, Lesotho, Malawi, Mozambique, Namibia, Seychelles and Zambia all allow foreign investors to acquire domestic insurance companies without setting any limits on foreign ownership. Mauritius has no statutory foreign ownership restrictions, but requires approval of the Financial Services Commission in the case of the acquisition of a significant interest in an insurer. Similarly, South Africa requires written approval of the Registrar when acquiring 25% or more in a registered insurer and in Angola, applicants with foreign shareholding in excess of 50% need prior approval of the Ministry of Finance. Swaziland, Tanzania and Zimbabwe limit foreign ownership to 49%, 66.7% and 49% respectively.

- SADC member states' legislations seem to be more restrictive with regard to the foreign acquisition of domestic government owned insurance companies. Namibia, South Africa, Tanzania and DRC do not allow this. Lesotho limits foreign ownership to 70%, and Botswana and Zimbabwe do not allow foreigners to acquire a controlling stake in a government owned entity.

- As in banking services, many SADC countries' regulations restrict the ability of local consumers to access insurance services (cross border) from foreign providers located outside the country. This is mostly the case for short-term and life insurance products, while SADC countries are generally more open to reinsurance contracts across the border. In short-term and life insurance, many countries require the consumer to demonstrate that the specific insurance product is not available locally. It remains unclear how this is applied in practice. In addition, Tanzania and Zimbabwe require approval for cross border transactions by the regulating authority, and Zimbabwe and Mozambique impose restrictions on the value and the sector receiving the insurance service, though detailed specifications on these restrictions remain unclear.

- Foreign insurance companies wanting to repatriate their earnings face barriers in some SADC countries, mostly with regard to foreign exchange regulations. In Lesotho, Malawi, and Mozambique. In Namibia, repatriation of dividends is subject to a withholding tax of 10%.

- In four SADC member states legislation prescribes that insurers are to cede a certain amount of their business with a predetermined reinsurer. For example, in Tanzania and Mauritius insurance companies are required to insure a minimum of 5% of their portfolio with the African Reinsurance Corporation (Africa-Re), and Tanzanian insurers another 10% with ZEP-Re. Namibian insurers are obliged to reinsure a minimum of 20% of their business with Namib-Re and in Zimbabwe all insurance must be ceded to a domestic reinsurer, although the Insurance Commissioner may allow excess insurance to be insured outside Zimbabwe in the case of insufficient domestic capacity.

- As in the banking services sector, there are many mode 4 restrictions in the insurance sector referring to the ability of insurance companies to employ foreign staff. Most of them limit the ability of companies to appoint citizens or residents in key positions, and these are described in the following section on limitations on national treatment. Very few limitations on the total number of foreigners or the stipulation of a certain quota on foreign employees exist. As in banking, Tanzania allows a maximum of five foreign employees in insurance companies and Mozambique has quotas for foreign employees according to the size of the company, as described below.

1.3.6 Limitations on national treatment in insurance services

Under the GATS no SADC member states have specified any national treatment limitations. The three SADC member states that have made sector specific commitments in insurance services, namely, Lesotho, Mauritius and South Africa, have left mode 4 unbound. As in the banking services sector, it is under mode 4 that most of the limitations to national treatment in the insurance sector were identified. These largely refer to residency and citizenship requirements of employees or directors of insurance companies, as described in the table below.

Table 7: Potential national treatment limitations in insurance services

Country	Limitation
Botswana	Principal officers have to be resident in Botswana.
Malawi	The majority of the directors and the chairperson of the board shall ordinarily reside in Malawi. Foreigners can only be employed after meeting a labour market test. Five top executive positions may be occupied by foreigners if required by the foreign investor.
Mauritius	A minimum of one member of the board of directors has to be resident in Mauritius.
Mozambique	At least one member of the board of directors has to be sufficiently proficient in Portuguese and more than half of the members have to be resident in Mozambique. There are quotas for foreign employees according to the size of company: 5% for companies with more than 100 employees, 8% for companies with between 11 and 100 employees; 10% for companies with 10 or fewer employees. Foreign investors are further encouraged to create jobs and contribute to skills development for Mozambican citizens.
Namibia	The managing director and a minimum of 50% of the members of the board of directors have to be Namibian citizens resident in Namibia.
Seychelles	For non-domestic insurers the manager needs to be an authorised agent and approved by the authority.
South Africa	Head office and public officer must be South African residents.
Swaziland	At least 25% of the directors of the company have to be citizens of Swaziland.
Tanzania	One third of the members of the board of directors must be Tanzanian citizens.
Zambia	The Chief Executive Officer and at least 50% of the board of directors have to be resident in Zambia. Furthermore, the Citizens Economic Empowerment Commission may recommend in the future that a certain number of targeted citizens be employed by foreign-owned insurance companies.
Zimbabwe	At least 51% of the members of the board must be Zimbabwean citizens. The controlling interest should be in the hands of indigenous Zimbabweans. Furthermore, employees must meet a labour market test and local unavailability of the desired skills must be demonstrated.

Besides these mode 4 restrictions, only limited evidence could be found that would indicate that foreign and domestic insurance providers are treated differently.

- In Malawi, foreign applicants seeking to obtain a license may not be exempted from solvency margin requirements, whereas this may be possible for domestic applicants.

- In Mauritius, branches of foreign insurers may not investment more than 10% of the total assets of the insurer in commodities or corporations whose shares are listed on a licensed exchange in Mauritius or certain other specified exchanges.

Furthermore, the branch cannot invest more than 10% of the firm's assets in any property.

1.3.7 Impact on competition and foreign investment

The apparent openness of the financial services sector in SADC member countries is confirmed, somewhat, by the strong presence of foreign banks and insurance companies in this sector.

In Malawi, Namibia, Zambia, Lesotho, Swaziland, Botswana, Mozambique and the Seychelles, at least 50% of the banking sector is foreign owned. And in Zimbabwe, Tanzania and Mauritius, foreign banks probably account for between 30% and 50% of total banking assets. The only exceptions are South Africa, which has a strong domestic banking sector, though foreign ownership has increased substantially over the last decade; and Angola, which is dominated by large number of domestic banks. Data on the DRC is not available, though there are numerous foreign banks present in this market.

There are also clear indications of the presence of strong regional players in this sector. Most notably, Stanbic Bank of South Africa, which has a presence in all SADC member countries, except the Seychelles. But a number of lesser known regional banks have begun to emerge. BancABC (previously known as the African Banking Corporation) has its head office in Botswana and a presence in Zimbabwe, Tanzania, Mauritius, Zambia, Mozambique and South Africa; while Ecobank of Togo has operations in Angola, the Democratic Republic of Congo, Malawi, Tanzania, Zambia, Zimbabwe and a representative office in Johannesburg (in total it has a presence in 32 African countries).

Despite the small size of SADC economies and the emergence of regional institutions, there remain a large number of banks in many countries. In Tanzania, for example, there are 25 locally owned financial institutions and 23 foreign; and around 20 commercial banks in Angola, Zambia, Zimbabwe, Mauritius, Mozambique and the DRC. In addition to these banks, a buoyant microfinance industry has emerged in most of these countries. In contrast, there are just 4 registered banks in Lesotho and Swaziland, 5 in Namibia, 6 in the Seychelles and 10 in Botswana.

As indicated earlier, there does not seem to be a positive relationship between the number of foreign banks in a market, and measures of access to finance. Similarly, in those SADC countries where the overall number of banks is largest, access to finance seems weakest; whereas in South Africa, Botswana, Lesotho, Namibia and Swaziland, access to finance is much better. This raises questions about the extent of competition in some countries, and the need for consolidation in others.

Table 8: Total number of financial institutions

	Banks	Collective investment schemes/Funds	Bureau de change	Microfinance institutions	Stockbrokers
Angola	23		40		
Botswana	10				
D. R. Congo	21			80	
Lesotho	4	2			
Malawi	11				4
Mauritius	20	439	16		11 (Equity) 17 (Commodity & currency)

	Banks	Collective investment schemes/Funds	Bureau de change	Microfinance institutions	Stockbrokers
Mozam-bique	26*		22		
Namibia	5				
Sey-chelles	6				
South Af-rica	16	1,370	24		64 (Equities only), 60 (Commodities), 53 (bonds), 107 (Equity deriva-tives)
Swaziland	4				
Tanzania	32**	4	180		7
Zambia	19	7		33	56
Zimba-bwe	21	18	145		19
Total					

Source: Various
**This includes commercial banks and microbanks only*
*** Commercial banks only, i.e. excluding community banks*

1.4 Key issues for further discussion and potential negotiation

Based on this review, a number of common issues have emerged for further discussion at the SADC Financial Sector Forum, some of which could later be incorporated into the formal negotiating agenda.

1.4.1 Banking in SADC – keeping it open and making it more accessible and competitive

The available legislation suggests that banks are able to offer services across all SADC countries in almost any legal form, without unnecessary legal or regulatory impediment. And the available evidence indicates that foreign banks have experienced few difficulties in establishing a presence in most of these countries. Yet access to banking services in many countries is low and anecdotal reports suggest that the quality and cost of banking in the region is high. There is also no discernible pattern between the level of foreign competition and access to banking services in individual SADC countries. This raises a number of critical policy questions:

- Is the regional banking environment as open in practice as it seems on paper, or are there other regulations or procedures in place which make it difficult for new and/or foreign banks to compete in individual markets?

- What is the future regulatory trajectory[6] in the banking sector? The last few decades have been characterised by significant reforms and a substantial increases in private and foreign ownership. Is this trend likely to continue through the formation of fewer, larger regional banks; or is there a growing resentment and resistance to foreign (including regional) involvement in this sector?

[6] Financial sector regulators in SADC countries will be concerned about regulatory harmonisation and minimising the opportunities for regulatory arbitrage which may result in the spread of systemic risks cross-border. Regulatory reforms must therefore ensure that financial regulation remains in line with international best practice.

1.4.2 The role and treatment of microfinance

The microfinance industry has grown rapidly in most SADC countries in recent years and the separation between microfinance and banking has become increasingly blurred. Traditional microfinance institutions are now offering a wide range of mainstream banking and financial services products and some traditional banks are finding innovative ways to access low-income consumers. And as with banking, a number of regional microfinance institutions have begun to emerge. Whereas some SADC countries treat microfinance and banking institutions very differently, this is not always the case, and this raises questions as to how SADC negotiations should deal with this sub-sector.

- The WTO sector classification list (W/120) separates between financial service activities, not institutions. As such, all lending activities, whether provided by banks or microfinance institutions, should be scheduled jointly. On the other hand, countries might impose or envisage different market access or national treatment regulations in the banking and microfinance industries. Given the importance of the microfinance industry in SADC, does it need to be scheduled and negotiated separately from banking?

  Whereas banking legislation across SADC is relatively mature and consistent across countries, this seems to be less so for microfinance. Where specific regulations do not exist or are in the process of being developed, this might make it difficult for countries to make commitments in this area. Alternatively, this might create an opportunity to develop a common understanding between SADC member states as to what constitutes micro-finance, and how cross-border trade and investment in this industry should be regulated.

  The question that naturally follows from the above is whether or not there is a need or the potential for improved cooperation / harmonisation between regional micro-finance regulators? This has been partially resolved by the SADC's Committee of Insurance, Securities and Non-Banking Financial Authority (CISNA) . Under Decision 14, SADC Ministers decided that the regulation and supervision of securities exchanges; privately administered medical aid schemes; microfinance institutions and financial cooperatives would fall within the ambit of CISNA's work. The Annex on Co-operation on Non-Banking Financial Institutions and Services of the FIP would be amended at the appropriate time. In the meantime, CISNA's structure has changed and will soon establish a subcommittee on microfinance institutions and financial co-operatives. This subcommittee will presumably address the issues raised here.

1.4.3 Expanding the network – access to the National Payment System

As the payment system has evolved it has become increasingly feasible for non-bank institutions to participate in banking activities. Access to the payment or clearing system is however restricted to banks in most SADC countries. An independent supplier of ATMs, money transfer agencies and cellphone banking offerings such as M-PESA must all be sponsored into the system by a clearing bank. This limits the penetration of innovative mobile banking solutions and raises the cost of entry for non-banks. Whereas there are good prudential reasons for limiting access to the payment system to credible institutions, it is important that these are not unnecessarily restrictive, costly or discriminative. This raises two sets of questions:

- Is there evidence that access to the payment system in some SADC countries is used to keep out new entrants and protect the incumbents from competition from lower-cost and more innovative banking solutions (local or foreign)?

- Are there any examples from other countries, within or outside of SADC, that might provide guidance as to how national and regional payment systems can be developed and optimised to extend banking services between and within countries?

1.4.4 Definitions and sector coverage

The GATS financial services negotiations are structured according to the WTO sector classification list, as summarised in the box below (though an alternative classification has been adopted in the WTO Financial Services Annex and WTO member states are split in use of these classifications). In principle, the SADC negotiations should follow this same structure, but in practice, it has been difficult to find information or legislation across many of these sub-sectors for most SADC member states. This does not mean that regulations do not exist in all or some of these areas, but that additional work will be required to clarify the maturity of these industries and the accompanying legislation before meaningful negotiations can commence. Likewise, whereas the focus of this study has been on core banking and insurance sectors, where most information was available, the scope of the negotiations should not be limited to these areas.

Box 1: WTO services sectoral classification list (W/120)

A.	<u>All insurance and insurance-related services</u>	
a.	Life, accident and health insurance services	812**
b.	Non-life insurance services	8121
c.	Reinsurance and retrocession	81299*
d.	Services auxiliary to insurance (including broking and agency services)	8140
B.	<u>Banking and other financial services</u> (excl. insurance)	
a.	Acceptance of deposits and other repayable funds from the public	81115-81119
b.	Lending of all types, incl., inter alia, consumer credit, mortgage credit, factoring and financing of commercial transaction	8113
c.	Financial leasing	8112
d.	All payment and money transmission services	81339**
e.	Guarantees and commitments	81199**
f.	Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:	
	- money market instruments (cheques, bills, certificate of deposits, etc.)	81339**
	- foreign exchange	81333
	- derivative products incl., but not limited to, futures and options	81339**
	- exchange rate and interest rate instruments,	81339**

	inclu. products such as swaps, forward rate agreements, etc.		
	- transferable securities		81321*
	- other negotiable instruments and financial assets, incl. bullion		81339**
g.	Participation in issues of all kinds of securities, incl. under-writing and placement as agent (whether publicly or privately) and provision of service related to such issues		8132
h.	Money broking		81339**
i.	Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial depository and trust services		8119+** 81323*
j.	Settlement and clearing services for financial assets, incl. securities, derivative products, and other negotiable instruments	or	81339** 81319**
k.	Advisory and other auxiliary financial services on all the activities listed in Article 1B of MTN.TNC/W/50, incl. credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy	or	8131 8133
l.	Provision and transfer of financial information, and financial data processing and related software by providers of other financial services		8131

1.4.5 Prudential limits – prospects for a SADC understanding in banking and insurance?

Most of the potential barriers to trade and investment in banking and insurance services are couched in prudential regulations. These include minimum capital requirements (sometimes differentiated by local and foreign), recognition of home country regulators, the need for incorporation and separate capitalisation (representative branches), caps on individual/institutional shareholding, and residency requirements for managers and directors. Whereas most of these regulations seem fair and legitimate, to enhance financia stability and limit systemic ricks that could be transferred cross-border, there are instances where prudential regulations do seem unnecessarily protective or where they undoubtedly favour local firms over foreign institutions.

This raises the following questions:

- To what extent, and in which cases and countries, are SADC prudential regulations out of step with international best practice, and as a result, act as a real deterrent to entry?

- Is it possible and desirable for SADC member countries to harmonise certain aspects of prudential regulation (or at least agree on a set of maximum limits or minimum regulatory principles) in order to facilitate intra-regional trade and investment in financial services? And could or should this be included as some kind of understanding in the trade in services Protocol, or under the Finance and Investment Protocol?

- Similarly, might it be possible to reach some kind of mutual recognition agreement between regulators, which enables SADC member countries that meet certain minimum regulatory standards to recognise the prudential competency of other SADC member states (and thereby make it easier for financial institutions from such countries to operate across the region)?

2 ANGOLA

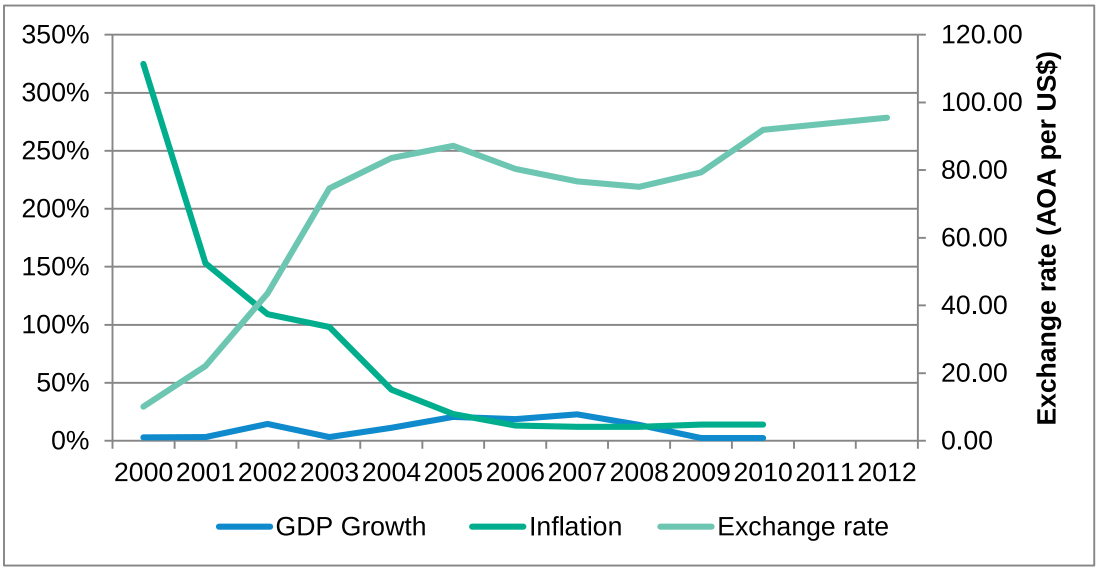
2.1 The Angolan Economy

The World Bank estimated that Angola's population stood at approximately 19.6 million (2010 estimate). The country has extensive oil and gas resources, diamonds, iron ore, copper, gold, uranium, and other natural resources, as well as hydroelectric potential and fertile land. Oil production and Angola is currently Africa's second largest producer of crude oil producing over 1.9million barrels per day.

Although Angola is still recovering from the civil war that plagued that country from 1975 until 2002, the economy of Angola is one of the fastest growing economies in the world averaging and annual growth rate of 10.5% between 2000 and 2010. Inflation (consumer prices) has decreased from 325% in 2000 to 14% in 2010. Whilst Real GDP was reported as US$25.9 (2010 estimate) and Real GDP per capita was US$1,357.36 (2010 estimate).

The mining industry, which is dominated by oil, accounts for 47% of GDP, while diamonds account for 1% of GDP. Due to this reliance on the extractive industries, the global economic slowdown that occurred after the 2008 financial crisis resulted in a balance of payments shock for Angola as global oil prices declined. The Angolan government has recently adopted policies to try and reduce the country's dependence on oil. In 2011, the country continued with its macroeconomic policy that seeks to reduce inflation, deepen international reserves, and increase expenditure on infrastructure. The economy has however gradually recovered with real GDP growth increasing from 3.4% to 3.5% from 2010 to 2011.

Figure 2: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012

Figures for 2011 and later are projections

2.2 Angola's Financial Sector

2.2.1 Financial sector policy

Access to banking services remains relatively low in Angola and in 2010, only 20% of the population had a bank account. The aim of the government is therefore to try and increase the efficiency and stability of the financial system. In 2010, the government created the Credit Risk Centre (CIRC) in order to improve management effectiveness.[7].

In acknowledgement of the increasing levels of inequality, the government of Angola has made greater efforts in recent times to try and develop the microfinance sector as a tool to combat poverty. The formulation of the Micro-credit Law of 2011 is viewed as an important step towards this desired goal.

2.2.2 Financial sector regulation

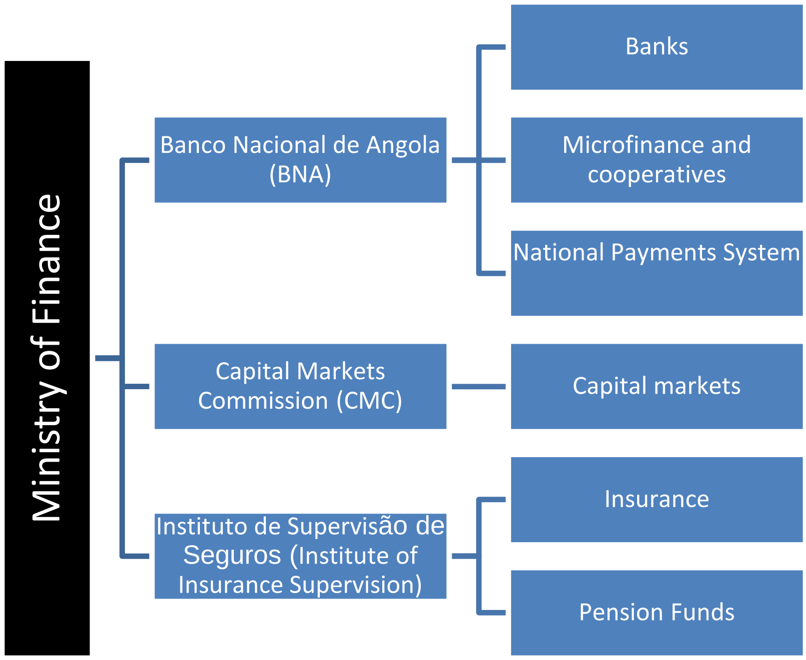
The Angolan financial sector is dominated by commercial banks with a very small pension and insurance sector. Since the war ended in 2002, the Angolan banking sector has grown rapidly from a small base and the total assets held increased from a mere US$2.9billion in 2003 to US$57 billion in 2011. Many of the Angolan banks have a Portuguese heritage.

The regulatory framework for Angola's financial sector includes the Financial Institutions' Law of 2005, the Foreign Exchange Law of 1997, Micro Credit Law of 2011, Securities Law of 2005, General Insurance Law of 2000, Law of Angola Payment Systems of 2005, and the Anti-Money Laundering and Countering Financial Terrorism Law of 2011. The Financial Institutions Law defines a distinction between banking and non-banking activities. The main regulators are as follows:

- *Banco Nacional de Angola (BNA)* – All financial institutions operating in Angola must be licensed and supervised by the BNA. All applicants for a license must demonstrate to the BNA that the institution has adequate human, material, technical and financial resources and is managed by fit and proper professionals[8].
- *Instituto de Supervisão de Seguros/Institute of Insurance Supervision (ISS)* – the ISS is the regulatory authority for the insurance sector in Angola.
- *Capital Markets Commission (CMC)*. Under the Securities Law of 2005, the CMC is the regulatory authority responsible for supervising investment institutions and others linked to the capital markets.

7 (Jover, E. Pinto, A. Marchand, A., 2012)
8 (KPMG, 2011)

Figure 3: The organisational structure of the Angolan financial sector's regulators



2.2.3 Financial depth and performance

The number of bank branches has increased rapidly along with the increasing number of licensed banks. In 2009 there were 680 bank branches and this increased to 830 by 2010. Most (51%) of these branches are however located in the country's capital, Luanda. It is expected that over time the number of branches in other parts of the country will also increase starting with the coastal areas before spreading inland.

The lending rate is low as only 57% of deposits in 2010 are lent on[9].

Angolan banks have also invested heavily in infrastructure with the number of ATMs and points of sale (POS) terminals increasing rapidly since 2004. In 2010, there were 12.66 ATMs and 1.3 commercial bank branches per 100,000 adults. During the same period, domestic credit provided by the banking sector as a percentage of GDP was 17.6% and Liquid liabilities (M3) as % of GDP was 94.3%.

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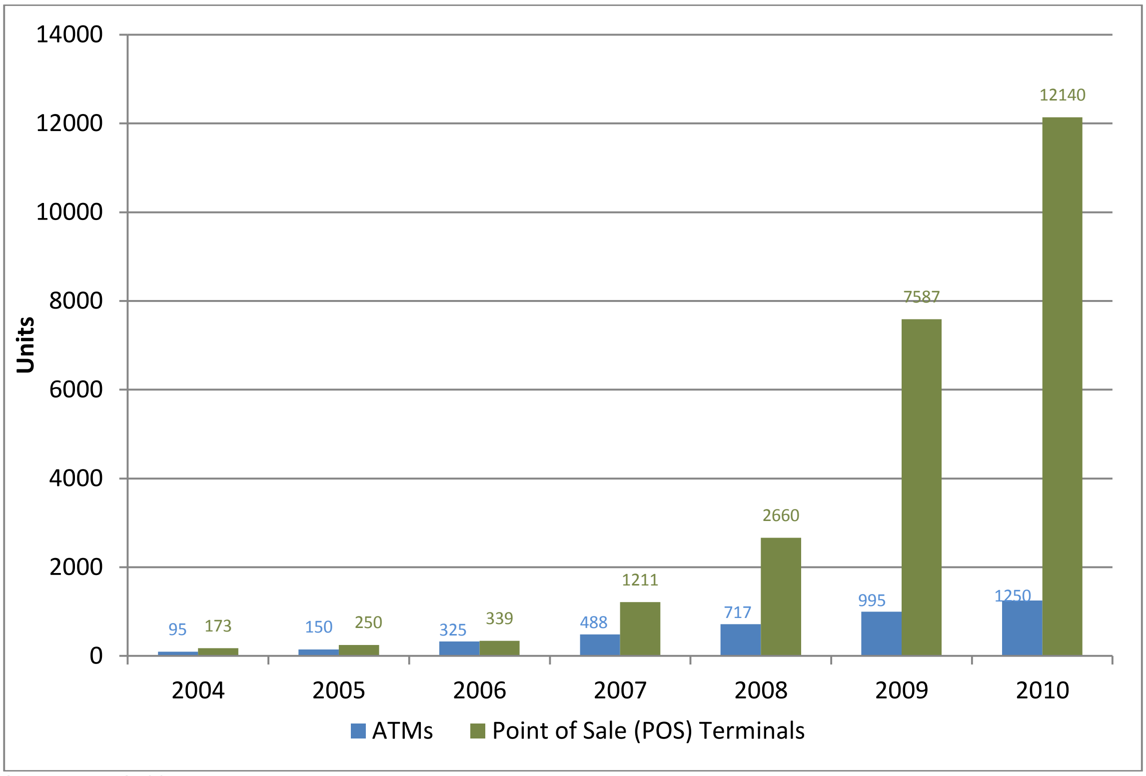
9 (Jover, E. Pinto, A. Marchand, A., 2012)

Figure 4: Automatic Teller Machines in Angola, 2004 - 2010



Source: KPMG, 2011

2.3 Angola's banking and non-bank financial services sector overview

2.3.1 Banking industry

There are 23 licensed banking institutions in Angola[10]. All of these banks offer universal services, though some are more focused on niche markets. Banco Sol, Banco BAI Micro-Finanças and Banco de Poupança e Crédito are largely micro-credit banks.

The state owned company Sonangol (Sociedade Nacional de Petróleos de Angola) is the largest conglomerate in Angola, with interests in oil, shipping, construction, telecoms, and other industries. Sonangol is directly and indirectly one of the major shareholders in BAI (17%), Banco de Fomento de Angola (12.5% via Unitel), Millenium BCP Portugal (10%), Banco Privado Atlantico (9.5%), Millenium Angola (49.9%), and Banco de Comercio e Industria[11].

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10 (KPMG, 2011)

11 (Pinto, A, 2011)

Table 9: Summary of banking institutions in Angola, 2010

Type of operator	Ownership	Assets (millions AOA), 2010	Branches
Banks			
Banco de Comércio e Indústria, S.A.R.L		N/A	
Banco Comercial Angolano, S.A		N/A	
Banco BAI Micro-Finanças (BMF)		N/A	0ver 20
Banco Angolano de Negócios e Comércio, S.A		N/A	
Standard Bank, S.A.	South Africa	N/A	
Banco Comercial do Huambo, S.A		N/A	
Banco para Promoção e Desenvolvimento, S.A.		N/A	
Banco Valor, S.A		N/A	
Banco de Desenvolvimento de Angola (BDA)	Local (Government)	N/A	
Banco Africano de Investimentos (BAI)	Local (Government)	775.692	75
Banco Espirito Santo Angola (BESA)	Portugal	731.151	36
Banco de Poupança e Crédito (BPC)	Local (Government)	671.058	239
Banco de Fomento Angola (BFA)		597.575	143
Banco BIC		450.952	135
Banco Privado Atlãntico		178.932	11
Banco Millenium Angola	Portugal	123.570	39
Banco Sol	Local (Government)	120.428	86
Banco de Negócios Internacional		112.605	37
Banco Caixa Geral Toota de Angola	Portugal	92.780	N/A
Banco Regional do Keve		44.147	19
Finibanco Angola		15.153	N/A
Banco VTB Africa		4.729	N/A
Banco Kwanza de Investimento		1.299	N/A

Source: (KPMG, 2011), and (Jover, E. Pinto, A. Marchand, A., 2012)

In terms of concentration, the top 5 banks (i.e. BAI, BESA, BFA, BIC and BPC) control over 80% of total banking assets, deposits and loans[12]. Entry into the sector is high as the number of operators doubled between 2005 and 2010[13].

2.3.2 Microfinance industry

Angola's microfinance industry is still in its infancy but is expected to grow rapidly in response to improving GDP per capita as well as relatively low per capita debt levels. The country's largest banks (i.e. BAI, BPC, BFA, and Banco Sol) have driven much of the current development in the sector. In its current format, however, microfinance is largely an extension of retail banking. For example, BFA agreed with the Angolan Armed Forces in 2009 to provide microloans to military personnel. In 2010, Banco Sol reached an agreement with the Ministry of Justice to offer consumer credit and vehicle financing schemes to ministry staff. Other microfinance initiatives are[14]:

12 (Jover, E. Pinto, A. Marchand, A., 2012)

13 (KPMG, 2011)

14 (Jover, E. Pinto, A. Marchand, A., 2012)

- Bai Micro-Finanças (BMF), a division of BAI was established in 2004 to offer loans to small and medium enterprises. The oil company Chevron is a minor shareholder in the bank and as at the end of 2010 total disbursements had reached US$45 million.
- Banco BPC provided more than 50,000 small scale entrepreneurs across the country with credit and its exposure to the agriculture sector has reached US$111 million. The bank has also pledged to provide financing for 2,000 low budget houses valued at US$50 million.
- Banco Sol. Approximately 27% (US$74 million) of the banks total loans are micro-loans. These are distributed 87% to the commercial/retail sector and 13% to agriculture.
- Kixi Credito is a non-bank microfinance institution funded by an NGO called Development Workshop. Kixi Credito has disburses over US$24 million annually and has 13,000 active customers served by 9 branches.
- Credito Agricola de Campanha (Agriculture Credit Campaign) is US$150 million agricultural loan facility offered by the Angolan Development Bank through a network of commercial banks. The campaign offers loans to small scale farmers at interest rates subsidised by the government. By the end of 2011, US$67.5 million had been disbursed to over 35,000 small scale farmers.

Since 2011, the microfinance sector has been regulated by the Micro-Credit Law and Notice 7/2011. This legislation sets up the BNA as the sector's regulator tasked with the licensing, regulation and supervision of all microfinance institutions in the country. Although the Micro Credit Law of 2011 defines micro-loans as having a ceiling of AOA1 million (US$10,526) per client, Angolan banks have historically had a much higher threshold of up to US$50,000. The regulatory requirements for licensing include[15]:

- Minimum capital requirements of AOA2.5 million (i.e. US$25,316).
- Microfinance institutions may not accept deposits
- A microfinance institution may provide, credit, advisory services, credit guarantees and payment services through other financial institutions.
- All loans must be in the local currency (i.e. no US$ loans)
- Loans may not exceed AOA1 million per customer
- No single loan or guarantee may exceed 15% of the share capital of the microfinance company
- Interest rates are freely negotiable.

2.3.3 Collective investment schemes

The research found no active collective investment schemes in Angola, although as of December 2009, the CMC has received an application and licensed a fund called Angola Capital Partners. Applications to operate real estate asset management firms had also been received from RS Capital, BESA Valorizacao, and Fin Personalite FII. (See - Table 10 below)

[15] (Jover, E. Pinto, A. Marchand, A., 2012)

2.3.4 Bureau de change

As the entity responsible for maintaining the national currency's value, the BNA sets the maximum permissible foreign exchange limits that banks and bureau de change may hold. In 2010, there were 40 licensed bureau de changes although only 22 were operational. These licensed operators may only deal in banknotes and travellers cheques.

2.3.5 Capital markets

Angola's capital markets are regulated by the Capital Markets Commission (CMC). The bond market is still in the early stages of its development with a number of government bonds denominated in both local currency and US dollars. The National Bank of Angola issues Central Bank Bills (TBCs – Titulos de Banco Central) with maturities of between 14 and 364 days. Another market also exists for Treasury Bonds (OT s– Obrigacoes de Tresour). OTs are issued by the government on a monthly basis with terms of between 1 year up to 12 years[16].

Plans to establish a stock market in Angola date as far back as 2005. These were however temporarily suspended following the decline in commodity prices and the global financial crisis in 2008. Following the discovery of widespread corruption and fraud at the CMC, the regulatory authority was restructured in 2011[17]. Although a new Board of Directors was appointed in 2012, the regulator remains in a state of flux[18]. Below is a table of applications received for registration as of December 2009 that was published by the CMC[19]:

Table 10: Applications for licensing by the CMC, 2009

Date	Company	Type	Licensing stage
2008	Novacao SCVM	Stock broker	Licensed
2008	Old Mutual Angola	Stock broker	Being processed
11/02/2009	Growth SCVM	Stock broker	Licensed
25/11/2009	RS Capital	Real Estate Asset Manager	Special registration
25/02/2009	Imara SCVM	Stock broker	Being processed
18/05/2009	BPAGest SGFI	Real Estate Asset Manager	Being processed
29/06/2009	BESA Valorizacao	Closed End Real Estate Asset Manager	Being processed
08/07/2009	Saving SCVM	Stock broker	Being processed
08/07/2009	Saving SDVM	Transfer Secretary	Being processed
08/07/2009	Saving SI	Investment company	Being processed
17/07/2009	Angola Capital Partners	Private Equity Fund	Licensed
21/07/2009	Fin Personalite FII	Real Estate Asset Manager	Being processed
03/09/2009	BESA SCVM	Stock broker	Being processed
17/11/2009	Golden Broker SCVM	Stock broker	Being processed
30/10/2009	BAI-Private Placement	Placement	Being processed

Source: Pinto, A.(2011)

16 (Jefferis, K., 2009)
17 (Pinto, A, 2011)
18 (Comssao do Mercado de Capitais, 2012)
19 (Pinto, A, 2011)

2.3.6 National Payment System

According to BNA Regulations on banking cards under decree No 01/07, the Credit Card platform VISA was authorised to operate in Angola.

2.3.7 Foreign ownership

A 2010 study by the World Bank rated Angola as the worst country out of 87 in terms of how long it takes a foreign investor to establish a presence. The research showed that it could take as long as 263 days to establish a wholly foreign owned subsidiary in Angola's capital Luanda. In addition to the registration procedures required of local companies, foreign companies must complete additional procedures such as[20]:

a) obtaining verification of the authenticity of parent company documents,
b) obtaining the approval of the National Agency for Private Investment (ANIP), and for larger investments the approval of the Council of Ministers is also required. The latter approval can take up to 180 days.
c) The foreign entity must also apply to the National Bank of Angola for a certificate of capital importation.

2.4 Trade openness in banking services

Market access

Number of foreign suppliers

No information was available.

Total value of services transactions or assets

No information was available.

Total number of services operations/quantity of service output

No information was available.

Number of natural persons

No information was available.

Domestic residency requirement

No information was available.

Restrictions on the type of legal entity

As a general rule, any foreign company that wishes to carry out business in Angola for more than 1 year is required to establish a legal presence in the country. The provision of banking services and other financial activities in Angola is subject to prior approval from the BNA or the CMC[21].

Participation of foreign capital

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20 (World Bank, 2010)
21 (Bowman Gilfillan, 2012)

Foreign participation in the bond market is restricted[22].

Limits on the interest rates

Before 2011, commercial banks used the yields on domestic bonds to set the lending rate. Since 2011 the BNA issues an interest rate benchmark. This was 10.25% in July 2012, but this is revised monthly to reflect average interbank operations.

National treatment

Discriminatory measures in licensing

No information was available.

22 (Jefferis, K., 2009)

Table 11: **Limitations in trade in financial services in Angola**

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers						
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	a) For employees						
	b) For directors						
5)	Domestic residency requirement						
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						
	b) Establishment of a representative office						
	c) Establishment of a subsidiary/branch	Must be incorporated in Angola if operating for more than a year, and subject to BNA approval	Must be incorporated in Angola if operating for more than a year, and subject to BNA approval	Must be incorporated in Angola if operating for more than a year, and subject to BNA approval	Must be incorporated in Angola if operating for more than a year, and subject to CMC approval	Must be incorporated in Angola if operating for more than a year, and subject to CMC approval	Must be incorporated in Angola if operating for more than a year, and subject to BNA approval
	d) Establishment of a joint venture						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity						
	b) Acquisition of a domestic private entity						
8)	Limitations on the interest rates for lending and accepting deposits across borders	BNA publishes an interest rate benchmark	BNA publishes an interest rate benchmark			BNA publishes an interest rate benchmark	
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing						
	Specific restrictions						
12)	Limits on local businesses exporting their services						
13)	Limits on repatriation of funds						

2.5 Angola's Insurance services - sector overview

2.5.1 Structure of the sector

To be included.

2.5.2 Competition in the sector

To be included.

2.6 Insurance sector regulatory framework and trade openness

To be included.

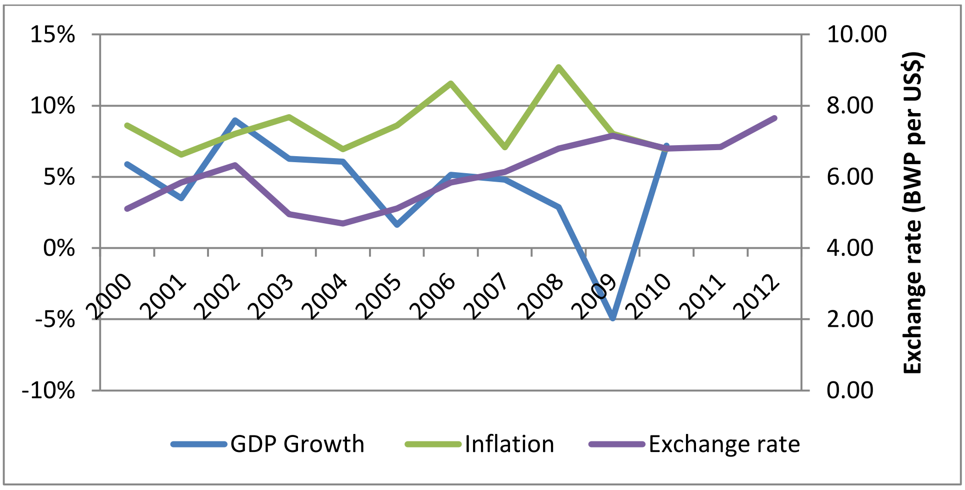
3 BOTSWANA

3.1 Botswana's Economy

Botswana has a relatively small population of just over 2 million (2010 estimate) even though it is of a similar size to France which has a population of 64.9 million. Approximately 38.9% Botswana's population still resides in the rural areas. In 1967, diamond deposits were discovered in Botswana. Judicious management of this resource coupled with sound policies, good governance and well-functioning institutions have resulted in Botswana emerging as one of Africa's economic success stories having transformed itself from a Least Developed Country in 1966 to a Middle Income Country within 30 years.

The contribution of the mining and quarrying sector to GDP was 46.1% in 2006 and this decreased to 34.7% in 2011. As the global demand for diamonds recovered following the global slowdown in 2008, the economy of Botswana rebounded in 2010 as the annual growth in GDP increased from 4.9% to 7.2%. Despite these positive developments, rising global food and crude oil prices have place upward pressure on Botswana's inflation rate. In the period January to December 2011, inflation rose to 8.1%, well above the medium term objective of 3-6%.

Figure 5: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012

Figures for 2011 and later are projections

3.2 Botswana's Financial Sector

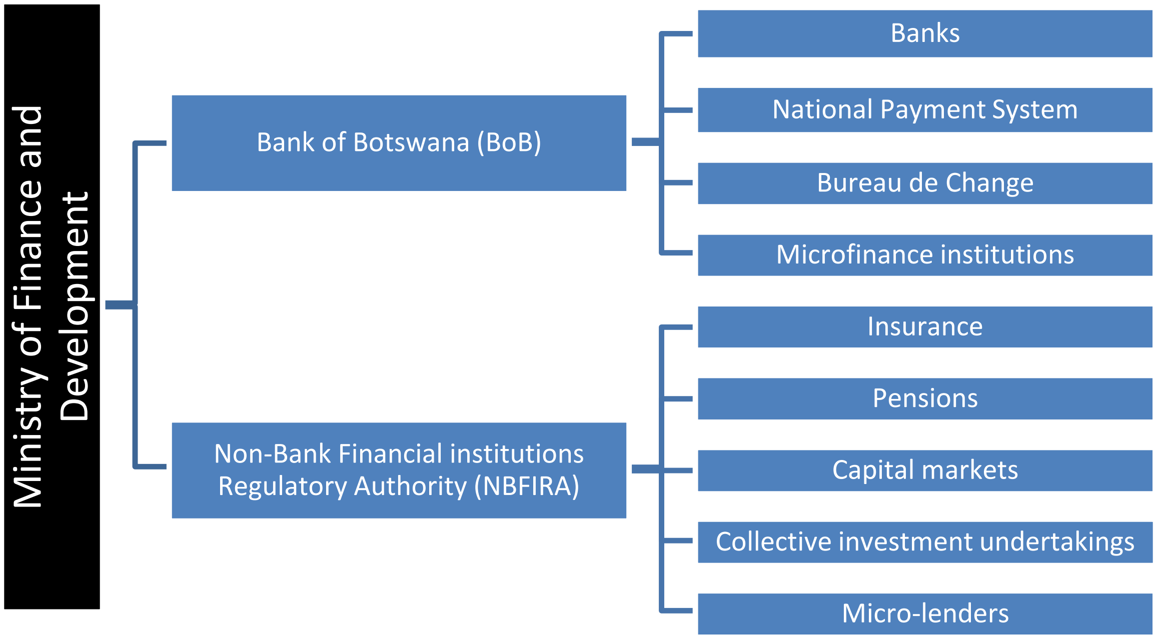
3.2.1 Financial sector regulation

Botswana's financial sector has grown and diversified substantially in the last two decades. In terms assets, pensions funds, insurance companies and commercial banks continue to dominate. The key institutions and regulators responsible for the development and sustainability of the financial sector are as follows:

- *Botswana Trade and Investment Centre (BTIC)*. The BTIC is the result of a merger between the BEDIA and Botswana International Financial Services centre (IFSC). The IFSC was created in 2003 with the aim to establish and develop Botswana as a global hub for cross border financial and business services into Africa and the region.

- *Bank of Botswana (BoB).* The BoB is a statutory body created by the Bank of Botswana Act. The primary objectives of the Bank include: promoting and maintaining monetary stability by maintaining inflation at sustainable levels; ensuring that the financial system remains sound; regulating the payment system; and developing a pro-growth monetary policy.
- *The Non-Bank Financial Institutions Regulatory Authority (NBFIRA).* The NBFIRA was established by the NBFIRA Act in 2006, and is the regulator responsible for all non-banking financial entities registered in Botswana such as pension funds, collective investment schemes, microfinance institutions, and insurance.

Figure 6: The organisational structure of Botswana's financial sector's regulators



3.2.2 Financial depth and performance

As noted above, there are two main regulatory authorities in Botswana's finance industry. In terms of banking, the Bank of Botswana through the Banking Act regulates the industry through the issuance of licenses. The central bank has implemented Basel II. Prudential limits are therefore generally in line with global norms.

In terms of capital, the capital adequacy ratio should be at least 15% and core capital to total unimpaired capital should be at least 50%. In terms of liquidity, the Banking Act requires that every bank must maintain in Botswana liquid assets as a percentage of its deposit liabilities equal to 10% and 3% for commercial Banks and credit institutions respectively.

3.3 Botswana's banking and non-bank financial services sector overview

3.3.1 Banking industry

Commercial Banks dominate the depository corporations segment of the financial sector with on average 98% of total deposits and 92% of total advances[23]. The Bank of Botswana licences five types of financial institutions, namely: commercial banks, discount houses, credit institutions, investment/merchant banks and representative offices. In 2001, the number of banks supervised by the Central Bank stood at 11, while operational bureaux de changes numbered 68[24].

Statutory Banks include the Botswana Savings Bank (BSB) and Botswana Building society (BBS). Although the two are depository corporations they are not covered by the Banks Act but by their own legislation. Therefore they report directly to the Ministry of Finance and Development Planning. Under a memorandum of understanding between the Ministry and Bank of Botswana, supervision of the two institutions, along with other depository institutions, is now conducted by the Bank Supervision unit of the central bank. Other statutory bodies established by the government of Botswana include a number of development finance institutions (DFIs) that were established to fill a perceived gap in financial services, especially in the funding of long-term projects, agriculture and local enterprise development.

Table 12: Summary of banking institutions in Botswana

Type of operator	Ownership	Assets (Pula)	Branches
Commercial Banks			
ABN AMRO Bank (Botswana)	Netherlands	84,202,788	1
ABN AMRO Bank (Botswana) OBU Ltd	Netherlands	323,249,000	1
African Banking Corporation of Botswana Ltd	Zimbabwe	3,013,180,000	4
Bank of Baroda (Botswana) Limited	India	1,522,175,000	2
Bank Gaborone Limited	Namibia	2,175,251,000	5
Barclays Bank of Botswana	UK	11,362,938,000	47
Capital Bank Limited	Malawi	929,225,631	3
First National Bank of Botswana Limited	South Africa	13,159,893,000	19
Stanbic Bank of Botswana	South Africa	8,999,518,000	14
Standard Chartered Bank of Botswana Ltd	UK	9,690,828,000	17
Total		51,260,460,419	113
Merchant/Investment Banks			
Kingdom Bank Africa Ltd	Zimbabwe	104,314,611	1
Total		104,314,611	1
Statutory institutions & DFIs			
Botswana Savings Bank (BSB)	Botswana	606,331,000	2 branches & 121 agencies
Botswana Building Society	Botswana	2,500,000,000	9
Botswana Development Corporation (BDC)	Botswana	2,351,353,000	

23 (Bank of Botswana, 2011)
24 (Bank of Botswana, 2011)

Type of operator	Ownership	Assets (Pula)	Branches
Citizen Entrepreneurial Development Agency (CEDA)	Botswana	1,028,445,382	9
National Development Bank (NDB)	Botswana	1,077,284,000	4
Total		7,563,413,382	24 branches, 121 agencies

Source: Bank of Botswana Annual Reports

The banking sector in Botswana is becoming increasingly competitive. From having only 3 banks in 1989, there are now 11 licensed commercial banks. This period has been characterized by small banks taking a small percentage of the market share from the larger banks in terms of total assets, total deposits and total loans. The market does however remain relatively concentrated with the dominance of the four largest banks resulting in an imperfectly competitive market structure[25].

3.3.2 Microfinance industry

Two broad categories of microfinance institutions are recognised by the financial sector regulators in Botswana, namely: term lenders and cash lenders. Term lenders have more formalised structures and are licensed by the Bank of Botswana. There are currently two licensed term lenders: Letshego Holdings and Blue Financial Services, who are both listed on the BSE. The market is however dominated by Letshego Holdings whose loan book has grown from P382.2 million in 2006 to P1.1 billion in 2010 (with approximately 40,000 customers) and operating from 8 branches. Blue Financial on the other hand has 11 branches but in 2010 had a much smaller loan book of P 85 million[26].

Cash lenders provide payday loans i.e. unsecured microloans to the formally employed. Loan repayments are usually through direct deductions from salaries, and this reduces credit risks. There are more numerous cash lenders that operate on a significantly smaller scale and are regulated by the NBFIRA. It is estimated by the Bank of Botswana that there are as many as 60,000 individuals making use of cash lenders in Botswana. The micro-lending industry however remains small relative to the commercial banking sector. In 2010/11 there were 42 registered savings and credit cooperatives (SACCOs) licensed by the NBFIRA. These SACCOs held deposits of P120 million or the equivalent of 0.3% of the deposits held by banks[27].

3.3.3 Collective investment schemes

Although under the Collective Investment Undertakings Act of 1999, all CISs should be regulated by the BoB, under section 3(1) this authority may be delegated to a competent authority, hence the NBFIRA is the current regulator of the Collective Investment Undertakings industry in Botswana. The provisions of the Act do not however apply to collective investment undertakings in Botswana that are established to raise capital but do not promote their units to the public[28].

The assets of a collective investment undertaking are managed by a Management Company (MANCO) that is licensed by NBFIRA. The MANCO appoints a trustee to safe guard the assets of the fund. NBFIRA supervises 6 locally incorporated and authorized investment funds, which consists of 23 unit portfolios of which 7 are dormant. Of the 16 unit portfolios operational, 4 are

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25 (Bank of Botswana, 2011)
26 (Bank of Botswana, 2011)
27 (Bank of Botswana, 2011)
28 See – Section 5(b)(3) of the Collective Investment Undertakings of 1999

money market funds, 5 are equity funds, 4 are asset allocation/balanced funds and 3 invest predominantly in fixed income instruments (bonds).

Foreign funds that have been authorised by the Regulatory Authority may also be marketed in Botswana. As at March 2011, there were 60 foreign funds marketed in Botswana, twice as many as the previous year. Authorised sellers of foreign funds are: Orbis Investment Management Limited (Bermuda), Allan Gray Unit Trust Management Limited (RSA), State Street Bank Luxembourg S.A and Ashburton Replica Portfolio. Local investment companies act as agents for these foreign funds.

Table 13: Licenced operators in the collective investment schemes industry

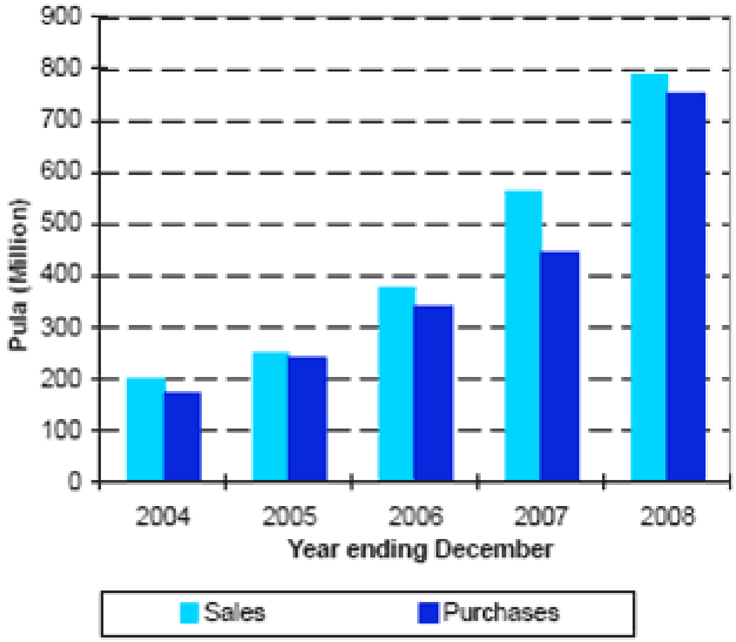
Type of operator	Ownership
Asset Managers	
Allan Gray	
BIFM	
Capital Asset Management	
Coronation Fund Manager	
Ipro Botswana	
Fleming Asset Management Botswana	
Fincraft Financial Research	
Legae Investment	
Black Thread	
Asset Watch Botswana	
Botswana Insurance Holdings	
BIFM Capital	
African Alliance Asset Manager	
Investec Asset Management Botswana	
Stanbic Investment Management Services	
African Alliance International	
BIHL Unit Trusts	
Coronation Fund Managers Botswana	
Trustees	
Stanbic Bank Botswana Ltd	
Barclays Bank of Botswana Ltd	
First National Bank of Botswana Ltd	
Standard Chartered Bank of Botswana Ltd	
Financial advisors	
Southern Cross	
African International Investment	
Ellwood Wealth Managemtnt	
DeVeres & Partners	
Versey & Associates	
Jacques Malan Consultants & Actuaries	
Asset Consulting Botswana	
Northcliff Advisory Group (Pty) Ltd	
Investment relations Botswana	
Capital Wealth	

Source: NBFIRA Capital Markets Unit

3.3.4 Bureau de change

Bureau de changes are entities licensed to carry on the business of buying and selling foreign currency by the Bank of Botswana under the Bank of Botswana Act. Currency trading by bureaux de change has increased rapidly since 2004. In 2011 the BoB reported that the number of licensed operators was 68, up from 53 the previous year[29].

Figure 7: Total sales & purchases of foreign exchange by bureaux de change, 2004-2008



Source: Bank of Botswana website

3.3.5 National Payment System

Under the National Clearance and Settlement Systems Act of 2003, the BoB must oversee all payments and settlements in Botswana. The bank of Botswana operates the Botswana Interbank Settlement System (BISS), which is an electronic interbank payment system that allows funds to be transferred between participating institutions.

3.3.6 Capital markets

There are currently two licensed exchanges in Botswana, the Botswana Stock Exchange (BSE) and Bourse Africa Ltd. Both exchanges are regulated by the NBFIRA and Bourse Africa is certified by the Botswana Trade and Investment Centre.

Bourse Africa Ltd

Registered in Botswana, Bourse Africa is a public-private partnership of mostly pan-African institutions. Contracts traded on the exchange will include commodity spot and futures contracts. Trading on the exchange will be fully electronic screen based[30].

Botswana Stock Exchange (BSE)

29 (Bank of Botswana, 2011)
30 (Bourse Africa, 2009)

The BSE is Botswana's national stock exchange and operates and regulates equity and fixed interest security (bond) market. Interactions between the various stakeholders on the BSE are governed by the Botswana Stock Exchange Act of 1994[31].

Firms listed on the BSE may be segmented into various categories based on whether or not they are domestic or foreign, and whether or they are on the equity market (main board) or venture capital market. In this case the distinction between a domestic firm and a foreign firm is the fact that a domestic firm is one whose primary listing is on the BSE whilst a foreign firm would be a firm that is seeking a secondary listing on the BSE. Likewise the distinction between the main board and the venture capital board is that the venture capital board is dedicated to start-up ventures and hence has less stringent listing requirements. Typically a listing on the venture capital market would have less than 300 shareholders, less share capital and will have lower disclosure requirements[32].

On the 8thof April 2013, there were 37 companies listed on the BSE, 24 were domestic and 13 were foreign. As at the end of 2010, the market capitalisation of domestic companies stood at P26,246 million, whilst that for foreign companies was substantially higher at P408,380 million[33].

The BSE - Equity

In terms of the performance, there was P962.8 million worth of shares traded on the BSE in 2010 compared to P763.9 million the previous year. Investments by foreign companies in 2010 accounted for 36.4% of this turnover whilst local companies contributed 48.0%. If these figures are compared to 2008 where investments by foreign companies accounted for 13.4% of the turnover and local companies 69.6%, then it is clear that foreign corporate investors are playing an increasingly important role in determining the activity on the BSE[34].

The BSE - Fixed interest securities: bonds

In 2010, there were 36 bonds listed on the BSE, however trade in these bonds is very low.[35] Listed bond issuers include Barclays Bank of Botswana, Botswana Building Society, Botswana Housing Corporation, Botswana Vaccine Institute Ltd, Government Bonds, Debt Participation Capital Funding Ltd, Furnmart, National Development Bank, Stanbic Bank Botswana Ltd, Standard Chartered Bank Botswana Plc, and the Water Utilities Corporation.

The BSE - Fixed interest securities: Exchange traded funds

An exchange traded fund is an investment tool that consists of a basket of index, sector or commodity shares. The advantages of such a fund are that there is diversified exposure through a single share that remains liquid as stock exchange equity. An example is NewGold which issues debentures backed by physical gold and the value of the debentures rises or falls in accordance with fluctuations in the Rand price of gold bullion. NewGold debentures are sponsored by South Africa's ABSA Capital and are listed on the Johannesburg (JSE), Botswana (BSE) and Nigerian Stock Exchange (NSE) and may be secondary listed on the Ghana (GSE), Uganda (USE), Mauritius (SEM) and Zambia Stock Exchange (LuSE)[36].

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31 (Botswana Stock Exchange, 2010)
32 (Botswana Stock Exchange, 2013)
33 (Botswana Stock Exchange, 2010)
34 (Botswana Stock Exchange, 2010)
35 (Botswana Stock Exchange, 2010)
36 (ABSA Capital, 2012)

Table 14: Foreign vs. domestic list companies

	Foreign incorporated company	Domestic incorporated company
	Main Board	**Main Board**
1.	Anglo American Plc	African Banking Corporation Holdings Ltd
2.	Blue Financial Services Ltd	Barclays Bank of Botswana Ltd
3.	Galane Gold Ltd	Botswana Insurance Holding Ltd
4.	Investec Group Ltd	Chobe Holdings Ltd
5.		Choppies Enterprises Ltd
6.		Cresta Marakanelo Ltd
7.		Engen Botswana Ltd
8.		First National Bank Botswana Ltd
9.		FSG Ltd
10.		Furnmart Ltd
11.		G4S Botswana Ltd
12.		Letlole La Rona Ltd
13.		Letshego Holdings Ltd
15.		New African Properties Ltd
16.		Olympia Capital Corporation (Botswana) Ltd
17.		PrimeTime Property Holdings Ltd
18.		RDC Properties Ltd
19.		RPC Data Ltd
20.		Sechaba Brewery Holdings Ltd
21.		Sefalana Holding Company Ltd
22.		Standard Chartered Botswana Ltd
23.		Turnstar Holdings Ltd
24.		Wilderness Holdings Ltd (Botswana)
	Venture Capital	**Venture Capital**
1.	A CAP Resources Ltd	Imara Holdings Ltd
2.	African Copper Plc	
3.	African Energy Resources Ltd	
4.	Aviva Corporation Ltd	
5.	Botswana Diamonds Plc	
6.	Discovery Metals Ltd	
7.	Firestone Diamonds Plc	
8.	Shumba Coal Ltd	
9.	Lucara Diamonds Corporation	
	Exchange Traded Funds	**Exchange Traded Funds**
1.	BettaBeta Equally Weighted Top 40 ETF	
2.	NewGold	

Source: BSE website

The BSE - Members

With regards to stockbrokers, apart from the four full members of the Botswana Stock Exchange, there are four primary dealers (agencies for four commercial banks) that are allowed to transact in government bonds.

Table 15: BSE licenced stockbrokers, dealers, custodians, and transfer secretaries

Type of operator	Ownership
Stockbrokers	
African Alliance Botswana Securities	Mauritius
Motswedi Securities	Local
Imara Capital Securities (Pty) Ltd	Local
Stockbrokers Botswana Ltd	Local
Government bond primary dealers	
Standard Chartered Bank Botswana	UK

Stanbic Bank Botswana	South Africa
First National Bank, Botswana	South Africa
Barclays Bank Botswana	UK
Custodians	
Barclays Custody Business & Securities Services	UK
Stanbic Custodial Department	South Africa
First National Bank Custodial Services	South Africa
Transfer secretaries	
Grant Thornton Acumen	
Corpserve Botswana	
ABCH (own dealings)	Zimbabwe
Price Waterhouse Coopers	Mixed
RPC Data (own dealings)	Local
DPS Consulting Services	UK

Source: BSE website

Central Securities Depository of Botswana (CSDB)

The clearing and settlement of transaction carried out on the BSE occurs through the Central Securities Depository Company of Botswana Ltd (CSDB). Prior to trading on the BSE, all holders of securities are required to open a securities account with the CSDB. In the same manner that a bank holds funds in an account, the CSDB hold securities in an account. The CSDB also transfers securities between accounts in the same manner that a bank transfers funds across accounts. Where the individual that wishes to open a securities account is a foreigner, copies of the applicant's passport should be submitted.

3.3.7 Botswana Trade & Investment Centre (formerly IFSC) Companies

In 2003, the Botswana International Financial Services Centre (IFSC) was established as a unit within the Botswana Development Corporation (BDC). The objective of the unit was to transform Botswana into a hub for cross border financial and business services into Africa and the region[37]. Permissible activities include[38]:

- International and Investment Banking - trade finance, correspondent banking and offshore finance
- Project and Export Finance – infrastructure and goods
- Acquisition and Leveraged Finance – corporate and leveraged buy-outs
- Commodity trade finance
- Private Equity transactions involving funds from international investors
- Structured Trade and Financial advisory services

There are currently three off-shore[39] banks in Botswana: Kingdom Bank Africa Limited (KBAL), ABN AMRO Bank, and the African Banking Corporation of Botswana. After receiving accreditation from the BTIC (formerly IFSC) these institutions are all supervised by the Central Bank. Similarly, non-bank financial institutions would fall under the supervision of the NBFIRA.

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37 (Botswana International Financial Services Centre)

38 (Botswana International Financial Services Centre)

39 An offshore bank is a bank located outside the country of residence of the depositor, typically in a low tax jurisdiction (or tax haven) that provides financial and legal advantages.

Table 16: Botswana Trade & Investment Centre (formerly IFSC) Companies

Type of operator	Ownership
ABC Holdings Ltd	
ABC International Ltd	
African Alliance International Ltd	
Aon Risk Management (Pty) Ltd	
Bergstan Investments (Pty) Ltd	
Botswana International Financial Services Centre	
C B Richard Ellis (Pty) Ltd	
Cherubin Ventures (Pty) Ltd	
Enterprise Banking Group (Pty) Ltd	
Findev (Pty) Ltd	
Global Credit Raitings Holdings Limited	
Kingdom Bank Africa Ltd	
Imara Holdings Limited	
Island View (Pty) Ltd	
Micro Provident Botswana Limited	
Nugen (Pty) Ltd	
Pangaea Development Holdings Limited	
Property & Asset Management International (Pty) Ltd	
RPC Data Limited	
Seedco International Limited	
Windward Capital (Pty) Ltd	
Leisure Investments (Pty) Ltd	
Letshego Holdings Limited	
Runway Asset Management Holdings Ltd	
Genesis Global Finance (Pty) Ltd	
Business Development Island View (Pty) Ltd	
Ariya Capital	
Vantage Capital	
Wilderness Holdings (Pty) Ltd	
Vantage Mezzanine (Pty) Ltd	

Source: BoB website – Capital markets statistical information

3.3.8 Foreign ownership

Foreign ownership of financial services companies in Botswana is relatively high, with all of the commercial banks being majority foreign owned. Three of the four stock broking firms are locally owned, whilst the primary dealers are subsidiaries of international banking groups. The statutory deposit taking bodies are largely state owned and controlled.

The BSE Annual Report includes a section on the contribution of foreign investors to the exchange's turnover. The reported statistics indicate an increase in foreign individual and corporate investor contribution to total turnover

Table 17: Investor contribution to turnover (companies in CSD only), 2008-2010

Investors	% of turnover 2008	% of turnover 2009	% of turnover 2010
Foreign			
Companies	13.4	37.8	34.6
Individuals	1.5	1.7	2.1
Local			
Companies	69.6	51.1	48.0
Individuals	3.0	5.9	6.3

Investors	% of turnover 2008	% of turnover 2009	% of turnover 2010
Other			
Brokers	12.5	3.6	3.8
Market makers	-	-	5.2
Total	100	100	100

Source: BSE Annual Report 2010

3.4 Trade openness in banking services

In the following sections, wherever there are no specific references to the relevant Acts, policies and regulations, then the information presented is based on data from the WB database.

Market access

Number of foreign suppliers

The allocation of licenses for foreign and domestic operators in the banking sector is not restricted. It would in fact appear that the position of the government is to encourage greater entry by foreign banks in order to establish Botswana as a financial hub for off-shore finance houses.

Total value of services transactions or assets

No evidence could be found that services provided by foreign owned entities are restricted through quotas.

Total number of services operations/quantity of service output

No evidence could be found on limits tot the number of services operations or output.

Number of natural persons

No limits on the minimum number of locals that must be employed by financial institutions could be found. For BTIC certified companies, the centre assists these companies in securing 1-3 year work permits for company executives. These may be extended as necessary[40]. The World Bank database does however note that there is a nationality requirement for the board of directors.

Domestic residency requirement

Section 29(1) of the Botswana Stock Exchange Act of 1994 requires that all applicants for a license must reside in Botswana and must own assets in Botswana that exceed their liabilities by no less than P50,000. In Sections 33(1)(g) and 31(1)(d), a stockbroker's license may be cancelled or suspended on the basis that the broker no longer resides in Botswana. These restrictions are further reiterated in the BSE Members' Rules section 3.05(i) on Members' Qualifications.

Under section 18(1) of the Collective Undertakings Act, a Trustee must have a registered office in Botswana. Furthermore, section 16(5) of the Collective Investments Undertakings Regulations of 2001 requires that a minimum of 2 directors for these undertakings shall reside in Botswana.

Restrictions on the type of legal entity

The BoB only recognises locally incorporated and licensed financial institutions to operate clearance and settlement systems for the clearance and/or settlement of obligations. Entities that are

[40] (Botswana International Financial Services Centre, 2012)

exempt from these requirements include the Botswana Savings Bank, building societies, and the Botswana Postal Services[41].

The Banks Act of 1995 requires that all institutions engaged in banking should be licensed and that a representative office should be approved by the BoB[42]. Foreign banks may be allowed to open a representative office only if they are part of a reputable international banking organisation headquartered in jurisdictions recognised by the BoB as being compliant with international standards[43].

For joint ventures between a foreign bank and local partner, the licensing policy states that an assessment of commitment and availability of resources for future needs shall be conducted[44].

Participation of foreign capital

No minimum level of local shareholding in entities licensed by the BoB under the Banking Act is required. A degree of local ownership in each financial institution shall however be encouraged and consideration shall be given to local participation[45].

Collective Investment Undertakings that would like to promote their units to the public in Botswana must obtain approval from their home Regulatory Authority[46].

National treatment

Discriminatory measures in licensing

For foreign banks the parent bank must be subject to adequate home supervision, and the consent of the parent's home supervisor for the subsidiary to operate in Botswana must be provided. The BoB must also be satisfied with the prudence of the applicant’s operations[47].

The parent bank or major shareholder of a banking subsidiary incorporated in Botswana must make an undertaking that the subsidiary will be in a position to meet its maturing obligations for as long as the parent/shareholder continues to hold a majority shareholding[48].

Specific restrictions

Limitations on local businesses exporting their services

Section 9(7) requires that the approval of the Central Bank is obtained before establishing a branch or representative office outside Botswana.

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[41] See – Section 5.1 of the (Bank of Botswana, 2009)
[42] See – Section 4 of the Banking Act of 1995
[43] (Bank of Botswana, 2012)
[44] (Bank of Botswana, 2012)
[45] See – Section 4.26 of the Bank of Botswana’s Licensing Policy
[46] See – Section 9(2) of the Collective Investment Act of 1999.
[47] See – Sections 5.1 & 5.2 of the Bank of Botswana’s Licensing Policy
[48] See – Section 4.28 of the Bank of Botswana’s Licensing Policy

Table 18: Limitations in trade in financial services in Botswana

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)					
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output	None (WB database)					
4)	Limitations on the number of natural persons						
	For employees	None (WB database)	None	None	None	None	None
	For directors	Nationality requirement for the Board of Directors (WB database)					
5)	Domestic residency requirement				Applicants for a license must reside in Botswana and must own assets in Botswana that exceed their liabilities by no less than P50,000.	Collective Investments Undertakings Regulations of 2001 requires that a minimum of 2 directors for these undertakings shall reside in Botswana.	

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
						Under section 18(1) of the Collective Undertakings Act, a Trustee must have a registered office in Botswana.	
6)	Restrictions on the type of legal entities						
	Establishment of an agency						
	Establishment of a representative office	Allowed subject to BoB approval				Allowed subject to BoB approval	
	Establishment of a subsidiary/branch	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana	Allowed subject to incorporation in Botswana and approval by the Bank of Botswana
	Establishment of a joint venture	Allowed but maximum ownership by a single entity limited to 50% (WB database). Also subject to BoB approval and assessment of commitment				Allowed subject to BoB approval and assessment of commitment	
7)	Limitations on the participation of foreign capital	Degree of local ownership in each financial institution shall however be encouraged and consideration shall be given to local participation		Degree of local ownership in each financial institution shall however be encouraged and consideration shall be given to local participation	Degree of local ownership in each financial institution shall however be encouraged and consideration shall be given to local participation	Collective Investment Undertakings that would like to promote their units to the public in Botswana must obtain approval from their home Regulatory Authority	Degree of local ownership in each financial institution shall however be encouraged and consideration shall be given to local participation

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Acquisition of domestic public entity	Allowed but maximum ownership by a single entity limited to 49% (WB database)					
	Acquisition of a domestic private entity	Allowed but maximum ownership by a single entity limited to 50% (WB database)					
8)	Limitations on the interest rates for lending and accepting deposits across borders	Interest on lending and accepting under mode 1 restricted to a maximum of 13% (WB database)					
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing	Authorisation from home country supervisor required Undertaking by major shareholders that undertaking that the subsidiary will be in a position to meet its maturing obligations		Authorisation from home country supervisor required Undertaking by major shareholders that undertaking that the subsidiary will be in a position to meet its maturing obligations	Authorisation from home country supervisor required Undertaking by major shareholders that undertaking that the subsidiary will be in a position to meet its maturing obligations		Authorisation from home country supervisor required Undertaking by major shareholders that undertaking that the subsidiary will be in a position to meet its maturing obligations
	Specific restrictions						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
12)	Limits on local businesses exporting their services	Allowed subject to BoB approval		Allowed subject to BoB approval	Allowed subject to BoB approval		Allowed subject to BoB approval
13)	Limits on repatriation of funds	None (WB database)	None	None	None	None	None

3.5 Botswana’s insurance sector overview

3.5.1 Structure of the sector

As at the end of 2010, in total 20 insurance companies were licensed to operate in Botswana. The sector is structured into the two main subsectors general insurance (short-term insurance) and life insurance (long-term insurance). As stipulated in Botswana’s insurance legislation, insurance service suppliers are not permitted to offer both life insurance and general insurance at the same time. Consequently, suppliers offer either general or life insurance and no composite companies in Botswana’s market exist. Table XX shows the number of operators in the Botswana’s insurance industry by type of operator, as at the end of 2010.

Table 19: Insurance operators by type of operator

Type of operator	Quantity
General insurers	11
Life insurers	7
Reinsurers	2
Insurance brokers	42
Insurance agents and sub-agents	2195

Source: NBFIRA Annual Report 2011

Foreign ownership

Similar to the other BLNS countries, there is a high involvement of foreign owned insurance companies in Botswana. Many suppliers in both general and life insurance are fully foreign owned, mainly by South African companies. Exceptions include Sesiro Insurance Company (Pty) Ltd. and the Export Credit Insurance & Guarantee Company (Botswana) Pty Ltd.. Sesiro is a diamond miner Debwana’s captive insurer, whereas the Export Credit Insurance & Guarantee Company is fully owned by the Botswana Development Corporation.[1] In 2007, there were three joint ventures of foreign operators with local companies and a large majority of registered insurance brokers and corporate agents were foreign owned.[2] Table XX provides an overview of foreign owned insurance companies and their foreign owner.

Table 20: Foreign ownership of Botswana insurance companies

Company	Foreign owner
Botswana Insurance Co. Ltd.	Zimbabwe National (Zim)
Botswana Insurance Fund Management	African Life Assurance (SA)
Botswana Life Insurance Ltd.	African Life Assurance (SA)
Metropolitan Life of Botswana Ltd.	Metropolitan (SA)
Mutual & Federal Insurance Co. of Botswana Ltd.	Mutual & Federal (SA)
Prefsure (Botswana) Ltd.	Relyant Insurance (SA)
Regent Insurance (Botswana) Pty. Ltd.	Regent Insurance (SA)
Regent Life Botswana Ltd.	Regent Life Assurance (SA)

Source: Bester, H. et al. 2004[3]

Insurance industry performance

1 Bester, H. et al. 2004 and Te Welde, D.W. et al. 2007

2 Te Welde, D.W. et al. 2007

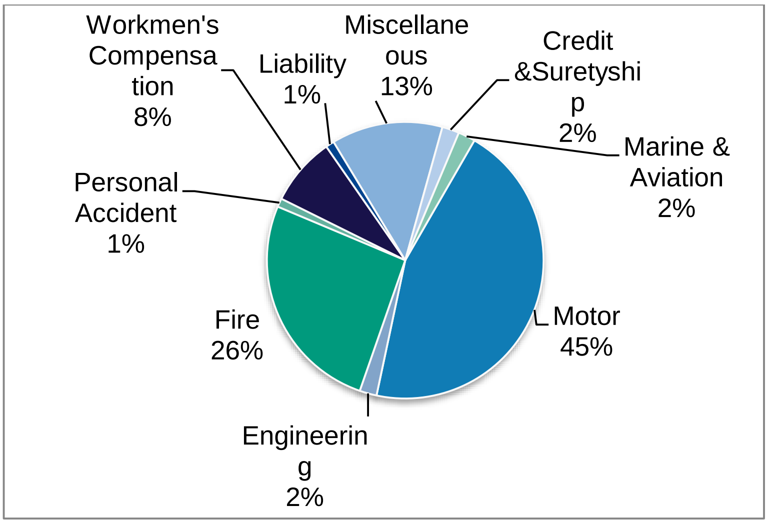
3 The list of companies with foreign ownership might not be complete as data presented here is based on data used in Bester, H. et al. 2004.

At the end of the financial year 2010/2011, the aggregate Botswana insurance industry gross premiums written (GPW) totaled P2.8 billion. Of the total volume, the life insurance sector accounted for P1.9 billion and general insurers together wrote premiums in the amount of P902 million. Over the last five years, GPW in the life insurance industry have experienced an average increase of 18% per annum, whereas general insurer's GPW increased by an average of 14%. Gross premiums written through brokers were in total P1,051 million and their assets totaled P236 million.[4] The insurance penetration ratio (GPW contribution to GDP in %) was 2.8% in 2010, which represents a middle rank in comparison with insurance penetration ratios in the SADC region.[5]

Insurance services portfolio mix

In terms of gross premiums written by class of insurance, life insurance products accounted for 68%, while total general insurance premiums made up 32% in 2010. General insurers operating in Botswana offer a rather similar product range, including motor, fire, marine and aviation, engineering, personal accident, worker's compensation, liability, credit and suretyship, and further miscellaneous services.[6] Disaggregating total general insurance premiums shows that the market is dominated by motor insurance with 45% of total general insurance premiums written (P407.798 million), followed by fire insurance with 26% of total general GPW (P230.849 million).[7] Figure XX presents marketed products in the general insurance sector and their market share as percentage of total general insurance GPW in 2010.

Figure 8: Market shares of general insurance products in Botswana in 2010



Note: Market shares of general insurance products are defined as percentage of total general insurance gross premiums written in 2010.

Source: NBFIRA Annual Report 2011

3.5.2 Competition in the sector

Competition in the general insurance market

At the end of 2010, there were in total 11 insurance companies registered to undertake general insurance business in Botswana. Combined industry assets totaled P1,171 million and total gross premiums equalled P902 million in 2010. The two largest companies together owned almost half

4 NBFIRA Annual Report 2011
5 Mwiru, S. 2011
6 Bester, H. et al. 2004
7 NBFIRA Annual Report 2011

of total industry assets (49.6%) and accounted for 48.7% of gross premiums written. The largest general insurer, the foreign owned Botswana Insurance Company Ltd, held 32.2% of total industry assets in 2010, which was a decrease from the previous year's percentage of 39%. The decline was offest by increased market shares of other insurers, suggesting a general deepening of the market and an increased competition among insurers. Table XX shows market shares in terms of total assets and gross premiums written of general insurers for 2010. The table only includes values for eight companies, as two insurers, namely Maemo Cell Insurance Company (Pty) Ltd. and Sunshine Insurance Company of Botswana (Pty) Ltd. had only entered the market in 2010 and were therefore not able to complete a 12-month financial report. Further, BIHL Insurance Company Ltd. (formerly Letshego Guard Insurance Company (Pty) Ltd.) failed to submit its financial statement on time and the data is therefore not included in the table.

Table 21: Market shares of general insurers in Botswana in 2010

	Total Assets 2010		**Gross Premiums 2010**	
Company[8]	Pula Millions	%	Pula Millions	%
BIC	377.550	32.2%	236.921	26.3%
Zurich	204.599	17.4%	201.988	22.4%
Mutual &Federal	186.765	15.9%	117.327	13.0%
Regent	185.510	15.8%	153.406	17.0%
Hollard	107.605	9.1%	90.500	10.0%
BECI	49.831	4.2%	13.380	1.5%
Prefsure	38.307	3.6%	19.049	2.1%
Sesiro	21.309	1.8%	69.150	7.7%
Total	1171.477	100%	901.723	100%

Source: NBFIRA Annual Report 2011

Competition in the life insurance market

The life insurance market at the end of 2010 consisted of seven insurance companies. Combined industry assets totaled P15,287 million and total gross premiums equalled P1,901 million in 2010. Industry assets were to a large extent concentrated among two companies, which together accounted for 92% of the market in 2010. The largest life insurer, Botswana Insurance Fund Management, held 58.3% of total assets, followed by Botswana Life Insurance Ltd. with a market share of 33.8%. Of the remaining competitors only Metropolitan Life of Botswana Ltd. had market share above five percent, while others held around one percent of total assets or less. With regard to gross premiums written, Botswana Life Insurance Ltd. made up the lionshare of the market accounting for 85.6% in 2010. The second largest competitor had written 8.9% of gross premiums, while other companies held market shares below three percent. Table XX summarizes market shares of life insurers in Botswana in 2010. The table only includes data for six of the seven life insurers registered in 2010. The newly licensed company Absa Life Botswana only commenced its operations at the end of 2010 and financial data was therefore not readily available.

8 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1. BIC: Botswana Insurance Company Ltd.; 2. Zurich: Zurich Insurance Co. Botswana Ltd.; 3. Mutual & Federal: Mutual & Federal Insurance Company (Pty) Ltd.; 4. Regent: regent Insurance (Botswana) (Pty) Ltd.; 5. Hollard: Hollard Insurance Company of Botswana (Pty) Ltd.; 6. BECI: Export Credit Insurance &Guarantee Company (Botswana) Pty Ltd.; 7. Prefsure: Prefsure (Botswana) Ltd.; 8. Sesiro: Sesiro Insurance Company (Pty) Ltd.

Table 22: Market shares of life insurers in Botswana in 2010

	Total Assets 2010		Gross Premiums 2010	
Company[9]	Pula Thousands	Market share	Pula Thousands	Market share
Botswana Insurance Fund Management	8,909,395	58.3%	2,004	0.1%
Botswana Life	5,176,032	33.8%	1,627,785	85.6%
Metropolitan	950,392	6.2%	168,733	8.9%
Regent Life	162,919	1.1%	49,178	2.6%
Momentum	68,991	0.5%	38,637	2.0%
Liberty Life	19,872	0.1%	14,621	0.8%
Total	15,287,601	100%	1,900,958	100%

Source: NBFIRA Annual Report 2011

Reinsurance

In 2010, two reinsurance companies existed in the Botswanan market, namely First Re and FMRE. Both reinsurers had only been registered in 2009 and are therefore relatively new in the market. Before then, Botswana did not have any domestic reinsurers. Combined total assets equalled almost P10 million and gross premiums written stood at almost P4 million in 2010. Table XX presents market shares for the two companies with regard to total assest and gross premiums written in 2010.

Table 23: Market shares of reinsurers in Botswana in 2010

	Total Assets 2010		Gross Premiums 2010	
Company	Pula Thousands	Market share	Pula Thousands	Market share
First Re	5,148	51.6%	1,550	38.8%
FMRE	4,824	48.4%	2,444	62.2%
Total	9,972	100%	3,994	100%

Source: NBFIRA Annual Report 2011

In 2010, general insurers still ceded some of their premiums with offshore reinsurers in the global market. NBFIRA expects that the two new domestic reinsurers will be able to compete favourably and absorb some of the premiums that are currently still ceded to offshore reinsurers.[10]

3.6 Insurance sector regulatory framework and trade openness

The Non Bank Financial Institutions Regulatory Authority (NBFIRA) is the regulator of all non-banking financial entities registered in Botswana including Insurance, Pension Funds, Asset Management, Consumer/Micro lending, and Collective Investment Undertaking. NBFIRA is a relatively young authority having commenced its operations only in 2008. It was established based on the Non-Bank Financial Institutions Regulatory Authority Act 2006.[11]

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9 Table 8 lists abbreviated names of insurance companies. The full company names are as follows: 1. Botswana Insurance Fund Management Ltd.; 2. Botswana Life: Botswana Life Insurance Ltd.; 3. Metropolitan: Metropolitan Life of Botswana Ltd.; 4. Regent Life: Regent Life Botswana Ltd.; 5. Momentum: Momentum Life Botswana (Pty) Ltd.; 6. Liberty Life: Liberty Botswana (Pty) Ltd. t/a Liberty Life Botswana.

10 NBFIRA Annual Report 2011

11 NBFIRA Website http://www.nbfira.org.bw/

The Insurance Industry Act 1988, the International Insurance Act 2005 (incl. the Insurance Regulations 2007), and the Non Bank Financial Regulatory Authority Act 2006 regulate the establishment, licensing and operation of long-term and short-term insurers in Botswana.12 The International Insurance Act provides for the carrying of internationally traded insurance activities as opposed to domestic insurance services.13 It was introduced in 2005 in order to set the fiscal and regulatory environment to make Botswana an attractive location from which international insurance services, such as reinsurance, captive insurance and related activities, can be provided to non-citizens and in currencies other than the Pula. Being one of the first laws of this type in Africa, it provides a window of opportunity for developing Botswana as an offshore centre for insurance services.14 The establishment of the Botswana International Financial Services Centre in 2003 further underlines Botswana's aim to to establish and develop Botswana as a world class hub for cross border financial and business services into Africa and the region.[15]

The following regulations for the Botswanan insurance sector are based on the Acts presented above as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2009), as well as other sources. Data from the World Bank Database for Botswana is from the year 2009. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from this Database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

The allocation of licenses for both foreign and domestic operators is not restricted by policy in all insurance subsectors. The Insurance Industry Act 2008 as well as the International Insurance Act 2005 forsee no limitations on the number of insurance suppliers allowed to operate in Botswana.

Value of services transactions

Furthermore, no evidence could be found that services transactions of registered insurance suppliers, domestic and foreign, are restricted through quotas.

Number of services operations

Similarly, no information was found indicating that the total number of services operations or the quantity of output of insurance suppliers is limited in Botswana. Thus, once suppliers are licensed to operate in Botswana and comply with the regulations, they are allowed to set up an unlimited number of branches in the country.

Number of Natural persons

Botswana's legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier. There are however residency requirements which are described under the national treatment section.

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12 NBFIRA Website http://www.nbfira.org.bw/

13 Botswana Interntional Financial Services Centre Website http://www.botswanaifsc.com/

14 Te Welde, D.W. et al. 2007

15 Botswana Interntional Financial Services Centre Website http://www.botswanaifsc.com/

Legal form of commercial presence

Foreign insurance companies are not allowed to supply the domestic market from abroad through a branch without incorporating in Botswana. Section 6 and Section 16 of the Insurance Industry Act 2008 requires insurance companies to be incorporated as a company under the Companies Act and to establish a principal office in Botswana. The establishment of a domestically incorporated subsidiary is permitted and foreign suppliers do not face ownership restrictions.

Establishment of joint ventures

The establishment of a joint venture with a local partner is allowed for single providers and a group of providers. Foreign companies are allowed to obtain a controlling stake of the domestic firm and ownership by the foreign firm is unlimited.

Participation of foreign capital

Foreign suppliers can enter Botswana's insurance market by acquiring a domestic private entity. The law forsees no maximum share of ownership in this case, giving a foreign supplier or a group of suppliers the opportunity to own 100% of the domestic entity. This regulation is valid for all three subsectors, automobile, life insurance and reinsurance.

With regard to acquiring ownership of a state-owned entity, the law is more restrictive. Foreign insurance firms are not allowed to acquire more than 49% of a state-owned company and are not allowed to hold a controlling stake in the company.

National Treatment

The requirements for obtaining a license to operate in Botswana's insurance market do not distinguish between domestic and foreign applicants.

Once established in Botswana, foreign insurance companies are not obliged to employ a certain number of domestic employees or have to appoint citizens of Botswana on the board of directors. The law forsees no nationality requirements in this case. However, Section 15/16 of the Insurance Industry Act 2008 requires that the main staff of an insurance company that handles the day to day management of the company, including its controller, manager, principal officer and director, to be resident in Botswana.

Other restrictions

Licensing procedures

According to Section 3 (3) of the Interntional Insurance Act Subsidiary Legislation 46:07 and Section 16A of the Insurance Industry Act, the license granted by the regulating authority in Botswana is valid for one year and subject to renewal by application every year. The regulating authority holds discretion over the decision to issue the license.

Minimum capital requirements

Insurance companies (domestic or foreign) are required to pay up a minimum share capital of P2 million. This minimum capital requirement aims to protect consumers and ensures that insurance companies in Botswana retain sufficient funds to meet local statutory requirements and liabilities.[16]

Repatriation of earnings

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16 Te Welde, D.W. et al. 2007

With regard to the repatriation of earnings by foreign operators, there are no restrictions in the current legislation.

Cessation requirement to domestic reinsurer

Domestic or foreign operators are not obliged to cede a certain percentage of their insurances to the domestic reinsurer. This regulation is valid for all three subsectors under review.

Cross-border purchase of insurance services

Domestic individuals and companies in Botswana are allowed to obtain insurance from firms located outside the country in the three subsectors automobile, life insurance and reinsurance. However, they are required to demonstrate domestic unavailability of the service required.

Table 24: Limitations in trade in insurance services in Botswana by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed, Insurance company has to be incorporated under the Companies Act (Insurance Industry Act 2008, Sec. 6 and 16)	Not allowed, Insurance company has to be incorporated under the Companies Act (Insurance Industry Act 2008, Sec. 6 and 16)	Not allowed, Insurance company has to be incorporated under the Companies Act (Insurance Industry Act 2008, Sec. 6 and 16)
	• Establishment of a subsidiary	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Allowed, but maximum ownership by foreign companies is 49%, holding of controlling stake is not allowed (WB database)	Allowed, but maximum ownership by foreign companies is 49%, holding of controlling stake is not allowed (WB database)	Allowed, but maximum ownership by foreign companies is 49%, holding of controlling stake is not allowed (WB database)
	• Acquisition of domestic private entity	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	National Treatment			

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
7)	Discriminatory measures in licensing	None (WB database)	None (WB database)	None (WB database)
8)	Nationality requirements for employees	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)
9)	Nationality requirements for the board of directors	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)	None, but principal officers have to be resident in Botswana (Insurance Industry Act 2008, Sec. 15/16 and WB database)
10)	Any other discriminatory measures	None	None	None
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	License allocation at discretion of regulatory authority (WB database)	License allocation at discretion of regulatory authority (WB database)	License allocation at discretion of regulatory authority (WB database)
	• length of license	One year, subject to renewal every year (Interntional Insurance Act: Subsidiary Legislation 46:07, Sec.3 (3))	One year, subject to renewal every year (Interntional Insurance Act: Subsidiary Legislation 46:07, Sec.3 (3))	One year, subject to renewal every year (Interntional Insurance Act: Subsidiary Legislation 46:07, Sec.3 (3))
12)	Minimum capital requirements	Minimum of paid-up share capital of P2 million (Te Welde, D.W. et al. 2007[65])	Minimum of paid-up share capital of P2 million (Te Welde, D.W. et al. 2007)	Minimum of paid-up share capital of P2 million (Te Welde, D.W. et al. 2007)
13)	Limitations on repatriation of earnings	None (WB database)	None (WB database)	None (WB database)
14)	Mandatory cessation requirements to domestic reinsurers	None (WB database)	None (WB database)	None (WB database)
15)	Purchase of insurance from suppliers located outside Botswana	Allowed, but demonstration of domestic unavailability necessary (WB database)	Allowed, but demonstration of domestic unavailability necessary (WB database)	Allowed, but demonstration of domestic unavailability necessary (WB database)

[65] Corresponding information could not be found in the Industry Insurance Act or the International Insurance Act.

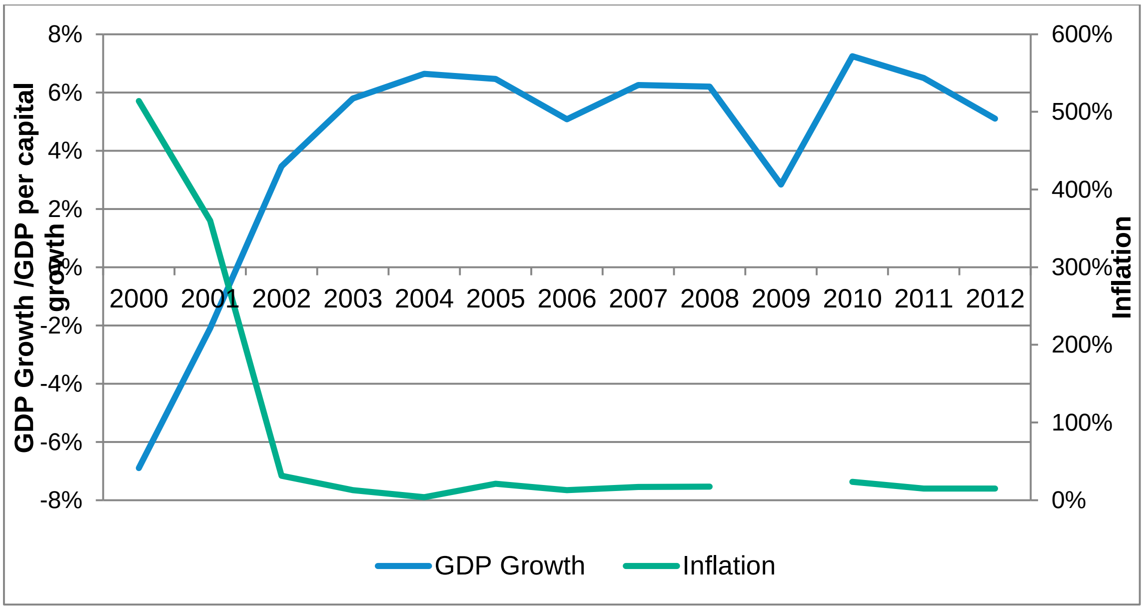
4 DEMOCRATIC REPUBLIC OF THE CONGO

4.1 The economy of the DRC

The Democratic Republic of the Congo (DRC) has a total population of approximately 71.7 million (2011 estimate)[66]. The large land area makes the DRC the second largest Africa, the population tends to be generally sparsely distributed. The DRC is widely considered to be one of the richest countries in the world in terms of its endowment of mineral wealth. Due to political instability however, agriculture remains the mainstay of the economy with agriculture, forestry, fishing and hunting accounting for 39.4% of GDP[67].

Economic growth in the DRC reached 6.5% in 2011, a small decrease from the 2010 figure of 7.2%. The country also benefited from the cancellation of US$12.3 billion in debts under the Heavily Indebted Poor Countries (HIPC) initiative in 2010. Despite the economic growth, a number of major economic challenges remain such as political instability, high unemployment (more than 70% for those aged 15 to 24), and high poverty levels (which affect 70.5% of the population) in a country with no social protection policy.

Figure 14: Basic macroeconomic indicators



Source: World Bank Development Indicators and African Economic Outlook 2012
Figures for 2011 and later are projections

4.2 Democratic Republic of the Congo's Financial Sector

4.2.1 Financial sector policy and regulation

In 2001, the government of the D. R. Congo and the Central Bank of Congo launched reforms to try and strengthen the legal framework within which the financial system operated. Law No. 005/2002 establishes the Central Bank of Congo as the independent regulator of the financial

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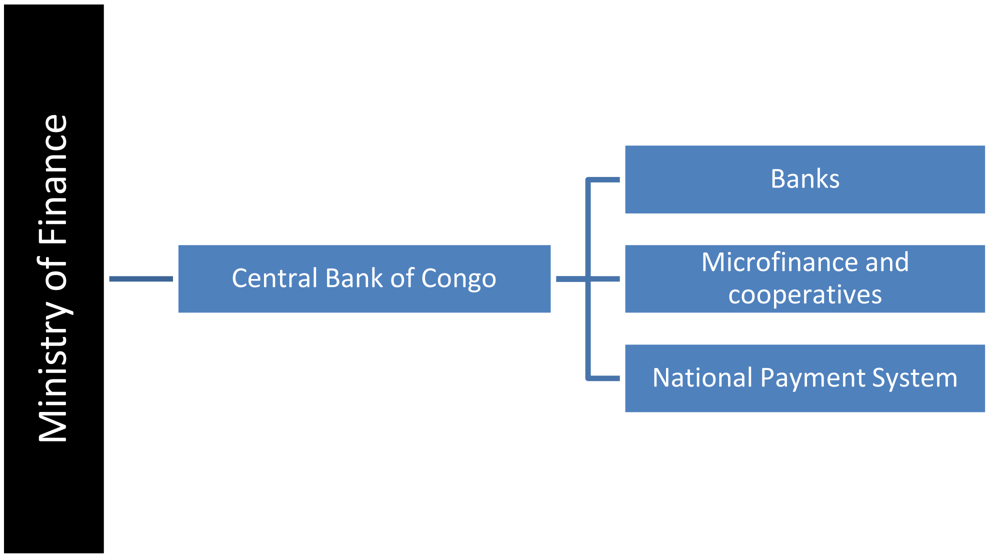
66 CIA World Factbook

67 African Economic Outlook, Congo, Democratic Republic of. 2012

sector. As far as we could establish the D. R. Congo does not have a formal insurance market hence there is no regulator for the industry[68].

Figure 9: The organisational structure of the Congolese financial sector's regulators



4.2.2 Financial depth and performance

Given the size and population of the DRC, the country has a relatively low level of financial intermediation. In recent years however there has been an influx of new banks and other financial institutions. Between 2007 and the end of 2011, the total number of commercial banks nearly doubled. Nevertheless, the percentage of bank penetration remains below 1%> Procredit Bank (2012) estimates the number of customer to be around 650,000[69] whilst the Central Bank estimates that there are only 60,000 bank accounts in the entire Congo[70] .In 2010, domestic credit provided by banking sector as a percentage of GDP was a relatively low 3.3%.[71].

The financial system in the Democratic Republic of Congo is one of the least developed in the world, even compared to other sub-Saharan African states; only 1.3 million of a total of 71 million Congolese are customers of any sort of (formal) financial institution (banks, micro-finance institutions and cooperatives). Two hundred institutions in the DR Congo operate about 450 branches, most of them in urban areas.

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68 (SADC Bankers, 2011)
69 (ProCredit Bank , 2012)
70 (SADC Bankers, 2011)
71 (SADC Bankers, 2011)

4.3 DRC's banking and non-bank financial services sector overview

4.3.1 Banking industry

There are 21 licensed commercial banks.

Table 25: Summary of banking institutions in D.R. Congo

Type of operator	Ownership	Assets	Branches
Banks			
Commercial Bank Congo (BCDC)	Local		
Congolese Bank (BC)	Local		
International Bank for Africa Congo (BIAC)	Local		
International Credit Bank (BIC)			
Citibank	USA		
Stanbic Bank Congo	South Africa		
Rawbank	Local		
Ecobank	Togo		
Trust Merchant Bank			
ProCredit Bank	Germany		18
First Bank Afriland			
Access Bank DRC	Nigeria		
BYBLOS BANK DRC			
Mining Bank of Congo			
First International Bank			
Invest Bank Congo			
Sofibanque	Local		
La Cruche Banque			
Bank Of Africa	Kenya/Luxem-bourg		
Crane Bank Congo			

Source: Central Bank of Congo website

4.3.2 Microfinance industry

There are 80 microfinance institutions and savings and loans co-operatives licensed by the Central Bank of Congo.

Type of operator	Ownership
Provinces	Number of Licensed Credit Cooperatives
North Kivu	31
South Kivu	23
Province du Kasai Occidental	1
Province du Kasai Maniema	2
Province Bas Congo	4
Ville Province de Kinshasa	19

Source: Central Bank of Congo website

Democratic Republic of the Congo's collective investment schemes

No information was available.

Democratic Republic of the Congo's bureau de change

No information was available.

Democratic Republic of the Congo's capital markets

There is no active capital market in the D. R. Congo[72].

Democratic Republic of the Congo's National Payment System

The Congolese national payment system still reflects a number of shortcomings that are further accentuated by the inappropriate legal framework, the low number of bank branches across the country, thriving informal markets, and the importance of the rural economy. This has resulted in the extensive use of cash by the population. In 2004, the Central Bank of Congo established a National Committee for Payments and Settlement with the specific mandate to upgrade the National Payment System[73].

4.4 Trade openness in banking services

Market access

Number of foreign suppliers

No information was available

Total value of services transactions or assets

No information was available

Total number of services operations/quantity of service output

No information was available

Number of natural persons

No information was available

Domestic residency requirement

No information was available

Restrictions on the type of legal entity

No information was available

Participation of foreign capital

No information was available

National treatment

Discriminatory measures in licensing

Foreign institutions applying for a banking license in the Congo, the Central Bank will consult the supervisory authorities in the country of the bank's origin in order to verify the financial credibility of the applicant[74].

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72 (Jefferis, K., 2009)
73 (SADC Bankers, 2011)
74 (SADC Bankers, 2011)

Table 26: Limitations in trade in financial services in D. R. Congo

	Limitation/Restriction	Banks and deposit taking institutions	Micro-finance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers						
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	c) For employees						
	d) For directors						
5)	Domestic residency requirement						
6)	Restrictions on the type of legal entities						
	e) Establishment of an agency						
	f) Establishment of a representative office						
	g) Establishment of a subsidiary/branch	Allowed subject to approval of the Central Bank of Congo in consultation with the home regulatory authority					
	h) Establishment of a joint venture						
7)	Limitations on the participation of foreign capital						
	c) Acquisition of domestic public entity						
	d) Acquisition of a domestic private entity						

	Limitation/Restriction	Banks and deposit taking institutions	Micro-finance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
8)	Limitations on the interest rates for lending and accepting deposits across borders						
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing						
	Specific restrictions						
12)	Limits on local businesses exporting their services						
13)	Limits on repatriation of funds						

4.5 DRC's insurance sector overview

4.5.1 Structure of the sector

The insurance industry in the Democratic Republic of Congo consists of only one state-owned insurance company: The "Société Nationale d'Assurance" (SONAS). Article 3 of Law No. 66-622 of November 1966 legitimates SONAS to hold a monopoly on the Congolese insurance market. In 2009, SONAS had a turnover of approximately US$45 million and 2,222 employees, working in around 140 branches. Through SONAS, the DRC is a member of the African National Insurance Companies Association (FANAF).

Compulsory insurance in DRC includes third-partyliability motor insurance (Law No. 74/073 of 5 January 1973), fire hazard insurance on some buildings (Law No. 74/008 of 10 September 1974), and builders liability (Law No. 74/007 of 10 July 1974). Furthermore, Law No. 66/622 of 23 Novemberr 1966 stipulates compulsory maritim insurance, covering ship's hulls, maritime and river cargo, as well as aviation insurance on aircraft hulls and the transportation of people and goods.

4.5.2 Competition in the sector

With SONAS holding a state-owned monopoly, the Congolese insurance market today is the only market in Africa where insurance policies are only provided by the state. The market has not yet been opened to the private sector, but recent news suggest that efforts towards liberalization seem to gain momentum. The Trade Policy Review 2009 argues that opening the market to competition in a manner similar to the banking subsector would encourage the pursuit of competitiveness and improve performance in the provision of insurance services in the DRC. Up to date, only one market entry has been authorized. On 8 January 2008, NSIA Congo Assurances was authorized as general agent by means of Order No. 002/CAB/MIN/FINANCES/2008. Furthermore, SONAS has recently partnered with two Zambian insurance companies, namely Zambia State Insurance Company and Professional Insurance Corporation, for the provision of insurance services to clients in the neighboring countries.

4.6 Insurance sector regulatory framework and trade openness

Commercial Presence

Article 3 of Law No. 66-622 of November 1966 provides SONAS with the legitimisation to act as public monopoly operator in the DRC. Thus, DRC's insurance industry does so far not allow the entry of foreign operators by any means of commercial presence. This includes the establishment of a branch or subsidiary, as well as the establishment of joint ventures or the acquisition of a domestic entity.

Cross-border supply

However, DRC does to a certain extent allow cross-border supply of insurance services into the DRC. In the subsectors automobile insurance and life insurance, foreign operators wanting to provide insurances across the border into the DRC are required to receive prior approval and have to be registered. For cross-border reinsurance there are no such restrictions and service provision is not subject to approval and registration.

Table 27: Limitations in trade in insurance services in the Democratic Republic of Congo by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	Restricted, only one public provider (SONAS) allowed (Article 3 of Law No. 66-622 of Nove-mber 1966)	Restricted, only one public provider (SONAS) allowed (Article 3 of Law No. 66-622 of Nove-mber 1966)	Restricted, only one public provider (SONAS) allowed (Article 3 of Law No. 66-622 of Nove-mber 1966)
2)	Limitations on total value of services transactions or assets	Not applicable	Not applicable	Not applicable
3)	Limitations on total number of services operations/ quantity of service output	Not applicable	Not applicable	Not applicable
4)	Limitations on number of natural persons	Not applicable	Not applicable	Not applicable
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Establishment of a subsidiary	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Establishment of a joint venture	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Acquisition of domestic private entity	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	National Treatment			
7)	Discrimimatory measures in licensing	Not applicable	Not applicable	Not applicable
8)	Nationality requirements for employees	Not applicable	Not applicable	Not applicable

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
9)	Nationality requirements for the board of directors	Not applicable	Not applicable	Not applicable
10)	Any other discriminatory measures	Not applicable	Not applicable	Not applicable
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	Not applicable	Not applicable	Not applicable
	• length of license	Not applicable	Not applicable	Not applicable
12)	Minimum capital requirements	Not applicable	Mini Not applicable	Not applicable
13)	Limitations on repatriations of earnings	Not applicable	Not applicable	Not applicable
14)	Mandatory cessation requirements to domestic reinsurers	Not applicable	Not applicable	Not applicable
15)	Purchase of insurance from suppliers located outside the Democratic Republic of Congo	Allowed, but approval and registration required (WB database)	Allowed, but approval and registration required (WB database)	Allowed (WB database)

5 LESOTHO

5.1 Lesotho's economy

Lesotho is a small mountainous landlocked country that is completely surrounded by its only neighbour, the Republic of South Africa. The population of Lesotho has been estimated to be in the region of 2.2 million (2011 estimate), of which only 26.9% (2010 estimate) reside in urban areas.

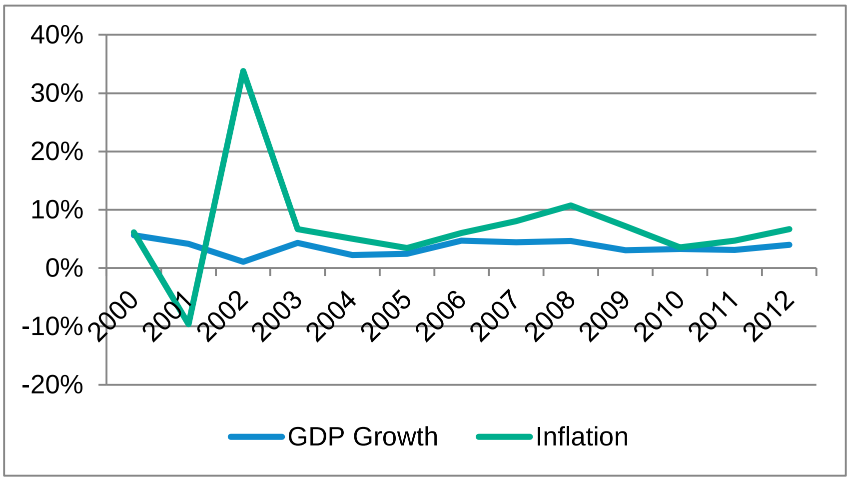
South Africa and Lesotho have a long history of strong interactions; this is partly because ethnically, the people of Lesotho are mostly Basotho whilst in South Africa the Basotho are one of the four main indigenous ethnic groups. In addition to the ethnic similarities, the establishment of South Africa's gold and diamond mines in the mid-19th century resulted in the employment of cheap contract labourers from neighbouring countries such as Lesotho. In the late 1800s South African commercial farms also began recruiting workers from the region. Over time Lesotho became one of South Africa's main labour supply countries, along with Mozambique, Swaziland, Malawi and Botswana.

Although policy changes in South Africa have however resulted in a decrease in the demand for foreign contract labour in mining and agriculture, Lesotho remains one of the leading recipients of remittances in the world. Measured as a percentage of GDP, it was estimated that remittances contributed 29% to GDP in 2011. In December 2010 the number of Basotho employed in South African mines stood at 41,555; down from 45,276 in 2009[75].

One of the largest contributors to Lesotho government's revenues is income from customs duty that is collected by South Africa and transferred to Lesotho under the Southern Africa Customs Union (SACU) agreement. This has historically accounted for close to 60% of the state's budget. Lesotho's fiscal policy is therefore general performance of the global economy. During the recent global financial economic crisis, Lesotho's SACU revenues declined whilst the government adopted an expansionary fiscal policy. This resulted in the overall budget deficit worsening as a percentage of GDP.

Along with South Africa, Namibia and Swaziland, Lesotho is a member of the Common Market Arrangement (CMA) of Southern Africa.

Figure 10: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012

[75] (Central Bank of Lesotho, 2010)

Figures for 2011 and later are projections

5.2 Lesotho's Financial Sector

5.2.1 Financial sector policy

Given the large proportion of the population that remains unbanked, the government of Lesotho along with various development partners are working towards increasing access to financial services. One of the first steps in this regard was the redrafting of the 1999 Financial Institutions Act in 2012, with the new legislation placing greater emphasis on facilitating the entry of non-bank financial institutions. Unsurprisingly, the provisions of the Act that regulate the banking sector borrow heavily from the South African regulatory framework[76].

The Ministry of Trade, Industry, Cooperatives and Marketing is drafting a policy for financial cooperatives as well as separate laws for financial cooperatives[77].

The Central Bank of Lesotho is also working on revisions to the regulatory framework for collective investment schemes[78].

5.2.2 Financial sector regulation

The financial sector is governed by the Financial Institutions Act of 2012[79], the Cooperatives Societies Act 2000, and related legal notices, the Money Lenders Order of 1989, the Anti-Money Laundering Act of 2008, the Building Finance Institutions Act of 1976, the Insurance Act of 1976, and the Central Bank of Lesotho Act of 2000.

The Central Bank of Lesotho was created by the Central Bank of Lesotho Act of 2000. The Act charged the Bank with the responsibility of achieving and maintaining price stability in the financial system. Section 47 CBL Act designates the Central Bank as the Commissioner of Financial Institutions, Building Finance Institutions, and the Insurance industry. As such the Central Bank licenses all financial institutions, agents of financial institutions and ancillary financial service providers such as bureaux de change, electronic funds transfer services etc. Similarly, Section 49 of the same Act makes the Central Bank of Lesotho the supervisory authority that oversees all licensed financial institutions. Various Acts facilitate the Central Bank of Lesotho's function as the regulator of non-bank financial institutions, such as the Money Lenders Order (1989) and amendment Act (1993), Collective Investment Regulations (2001) and Ancillary Financial Institutions Regulations (2003). Through this legislation, the Bank monitors and enforces compliance by conducting onsite inspections and offsite surveillance .

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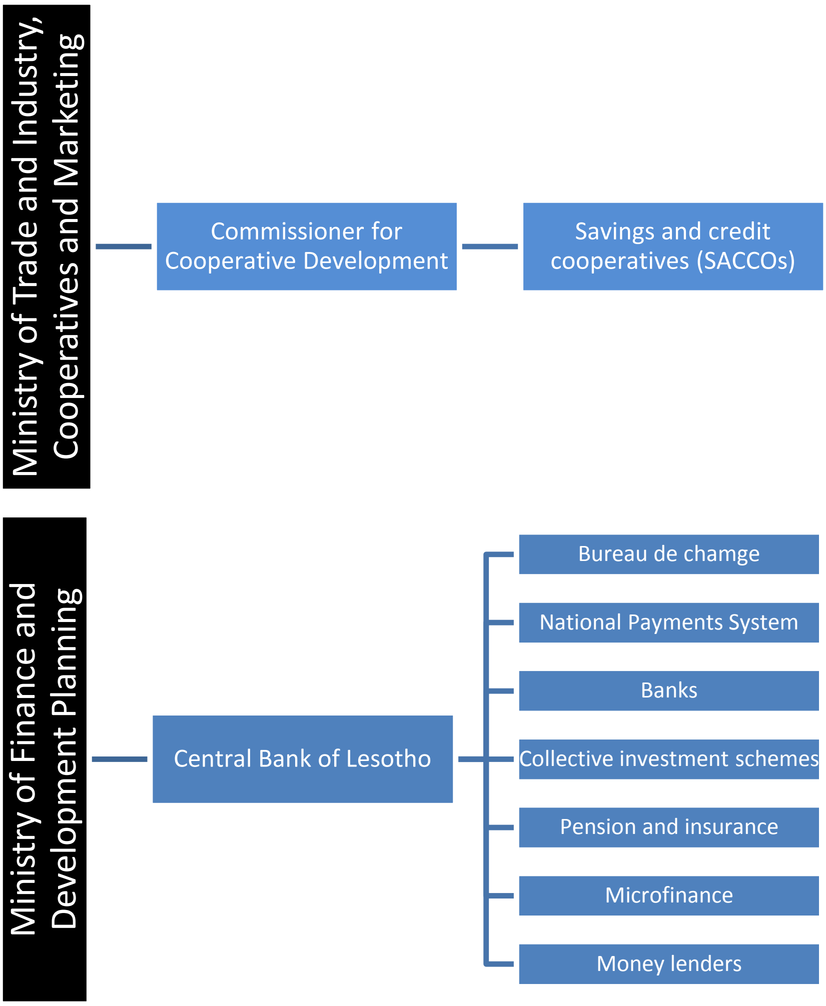
76 (FinScope , 2011)

77 (FinScope , 2011)

78 (FinScope , 2011);

79 Conditions for licensing and supervision of all banking and credit institutions (excluding institutions providing only insurance services) are set out in the Financial Institutions Act

Figure 11: The organisational structure of the Lesotho's financial sector regulators



5.2.3 Financial depth and performance

Financial depth measured by broad money (M3) as a % of GDP was reported at 7.50 in 2008, according to the World Bank. Domestic credit provided by the banking sector as a percentage of GDP was reported at -18.4% in 2008 but improved to a still relatively low 0.7% in 2011. There were 7.28 ATMs and 3.5 commercial bank branches per 100,000 people in Lesotho in 2010[80]. Furthermore, the distribution of these ATMs and bank branches appears to be skewed with the northern lowlands around the capital Maseru getting the best coverage in terms of banking infrastructure. It is not surprising therefore that most of the country, including 85% of businesses remain unbanked[81].

80 World Bank Data
81 (FinScope , 2011)

5.3 Lesotho's banking and non-bank financial services - sector overview

5.3.1 Banking industry

The commercial banking industry of Lesotho is dominated by Standard Lesotho Bank[82]. Standard Bank Lesotho Group is currently the largest shareholder (approx. 80%) in Standard Lesotho Bank followed by the government[83] and Lesotho Unit Trust[84]. Nedbank and First National Bank are subsidiaries of South African banking corporations. The Lesotho Post Bank was incorporated in 2004 and is currently 100% government owned. The bank's mandate from the government is to provide financial services to the under-served areas of Lesotho[85]. Foreign owned banks accounted for 96.7% of the total assets of the sector and they held 26.7% of these assets as placements with their parent companies. This has left the banking sector in Lesotho particularly vulnerable to external shocks. Despite being state owned, the Lesotho Post Bank was no execption with 60.96% of their assets held with South African banks[86]. In 2006, Kish City Bank was the first licensed merchant bank in Lesotho[87].

Other state owned entities include development finance institutions such as the Basotho Enterprise Development Corporation (BEDCO) and the Lesotho National Development Corporation (LNDC). Created by an Act of parliament in 1980, BEDCO's mandate is to facilitate the development of small, micro, and medium enterprises. In 2000, the state owned Lesotho Agricultural Development Bank which had been created to mobilise rural savings and provide agricultural credit, was liquidated[88].

Table 28: Summary of banking institutions in Lesotho, as at December 2012

Type of operator	Ownership	Assets (Maloti)	Branches
Commercial Banks			
Standard Lesotho Bank Ltd	South Africa	-	16
Nedbank (Lesotho) Ltd	South Africa	-	8 branches, 2 agencies
First National Bank Lesotho	South Africa	-	4
Lesotho Post Bank	Local	-	13 branches, 27 Post Office agencies[89]
Merchant/Investment Banks			
Kish City Bank*		-	-

82 Standard Bank acquired Barclays Bank and the Lesotho Building Finance Corporation merged with the large Lesotho Bank. Later Standard Bank merged with the state owned Lesotho Bank.

83 Lesotho Bank was created as a state owned enterprise in 1973 and operated as a compulsory savings scheme for Basotho miners in South Africa. Under the scheme South African mining companies transferred 60% (reduced to 30%) of the basic pay of Basotho miners to the Deferred Pay Fund administered by the Lesotho Bank. Miners would generally only be able to access the account directly at the termination of the employment contracts with an exception for emergencies. In 1993, Lesotho Bank merged with the Lesotho Building Finance Corporation (LBFC). The commercial arm of the government owned Lesotho Bank merged with Standard Lesotho Bank in 2006. The non-commercial business of Lesotho Bank was liquidated.

84 (Standard Lesotho Bank, 2010)

85 (Lesotho Post Bank)

86 (Central Bank of Lesotho, 2013)

87 (Central Bank of Lesotho Supervision Department, 2006)

88 (Maope, K, 2000)

89 (Central Bank of Lesotho, 2011)

Type of operator	Owner-ship	Assets (Maloti)	Branches
Building Societies			
Lesotho Building Finance Corporation (LBFC)			N/A – Merged with Standard Lesotho
Statutory institutions			
Lesotho Agricultural Development Bank			N/A - Liquidated
Lesotho National Development Corporation (LNDC)		M930.3 million[90] (2009/10)	-
Basotho Enterprise Development Corporation (BEDCO)		M30.0 million (2009)	-

5.3.2 Microfinance industry

The microfinance sector is incorporated into the Financial Institutions Bill (2011), but it is still in the early stages of development. Access to banking services in Lesotho is low and hence credit cooperatives have emerged as an important sector. Boliba Credit and Savings is the largest financial cooperative with four branches in 2011. There are however many other co-operatives and rural savings groups that offer financial services through the informal sector. As of 2007, on the savings side, there were approximately 141 savings and credit cooperatives (SACCOs) with 33,339 members in Lesotho. SACCOs are registered and supervised by the Commissioner for Cooperative Development under the Ministry of Trade and Industry and many donors support these groups. Crucially, these cooperatives are not supervised by the Central Bank[91].

In 2008 there were 51 licensed money lenders[92], this increased to 70 in December 2011 but decreased to 60 in 2012[93]. The total assets held by money lenders were however valued at LSM60 million in 2010[94]. Whilst this sector is regulated by the Central Bank of Lesotho, the current Money Lenders Order empowers the Minister of Finance to make regulations governing money lenders[95].

5.3.3 Collective investment schemes

Under the Collective Investment Schemes Regulations of 2001, the Central Bank of Lesotho is the Registrar and supervisory authority of the collective investment schemes industry[96]. The central bank therefore sets the required reserve ratios to be held by financial institutions and imposes penalties on financial institutions that fail to adhere to them. It may also set temporary conditions and restrictions on total credit, if this objective cannot be attained by other means.

90 For the Group i.e. including non-finance related assets
91 (FinScope , 2011)
92 (Central Bank of Lesotho, 2008)
93 (Central Bank of Lesotho, 2011)
94 (Central Bank of Lesotho, 2012)
95 (FinScope , 2011)
96 (Gwintsa, M, 2004)

As at December 2012, there were two collective investment schemes and 69 money lenders (of various sizes). However in monetary terms, in 2010 the total assets of the collective investment schemes averaged LSM735 million compared to LSM60 million for money lenders. By 2012, the assets under management of the two CIS's in the country were two billion Maloti[97].

Historically moneylenders have been one of the main sources of informal finance. Individuals or groups of individuals with an income or a certain amount of saved capital would lend out small amounts to others for a profit. Prior to 1989, the activities of money lenders were not regulated and they operated freely in Lesotho, charging very high interest rates. In 1989, the government enacted the Money Lenders Order to require the licensing of money lenders and to regulate money lending operations. In 1993, the Order was amended to empower the Commissioner of Financial Institutions to revoke a licence and require quarterly returns showing the assets and liabilities of the license holder.

Table 29: Summary of collective investment schemes in Lesotho

Type of operator	Ownership	Assets (Maloti)	Branches
Collective Investment Schemes			
Stanlib Lesotho	South Africa	-	-
African Alliance Lesotho Asset Management			

5.3.4 Money transfer agents and Bureau de change

5.3.5 Organizations dealing in foreign exchange, and offering electronic fund transfers, fall under ancillary financial (AFS). In 2012 there were two licenced ancillary financial services operators, namely: TEBA Ltd and FX Africa[98]. But the only active licensed money transfer service company, TEBA Ltd. TEBA, a recruiting agency for mineworkers, and an agent to South African bank Ubank (formerly TEBA Bank), offers bank transfers and cash remittance transfer products to its mineworkers and their families. Capital markets

No stock exchange has yet been established in Lesotho. The CMA agreement does however provide Lesotho's banking institutions with access to the South African capital market. Institutions from Lesotho that are subject to financial regulations that apply to their South African counterparts are free to access the South African capital market. For example, Lesotho companies are allowed to list on the Johannesburg Stock Exchange[99].

The government only issues treasury bills therefore there is no formal debt/bond market. There is no foreign investor participation in this market[100].

97 (Central Bank of Lesotho, 2012)
98 (Nalane, L. Chikanda, A. and Crush, J., 2012)
99 (African Development Bank, 2006)
100(African Development Bank, 2006)

5.3.6 National Payment System

The current focus of the Central Bank is to improve the payment system in Lesotho especially with regards to reducing the settlement period. It is envisioned that this would assist in reducing the costs of making payments[101]. The Bank therefore launched the Lesotho National Payment System Modernisation Project in 1999. Since the inception of this project the settlement period has been reduced from 21 days to 3; the clearing system has been computerised; and in 2000, a set of rules that would apply uniformly to all banks was published.

Important milestones were reached in the modernisation project in 2006 when the Central Bank of Lesotho began operating two payment and settlement systems, namely: the Real Time Settlement (RTGS) called Lesotho Wire (LSW), and the Maseru Clearing and Settlement House (MCSH). The LSW is used mainly for large values[102] and time critical payments, whilst the MCSH is used mainly for clearing cheques. The LSW and MCSH have four participants, i.e. the three commercial banks (Standard Lesotho, FNB and Nedbank) and the Central Bank. Settlement occurs at LSW where the Central Bank hosts the settlement accounts of the commercial banks.

For smaller value retail payments, the Lesotho Automated Clearing House (LACH) was established in 2012, and the service provider is South Africa's Bankserv Africa[103].

In terms of adopting innovative mobile technologies into the NPS, Lesotho Post Bank is currently being funded by the Millennium Change Account in the introduction of smart cards for use at point of sale terminals[104].

Internet banking has also been introduced by all three commercial banks but the uptake of the technology is hindered by Lesotho's poor telecommunications infrastructure. Two banks have also introduced cellphone banking services using the internet. Unfortunately however, internet banking transactions do not currently have a switching facility (which effectively delays payments) . One bank introduced cellphone banking in partnership with Vodacom. The service is divided into two categories: (1) full cellphone banking and (2) cellphone banking lite. The full service allows customers to check their account balances, purchase pre-paid vouchers and check their provisional statements. Applications for e-wallets and e-cash transfers are currently under consideration by the Central Bank of Lesotho[105].

5.3.7 Foreign ownership

Lesotho is a landlocked country that only shares a border with South Africa. A large proportion of Lesotho's labour force works in South Africa and remits their earnings to Lesotho. These unique features make Lesotho very reliant on South Africa and as a result much of the foreign ownership observed in Lesotho's financial sector is of South African firms.

5.4 Trade openness in banking services

Market access

Number of foreign suppliers

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101 (SADC Bankers, 2008)
102 M100,000 and above
103 (SADC Bankers, 2012)
104 (SADC Bankers, 2012)
105 (SADC Bankers, 2012)

There is no limitation on banks establishing branches or agents in Lesotho, as long as they fulfil the conditions of the Act. Financial institutions established in Lesotho must maintain minimum capital as prescribed by the Central Bank of Lesotho.

Total value of services transactions or assets
Total number of services operations/quantity of service output

Section 18(2) states that no licensed institution shall open a new place of business or change location without the prior consent of Central Bank. Similarly, section 3(a) of the Money Orders Act of 1989 does not allow money lenders to operate from more than one address.

Number of natural persons

A labour market test must be met[106].

Domestic residency requirement

The Financial Institutions Act of 2012 does not place any restrictions on the board of Directors save for the Chief Executive Officer who must reside in Lesotho[107]. The Financial Institutions (Foreign Financial Institutions - Conduct of business by branch) Regulations of 2005 do however require that a foreign financial institution should appoint at least two natural persons who reside in Lesotho to manage the business of a branch, and one of these appointed persons should be the Chief Executive Officer[108].

Restrictions on the type of legal entity

Section 5(2) of the Financial Institutions Act of 2012, requires that every local financial institution is incorporated as a public company under the Companies Act of 2011. Every company intending to operate as a financial institution must however have authorisation from the Central Bank. Foreign financial institutions must submit a statement from their home supervisory authorities certifying that the institution's senior management are fit and proper persons and that the institution is subject to supervision on a consolidated basis[109].

Section 11(2)(a) places conditions on the issuance of a license to a foreign institution requiring that the institution have an "instrument in writing, by its terms of infinite duration and irrevocable, appointing with prior written approval of the Commissioner a true and lawful agent resident in Lesotho, upon whom any action or proceeding against it on a cause of action arising out of a transaction with its places of business in Lesotho, may be served with the same force and effect as I it were organised in Lesotho had been lawfully served with process therein;…." This suggests that even though local incorporation is not a requirement a local agent or "resident sponsor" who is willing to act as a surety for the institution in case of legal action being brought against the institution in Lesotho is needed.

Money lenders, collective investment schemes and ancillary financial institutions are required to apply annually for a renewable license from the Central Bank of Lesotho.

Participation of foreign capital

106 World Bank database
107 See – Section 43 of the Financial Institutions Act of 2012
108 See – Section 10(3)
109 See – Section 6(1)(c) of the Financial Institutions Act 2012

For commercial banks, the establishment of a joint venture with a local partner is allowed for single providers as well as groups of providers. The foreign entity may have a controlling stake with no caps on the shareholdings that the foreign entity may have[110].

For prudential reasons, individual shareholdings (or the shareholding of a group acting in concert) above 10%, 25%, 33% or 50% require prior approval from the Central Bank[111]. Unapproved acquisitions will be reversed.

National treatment

Discriminatory measures in licensing

As part of the licencing procedures, a foreign bank is also required to produce the following[112]:

- a statement from the supervisory authorities of the home country confirming that the principal shareholders, chairman, directors, principal officers, and management team are fit and proper persons.
- A statement from the supervisory authorities of the home country confirming that the financial institution is subject to supervision on a consolidated basis[113].
- Consent from the supervisory authorities of the home country.

Specific restrictions

Limitations on outflows from the capital account

Section 25 of the Financial Institutions Act of 2012 contains provisions that allow the Central Bank of Lesotho to set minimum local asset requirements. A financial institution may be required to maintain a prescribed minimum amount of local assets against such liabilities and capital accounts as set out in the Central Bank's regulations[114]. In this regard, "local assets" are defined as "any asset consisting of advances and credit facilities to persons doing business or resident in Lesotho, properties and other assets situated in Lesotho and such other assets as may be specified…"

There are significant restrictions on outflows from the capital account. These are[115]:

- Investments by individuals resident in Lesotho are limited to M250 000 outside the Common Monetary Area. Individuals must be older than 18 years, and should be taxpayers in good standing.
- Private individuals resident in Lesotho may deposit a maximum of M250 000 into a foreign currency account or an off-shore account. Individuals must be older than 18 years, and should be taxpayers in good standing.
- Authorised Dealers to Exchange Control must apply to sell foreign currency[116].

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110 World Bank database

111 See – Section 19(2) of the Financial Institutions Act of 2012.

112 See – Financial Institutions Act 2012

113 (Central Bank of Lesotho, 2011), (Lesotho Government)

114 The Financial Institutions (minimum Local Assets Requirements)(Amendment) Regulations of 2002 set the local assets ratio at 25%

115 (Central Bank of Lesotho, 2011)

116 (Central Bank of Lesotho, 2012)

- Companies/Corporates may invest a maximum of M50 million within SADC but outside the CMA, and M30million elsewhere.

Companies/Corporates may open foreign currency accounts administered by the Central Bank of Lesotho for the purpose of facilitating credit for export proceeds and payment of imports.

Table 30: Limitations in trade in financial services in Lesotho

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None	None	None	None	None	None
2)	Limitations on the total value of services transactions or assets	Interest rates are capped	Interest rates are capped	Interest rates are capped		Interest rates are capped	Interest rates are capped
3)	Limitations on the total number of branches/quantity of services output	Consent of the Central Bank of Lesotho is required	Consent of the Central Bank of Lesotho is required (Except for SACCOs)	Consent of the Central Bank of Lesotho is required	Consent of the Central Bank of Lesotho is required	Consent of the Central Bank of Lesotho is required	Consent of the Central Bank of Lesotho is required
4)	Limitations on the number of natural persons						
	a) For employees	A labour market test must be met (WB database)					
	b) For directors	-	-	-	-	-	-
5)	Domestic residency requirement	At least two of the directors including the CEO must be residents	At least two of the directors including the CEO must be residents (Not sure if this applies to SACCOs)	At least two of the directors including the CEO must be residents	At least two of the directors including the CEO must be residents	At least two of the directors including the CEO must be residents	At least two of the directors including the CEO must be residents
6)	Restrictions on the type of legal entities						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	a) Establishment of an agency	Domestic resident should be appointed who shall accept liabilities in case of legal action.	Domestic resident should be appointed who shall accept liabilities in case of legal action.	Domestic resident should be appointed who shall accept liabilities in case of legal action.		Domestic resident should be appointed who shall accept liabilities in case of legal action.	Domestic resident should be appointed who shall accept liabilities in case of legal action.
	b) Establishment of a representative office						
	c) Establishment of a subsidiary/branch	Allowed subject to Central Bank of Lesotho license being issued	Allowed subject to Central Bank of Lesotho license being issued	Allowed subject to Central Bank of Lesotho license being issued		Allowed subject to Central Bank of Lesotho license being issued	Allowed subject to Central Bank of Lesotho license being issued
	d) Establishment of a joint venture	Allowed within prudential limits	Allowed within prudential limits	Allowed within prudential limits		Allowed within prudential limits	Allowed within prudential limits
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	Allowed but capped at 70% (WB database)					
	b) Acquisition of a domestic private entity	Allowed (WB databse)					
8)	Limitations on the interest rates for lending and accepting deposits across borders	Interest rates are capped	Interest rates are capped	Interest rates are capped		Interest rates are capped	Interest rates are capped
9)	Other discriminatory measures						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing	Authorisation from home country supervisor required	Authorisation from home country supervisor required	Authorisation from home country supervisor required	Authorisation from home country supervisor required	Authorisation from home country supervisor required	Authorisation from home country supervisor required
	Specific restrictions						
12)	Limits on the outflow of capital	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.	Prescribed amount of local assets and Individuals limited to M250,000 investments abroad and companies to M50million. Must apply to sell foreign currency.
13)	Limitations on repatriation of funds	Must comply with foreign exchange regulations and seek permission of the Central Bank. This applies to foreign companies that would like to repatriate their earnings beyond the CMA. (WB database)					

5.5 Lesotho's insurance services - sector overview

5.5.1 Structure of the sector

The insurance industry in Lesotho is categorized into general and life insurance. As at December 2010, there were in total six insurance companies, of which four were life, one non-life and one composite. No domestic reinsurer existed. In total the sector comprised 232 intermediaries, of which 13 were insurance brokers and 219 were agents.[1] Table XX summarises the number of operators in Lesotho's insurance market by type of operator.

Table 31: Insurance operators in Lesotho by type of operator

Type of operator	Quantity
General insurers	1
Life insurers	4
Composite	1
Reinsurers	0
Insurance brokers	13
Insurance agents	232

Source: Central Bank of Lesotho, 2010 Annual Report

For a more detailed sector analysis unfortunately no recent statistics could be obtained. Data presented in this part mostly relies on the 2007 Annual Report on Insurance Business provided by the Central Bank of Lesotho. However, a constant number of operators in each subsector between 2007 and 2010, and the rather small size of the sector in Lesotho suggest that the general competition situation presented here is broadly similar to the situation today.

General insurance products in 2007 were offered by Lesotho National General Insurance Company and Alliance Insurance Company. Life insurance products could be obtained from Metropolitan Lesotho Limited, Lesotho National Life Assurance Company and Alliance Insurance Company, whereas Prosperity Insurance Company only offered funeral insurance in 2007. Sentinal Insurance Limited used to provide general insurance products, but according to the CBL 2007 Annual Report on Insurance Business withdrew from the market in 2006. However, according to the CBL website, Sentinal Insurance Limited was still registered as insurance company as at March 2008.[2]

Gross Written Premiums in 2007 for the whole industry (General and Life insurance combined) were Maloti (M) 569,274. Total assets were M 1,925,484 and total Liabilities equalled M1,604,961. The insurance penetration ratio (GPW contribution to GDP in %) stood at 4.9%, which is relatively high in a regional comparison.

The product portfolio of the general insurance sector in 2007 was dominated by multi-peril insurance which made up 37% of Gross Premiums Written in this sector. This was followed by aviation (17%) and motor insurance (15%). Further products included motor vehicle insurance (9%), fire (7%), other (assets all risk, ad cover, house holders and domestic) (6%), employers' liability, public liability and workmen's compensation (4%), construction all risk (3%), general accident (2%), and finally personal accident (0%).[3]

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1 Central Bank of Lesotho, 2010 Annual Report.

2 Central Bank of Lesotho Annual Report on Insurance Business in 2007.

3 Central Bank of Lesotho, Annual Report on Insurance Business in 2007

In the life insurance sector individual life policies accounted for 61% of gross premiums in 2007. Group life policies made up 26%, funeral policies 11% and credit life policies accounted for only 2%.[4]

5.5.2 Competition in the sector

General insurance industry

The general insurance industry in Lesotho is dominated by the Lesotho National General Insurance Company (LNGIC), who held 78% of total assets and 63% of total gross premiums in 2007. In fact, the market is a duopoly as only two companies operate within the subsector. Alliance Insurance Company is the only effective competition to LNGIC and accounted for 22% of total assets and 37% of total gross premiums in 2007. A thrid supplier in the general insurance sector, namely Sentinal Insurance Limited, withdrew in 2006. However, prior to withdrawal the company only played a minor role in the market, accounting for 3% of total assets and 3.4% of gross premiums in 2005. Table XX summarises the general insurance market structure.

Table 32: Market shares of general insurers in Lesotho

	Assets (%)		Gross Premiums (%)	
Company	**2007**	**2005**	**2007**	**2005**
LNGIC	78	65	63	59.1
Alliance	22	32	37	37.5
Sentinal	-	3	-	3.4

Source: CBL Annual Report on Insurance Business in 2007

LNGIC is a subsidiary of the holding company Lesotho National Insurance Company (LNIC). The other subsidiary of LNIC is the Lesotho National Life Assurance Company (LNLAC). The Government of Lesotho holds 50% ownership of the holding company LNIC and a further 46% are owned by African Life.[5]

Alliance Insurance Company was established in 1993 by a group of mainly local businessmen and has subsequently shown strong growth. Initially the the company concentrated on providing general insurance but has started to expand its business in the life insurance sector.[6]

Life insurance industry

The life insurance industry in Lesotho mainly consists of three competitors. As table XX shows, Metropolitan Lesotho had a market share of 88.4% of total assets and 85% of total Gross Premiums in 2007 and is by far the leading company in the market. The scond largest operator in the market is Lesotho National Life Assurance Company (LNLAC), followed by Alliance Insurance Company. Prosperity Insurance Company Limited only started operating in 2007 and only had a market share of 0.02% of total assets and 0.3% of total Gross Premiums.[7]

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4 Central Bank of Lesotho, Annual Report on Insurance Business in 2007

5 Hennie Bester et al 2005 (?)

6 Wade publications Lesotho review

7 Central Bank of Lesotho, Annual Report on Insurance Business in 2007

Table 33: Market shares of life insurers in Lesotho

	Assets (%)		Gross Premiums (%)	
Company	**2007**	**2005**	**2007**	**2005**
Alliance	2.2	2.2	3.9	3.2
Metropolitan Lesotho	88.4	90.2	85.0	85.0
LNLAC	9.4	7.6	10.8	11.8
Prosperity	0.0	-	0.3	-

Source: CBL Annual Report on Insurance Business in 2007

Metropolitan Lesotho is a subsidiary company of Metropolitan Holdings Limited, which is a company listed on the Johannesburg Stock Exchange. Metropolitan started operating in Lesotho in 1967 and the company was incorperated in Lesotho in 2003. Due to its long existence, Metropolitan is well known by the public and beneifits from its high degree of popularity. At the end of 2009, the company had 249 employees, including field staff, who were entirely Basotho without a single expatriate.[8]

5.6 Insurance sector regulatory framework and trade openness

The insurance industry in Lesotho is governed by the Insurance Act no. 18 of 1976. The Act mandates the Central Bank of Lesotho (CBL) to be the Commissioner of Insurance, and supervision of insurers and insurance intermediaries is the responsibility of the Supervision Department within the CBL. The CBL holds quaterly meetings with industry representatives and discusses issues pertinent to the operation and regulation of the industry.[9]

The Insurance Act 1976 is outdated and not aligned with current developments in the industry, nor with the International Association of Insurance Supervisors (IAIS) core principles. Thus, it has been reported that the sector has become very difficult to regulate and supervise. To address this challenge, the CBL has drafted a new Insurance Bill, which has been submitted to the Parliament for enactment.[10]

In addition to the Insurance Act 1976, the Central Bank has also published the Insurance Regulations 1985 (Legal Notice No. 71 of 1985), issued by the Minister of Finance of Lesotho. This document provides changes in regulation to the Insurance Act 1976.

Market Access

Number of foreign suppliers

The Insurance Act 1976 defines no limitations on the number of domestic or foreign insurance suppliers allowed to operate in Lesotho. The number of licenses available to applicants is not restricted.

Value of services transactions

No evidence could be found that services transactions of registered insurance suppliers, domestic and foreign, are restricted through quotas by regulations in Lesotho.

Number of services operations

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8 Wade publications Lesotho review and Central Bank of Lesotho, Annual Report on Insurance Business in 2007

9 Central Bank of Lesotho, Annual Report 2010

10 Central Bank of Lesotho, Annual Report 2009

The total number of service operations or the quantity of output does not seem to be restricted in Lesotho. No sources review for this study indicated otherwise.

Number of natural persons

Lesotho's legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

In terms of the form of commercial presence of foreign insurance companies in Lesotho, the market is very open for engagement from abroad. In all three subsectors, automobile, life insurance and reinsurance, foreign insurance companies are permitted to supply their services through a branch. Furthermore, foreign suppliers can set-up locally incorporated subsidiaries and do not face any ownership restrictions. They are allowed to hold total ownership of the subsidiary.

Establishment of Joint ventures

The establishment of a joint venture with a local partner is allowed for single providers and a group of providers. Foreign companies are allowed to obtain a controlling stake of the domestic firm and ownership of the foreign firm is unlimited.

Participation of foreign capital

Similarly, foreign suppliers can enter Lesotho's insurance market by acquiring a domestic private entity. The law foresees no maximum share of ownership in this case, giving a foreign supplier or a group of suppliers the opportunity to own 100% of the domestic entity. This regulation is valid for all three subsectors, automobile, life insurance and reinsurance.

The acquisition of public entities by foreign firms is also possible according to the law in Lesotho, however not unlimited. Single foreign suppliers or a group of suppliers are allowed to hold a maximum of 70% of the domestic public entity. The foreign supplier is allowed to hold a controlling stake in the domestic firm.

Investment requirements

The Insurance Act 1976 and the Insurance Regulations 1985 further forsee stipulations with regard to the investment of assets of life and general insurers. According to Section 29 of the Insurance Act 1976 and Section 7 of the of the Insurance Regulations 1985, life insurers are supposed to keep invested in Lesotho at all times assets with a market value of 30% of the actuarial valuation of the liabilities under policies issued after the commencement of the regulations of 1985. For general insurance companies Section 30 of the Insurance Act 1976 and Section 8 of the Insurance Regulations 1985 stipulate that an insurer shall keep invested in Lesotho at all times assets having a total market value not less than the sum of the amount of the insurer's reserve for unexpired risks, the estimated amount to be paid in respect of outstanding claims, and the estimated amount to be paid in respect of claims incurred but not reported.

National Treatment

Nationality requirements

In running their business, foreign insurance companies are not obliged to employ a certain number or share of domestic employees. The law foresees no nationality requirements in this case. Similarly, there are no limitations in the number of foreign members on the board of directors. The legislation does not discriminate between domestic and foreign members in this case.

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Tanzanian insurance market do not distinguish between domestic and foreign applicants. Once licenses are approved, they are valid for one year for both, local and foreign suppliers. The approval of the license is subject to renewal every year for local and foreign suppliers.

Other restrictions

Licensing procedures

In terms of licensing procedures, the regulating authority is required to provide a licensing decision within 30 days after having received an application for renewal by a domestic or foreign operator. Should he reject the renewal of the licence he is required to inform the the applicant on the reason for the rejection.

Minimum capital requirements

In order to be registered as an insurer in Lesotho, Section 22 (7) of the Insurance Regulation 1985 requires the insurance company (domestic or foreign) to hold a minimum of M65,000 unimpaired paid-up capital. This regulation is an amendment to Section 7 (1) of the Insurance Act 1976 which previously stipulated that an insurance company has to hold R50,000 or 10% of the premium income if it wishes to transact life insurance business, or R100,000 or 20% of the premium income if it wishes to transact any general insurance business.

Repatriation of earnings

Foreign operators in the three subsectors under review are not allowed to repatriate their earnings freely. They must comply with foreign exchange regulations and are required to seek permission of the Central Bank of Lesotho. This also applies to foreign companies that seek to repatriate their earnings beyond the Common Monetary Area (CMA). Application for approval can be made at any commercial bank in Lesotho.

Cessation requirement to domestic reinsurer

According to the WB Services Trade Database domestic or foreign operators are not obliged to cede a certain percentage of their insurances to the domestic reinsurer. This regulation is valid for all three subsectors under review.

Cross-border purchase of insurance services

Domestic individuals and companies in Lesotho are allowed to obtain insurance from firms located outside the country in the three subsectors automobile, life insurance and reinsurance. In doing so, they are not required to demonstrate domestic unavailability of the service required and the value of the insurance policy is not restricted. Furthermore, they are also not required to seek approval by the regulating authority before buying the foreign insurance.

Table 34: Limitations in trade in insurance services in Lesotho by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB Database)	None (WB Database)	None (WB Database)
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Allowed (WB Database)	Allowed (WB Database)	Allowed (WB Database)
	• Establishment of a subsidiary	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)
	• Establishment of a joint venture	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Allowed, but maximum foreign ownership is 70% (WB Database)	Allowed, but maximum foreign ownership is 70% (WB Database)	Allowed, but maximum foreign ownership is 70% (WB Database)
	• Acquisition of domestic private entity	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)	Allowed, no ownership restrictions (WB Database)
	National Treatment			
7)	Discriminatory measures in licensing	None (WB Database)	None (WB Database)	None (WB Database)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
8)	Nationality requirements for employees	None (WB Database)	None (WB Database)	None (WB Database)
9)	Nationality requirements for the board of directors	None (WB Database)	None (WB Database)	None (WB Database)
10)	Any other discriminatory measures	None (WB Database)	None (WB Database)	None (WB Database)
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	No information	No information	No information
	• length of license	One year, subject to renewal each year (WB Database)	One year, subject to renewal each year (WB Database)	One year, subject to renewal each year (WB Database)
12)	Minimum capital requirements	Minimum of M65,000 unimpaired paid-up capital (Insurance Regulation 1985, Sec. 22 (7))	Minimum of M65,000 unimpaired paid-up capital (Insurance Regulation 1985, Sec. 22 (7))	Minimum of M65,000 unimpaired paid-up capital (Insurance Regulation 1985, Sec. 22 (7))
13)	Restrictions on repatriation of earnings	Permission of Central Bank of Lesotho is required; must comply with foreign exchange regulations, also for foreign companies that seek to repatriate their earning beyond the Common Monetary Area (CMA); Application can be made at any commercial bank in Lesotho. (WB Database)	Permission of Central Bank of Lesotho is required; must comply with foreign exchange regulations, also for foreign companies that seek to repatriate their earning beyond the Common Monetary Area (CMA); Application can be made at any commercial bank in Lesotho. (WB Database)	Permission of Central Bank of Lesotho is required; must comply with foreign exchange regulations, also for foreign companies that seek to repatriate their earning beyond the Common Monetary Area (CMA); Application can be made at any commercial bank in Lesotho. (WB Database)
14)	Mandatory cessation requirements to domestic reinsurers	None, as no domestic reinsurer exists in Lesotho (WB Database)	None, as no domestic reinsurer exists in Lesotho (WB Database)	None, as no domestic reinsurer exists in Lesotho (WB Database)
15)	Purchase of insurance from suppliers located outside Lesotho	Allowed, no demonstration of domestic unavailability necessary (WB Database)	Allowed, no demonstration of domestic unavailability necessary (WB Database)	Allowed, no demonstration of domestic unavailability necessary (WB Database)

6 MALAWI

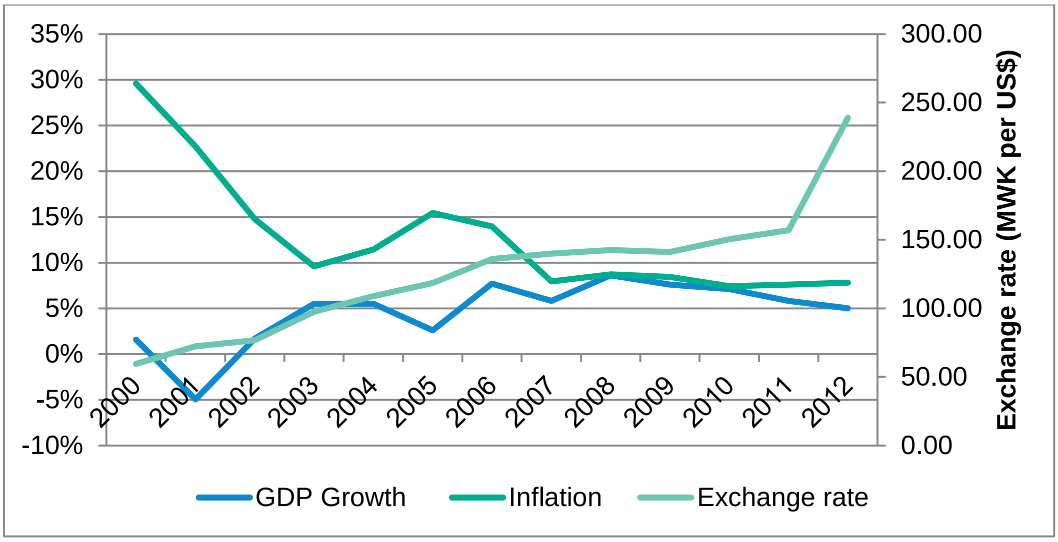
6.1 Malawi's economy

Malawi is a small land-locked country in the south-central part of the continent. Its land area covers an estimated 118,000km^2 of which surface water, including Lake Malawi, takes up as much as 20% of the country's total area. The population of Malawi was estimated to be approximate14.9 million (2010 estimate)[127].

Although Malawi's economy has performed well in recent years, the country is still considered as one of the poorest countries in the world. Agriculture continues to be the main economic activity, contributing 31.6% to GDP in 2010, whilst the wholesale, retail trade, hotel and restaurant sector has the second largest share of 23.5%.

The inflation rate has declined significantly since 2000 and has been largely contained to within single digits since 2007. Due to reduced donor inflows, shortages of foreign exchange and essential commodities such as fuel, Malawi's economic growth slowed from 6.7% in 2010 to 5.8% in 2011.

Figure 14: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

6.2 Malawi's financial sector

6.2.1 Financial sector policy

In the early 1980s, the government began financial sector reforms as part of an IMF's structural adjustment programme. The main objective of these reforms was to facilitate the expansion of the sector as well as to encourage greater competition. In 1989 legislation was adopted that was more market-oriented: the Reserve Bank of Malawi Act gave the Reserve Bank of Malawi the full mandate to conduct monetary policy and supervise the banks; and the Banking Act addressed licensing and prudential requirements as well as enforcement matters[128]. The Act made the Reserve Bank responsible for the licensing of banks, although the final decision to grant or revoke

127 World Bank Development Indicators

128 See – Chirwa, E.W. and Mlachila, M. 2001.

licences lay with the Ministry of Finance. This provision effectively limited the independence of the central bank. Nevertheless, the revamp of the two acts created an enabling environment for new market entrants and competition in the sector[129]. The first foreign shareholders entered the market in 1994, five years after the market reforms and the same year that President Banda left office[130].

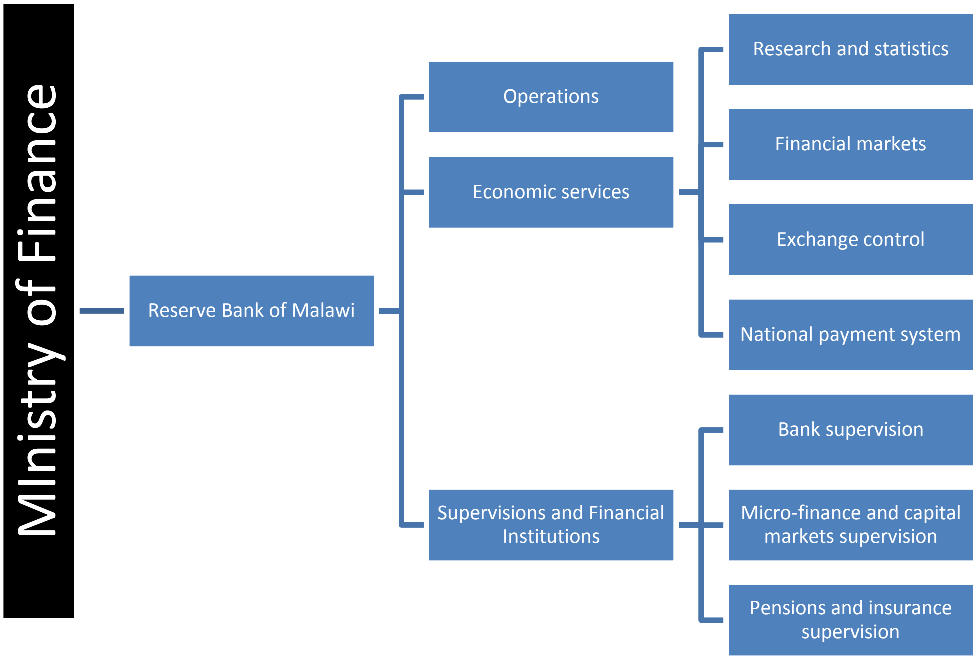
The banking industry is currently regulated by the Reserve Bank of Malawi Act, the Banking Act, as well as the Financial Services Act of 2010, which is the umbrella Act in the financial services industry. It is important to note that this legislation does not distinguish between local and foreign owned entities.

6.2.2 Financial sector regulation

The regulation of Malawi's bank and non-bank financial services sector is dominated by the Reserve Bank of Malawi. The Reserve Bank of Malawi was established under an Act of Parliament in 1964 and started its operations in 1965. The Bank replaced the Federal Bank of Rhodesia and Nyasaland that had been created to serve as the central bank of the Federation of Rhodesia and Nyasaland.

The bank has three units that focus on operations, economic services and the supervision of financial institutions respectively. All support services fall under the Operations Unit, whilst the Bank's core operations are conducted by the Economic Services and Supervision Units. Exchange control, research, and the management of the financial markets and national payment systems all fall under the economic services unit. The supervision of banks, capital markets, pensions and insurance falls under the supervision and financial institutions unit.

Table 35: The organisational structure of Malawi's financial sector regulators



129 Ibid.

130 Burritt, K. 2006. Expanding access to financial services in Malawi. United National Capital Development Fund [Available online: http://uncdf.org/english/microfinance/uploads/technical/MalawiMFlr2.pdf

6.2.3 Financial depth and performance

Summing up the employee levels reported in the bank annual reports for 2010, the total employment in the banking sector was 3 995. The World Bank reports that there were 1.79 ATMs and 1.48 bank branches per 100,000 adults in 2008. Despite aggressive ATM roll outs by banks such as First Merchant Bank, this still compares poorly relative to other regional economies such as Namibia and South Africa. Domestic credit provided by the banking sector as a ratio of GDP was 28.39% in 2010 compared to 80.49% in Sub-Saharan Africa and 160.42 in the OECD[131].

6.3 Malawi's banking and non-bank financial services – sector overview

6.3.1 Malawi's banking sector

As at 31 January 2012, there were eleven banks licenced to operate in Malawi. Other financial institutions regulated by the Reserve Bank of Malawi include discount houses, leasing companies, and credit reference bureaus.

Table 36: Summary of the banking institutions in Malawi,2010

Type of operator	Ownership	Assets (MK'000)	Branches
Banks			
National Bank of Malawi Ltd	Government	82,729,000	11
Standard Bank Malawi Ltd	South Africa	55,152,000	8
Nedbank Ltd	South Africa		3
Indebank Ltd	Local	11,552,378	5
First Merchant Bank Ltd	Mixed	26,326,505	7
Ecobank (Formerly Loita Investment Bank)	Togo	5,811,785	6
NBS Bank Ltd	Local	37,154,250	13
Opportunity International	USA		
International Commercial Bank Malawi Ltd	Switzerland		3
Malawi Savings Bank Ltd	Government	25,146,466	6
FDH Bank	Local	6,267,098	5
CDH Investment Bank			
Other financial institutions			
First Discount House			
Leasing & Finance Company			

Source: Reserve Bank of Malawi (2010), Bank Supervision Annual Report 2010, Bank Supervision Annual Report 2005

In 2010, National Bank of Malawi and Standard Bank commanded the majority of the banking industry's market share as measured by total assets and liabilities (for those banks for which this data was available).

131 World Bank Data

Table 37: Market share analysis based on the liabilities to customers and total assets, 2010

	Liabilities to customers/ deposits (MK'000)	Market shares based on liabilities**	Assets (MK'000)	Market shares based on assets**
National Bank of Malawi	59,030,000	32.9%	82,729,000	34%
Standard Bank	42,631,000	23.7%	55,152,000	22%
INDEbank	8,666,368	4.8%	11,552,378	5%
First Merchant Bank	15,824,702	8.8%	26,326,505	11%
Ecobank (formerly Loita Bank)	2,962,596	1.6%	5,811,785	2%
NBS Bank			37,154,250	15%
Malawi Savings Bank	20,495,945	11.4%	25,146,466	10%
FDH Bank	4,512,762	2.5%	6,267,098	3%
Total	**179,671,900**	**100.0%**	**245,166,900**	

Source: DNA calculation from annual reports

6.3.2 Microfinance industry

Although Malawi's non-bank financial institutions sector is still at a relatively early stage of its development, developments in microfinance and mobile payments are likely to accelerate the growth of this sector. The Microfinance and Capital Markets Supervision Unit of the Reserve Bank of Malawi is responsible for regulating and supervising microfinance institutions, financial cooperatives and capital markets.

a) *Microfinance.* The Financial Services Act, 2010 and the Microfinance Act, 2010 govern the regulation and supervision of microfinance sector in Malawi. All non-deposit taking microfinance institutions must be incorporated as companies with a minimum capital of K75 million[132]. In the case of foreign owned or partially foreign owned microfinance institutions, authorisation from the board of directors at home as well as the home regulator are required[133].

b) *Financial cooperatives*. The regulation and supervision of financial cooperatives is also conducted by the Microfinance and Capital Markets Division. The registration of financial cooperatives is done by the Registrar of Cooperatives under the Cooperatives Societies Act of 1998, whilst licensing is undertaken by the Registrar of Financial Institutions under the Financial Services Act of 2010. The legal framework that governs the operations of financial cooperatives is the Financial Cooperatives Act of 2011. No entity may engage in receiving deposits and extending credit to its members as a savings and credit co-operative (SACCO) unless they are licensed by the Registrar.

6.3.3 Collective investment schemes

No data under this category was available but service providers are regulated under the Securities Act and by regulations such as the Securities (Establishment of Collective Investment Schemes) Directive of 2010]

132 See – Section 6 of the Non-deposit taking microfinance institutions directive

133 See – Section 6(f) and (g) of the Non-deposit taking microfinance institutions directive

6.3.4 National Payments System (NPS)

The Reserve Bank of Malawi provides settlement facilities through the Malawi Interbank Transfer and Settlement System (MITASS). For prudential reasons, all participants in the NPS with access to MITASS must have a commercial bank license, access to Reserve Bank lending, are subject to liquidity reserves and must maintain a settlement account with the central bank[134].

There are currently four banks that are members of VISA, and settlement of interbank obligations arising from local transaction amongst these four banks is effected outside Malawi in foreign currency. One of the advantages of the VISA platform is that it introduces interoperability into the ATM payments system allowing the customers of a bank to access their accounts from another bank's ATMs. The disadvantages of the current arrangement however include its negative effect on Malawi's balance of trade and the fact that the account holders from these four banks often end up paying higher fees each time they access a VISA branded ATM belonging to another bank due to the inclusion of interchange fees that are in denominated in foreign currency[135].

In recent years the Malawi NPS has undergone a number of reforms, including the release of mobile payments guidelines and the commencement of the World Bank funded Financial Sector Technical Assistance Project (FSTAP) that seeks to strengthen the NPS by introducing an automated transfer system, central securities depository, and a national switch[136].

6.3.5 Bureaux de change

No data under this category was available, but service providers are regulated in the same manner as other brokers or dealers.

6.3.6 Capital markets

The Financial Services Act, 2010 and the Securities Act, 2010 are the legislative frameworks that govern the regulation and supervision of capital markets. The legislation places the mandate of registering and supervising the securities exchanges, brokers, dealers, portfolio managers, market makers, investment advisers and underwriters under the Registrar of Financial Institutions.

The membership rules for the MSE restrict the ability of foreign firms to participate. For a company to be a member of the MSE, the entity must be incorporated in Malawi, and the sole object of the incorporated entity must be stock broking. The corporate applicant must obtain a dealing license and should employ at least one licensed stockbroker, and in turn, a licensed stockbroker must be a natural person that is ordinarily resident in Malawi.

Table 38: Stockbrokers in Malawi

Type of operator	Ownership	Branches
Stockbrokers		
Stockbrokers Malawi Ltd	Malawi	
FDH Stockbrokers	Malawi	
African Alliance Securities Ltd		
CDH Stockbrokers Ltd	Malawi	2

Source: Malawi Stock Exchange website

134 (Reserve Bank of Malawi, 2008)
135 Payment Systems Annual Report 2011
136 Payment Systems Annual Report 2011

6.4 Trade openness in banking services

Market access

Number of foreign suppliers

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit or quota on the number of licenses that may be allocated to foreign and domestic operators in the banking and financial sector.

Total value of services transactions or assets

Non-deposit taking microfinance institutions can only open a new branch office or relocate an office if they have permission from the regulator[137]. Section 9(2) of the Microfinance Act of 2010 further generalises this to include all microfinance institutions.

Total number of services operations/quantity of service output

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit on services operations.

Number of natural persons

It is a requirement that vacancies in Malawi should first be offered to qualified Malawians. Only in cases where there is demonstrated shortage of skills within Malawi can the position be offered to an expatriate. All applications should show that the post was advertised locally and that it was not possible to identify a suitably qualified person locally[138].

Domestic residency requirement

Under the Reserve Bank of Malawi's Directive on New Directors, section 2.9 and 2.10 on competence and expertise, the Bank states that senior management officials of banks and financial institutions should be persons that reside in Malawi. For directors and audit committee members, they must also be residents of Malawi unless one other director or audit members is already a resident of Malawi or there is reasonable evidence to suggest that they can attend meetings regularly. Section 5.2.3 of the Corporate Governance Guidelines of the Bank goes further to require that the majority of a financial institution's board should be non-executive and reside in Malawi.

Type of legal entity

Section 21 of the Financial Services Act of 2010 requires that all person/entities in the financial services sector should be licensed by the Reserve Bank of Malawi.

Participation of foreign capital

Under sections 53(2) to (4) of the Financial Services Act of 2010, an individual or entity (foreign or local) may not own more than 49% of a prudentially regulated entity without the approval of the registrar. At the entry into force of the Act in 2010, individuals and entities controlling more than 49% were given 5 years to dilute their shareholding. What is not clear about this provision is how it applies to 100% owned subsidiaries.

Under the Guidelines for Mergers and Acquisitions of Banks, the Reserve Bank simply requires that if one of the parties is foreign that authorisation from the foreign party's home regulator should be provided.

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137 See – Section 13 of the Non-deposit taking microfinance institutions directive

138 (Department of Immigration, Malawi)

National treatment

Discriminatory measures in licensing

Our review of publically available information sources did not reveal any evidence to suggest that there are discriminatory measures in licensing except for the standard prudential requirements such as home country approval.

Specific restrictions

Repatriation of funds

The World Bank database notes that there are exchange control regulations and tax compliance regulations, and that central bank approval must be obtained.

Table 39: Limitations in trade in financial services in Malawi

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)					
2)	Limitations on the total value of services transactions or assets	None (WB database)					
3)	Limitations on the total number of branches/quantity of services output	Reserve Bank of Malawi approval required to relocate, open or close a branch	Reserve Bank of Malawi approval required to relocate, open or close a branch	Reserve Bank of Malawi approval required to relocate, open or close a branch	Reserve Bank of Malawi approval required to relocate, open or close a branch	Reserve Bank of Malawi approval required to relocate, open or close a branch	Reserve Bank of Malawi approval required to relocate, open or close a branch
4)	Limitations on the number of natural persons						
	– For employees	Labour market test. (WB database). Malawians should be given preference then only if none are available may the employer apply for a permit	Malawians should be given preference then only if none are available may the employer apply for a permit	Malawians should be given preference then only if none are available may the employer apply for a permit	Malawians should be given preference then only if none are available may the employer apply for a permit	Malawians should be given preference then only if none are available may the employer apply for a permit	Malawians should be given preference then only if none are available may the employer apply for a permit
	– For directors	Up to 5 top executive positions may be filled by foreigners. (WB database)					
5)	Domestic residency requirement	Senior management, at least one audit committee member and at least one board member	Senior management, at least one audit committee member and at least one board member	Senior management, at least one audit committee member and at least one board member	Senior management, at least one audit committee member and at least one board member	Senior management, at least one audit committee member and at least one board member	Senior management, at least one audit committee member and at least one board member

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
6)	Restrictions on the type of legal entities						
	– Establishment of an agency						
	– Establishment of a representative office						
	– Establishment of a subsidiary/branch						
	– Establishment of a joint venture	None (WB database)					
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	None (WB database). May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%
	b) Acquisition of a domestic private entity	None (WB database). May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%	May own up to 49%
8)	Limitations on the interest rates for lending and accepting deposits across borders	None (WB database)					
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
10)	Discriminatory measures in licensing	Approval of home regulator	Approval of home regulator	Approval of home regulator	Approval of home regulator	Approval of home regulator	Approval of home regulator
	Specific restrictions						
12)	Limits on local businesses exporting their services						
13)	Limits on repatriation of funds	Exchange controls, tax compliance regulations, and central bank approval (WB database)	Exchange controls, tax compliance regulations, and central bank approval	Exchange controls, tax compliance regulations, and central bank approval	Exchange controls, tax compliance regulations, and central bank approval	Exchange controls, tax compliance regulations, and central bank approval	Exchange controls, tax compliance regulations, and central bank approval

6.5 Malawi's insurance services - sector overview

6.5.1 Structure of the sector

At the end of 2011, the Malawian insurance sector consisted of 12 insurance companies, including one reinsurer, namely Malawi Reinsurance Co. Ltd. The law restricts insurance companies from engaging in both general and life insurance. In effect, however, this seems to be the case due to interlocking ownership by corporate holdings (e.g. Nico Holdings or Press Corporation Ltd.).[139] Table XX shows the number of operators in the Malawian insurance market by type of operator in 2011.

Table 40: Insurance operators in Malawi by type of operator

Type of operator	Quantity
General insurers	7
Life insurers	4
Reinsurers	1
Insurance brokers	12
Insurance agents	173

Source: Reserve Bank of malawi (RBM), Pension and Insurance Supervision (PISU) Department, Annual Report 2011

Ownership structure

Ownership structure of insurance companies to be included.

Insurance industry performance

In 2011, total insurance sector gross premiums written (GPW) equalled K12.6 billion. Out of this, general insurance accounted for K9.7 billion or 77%. Over the last four years the general insurance subsector has constantly grown with growth rates of 12.9%, 22.8% and 10.9% for the years 2009, 2010 and 2011 respectively. Life insurance premiums equally saw strong growth rates of 43.6% in 2010 and 11.9% in 2011. The life subsector made up K2.9 billion or 23% of total insurance sector GPW. With regard to assets, consolidated general insurance industry assets shrunk by 7.9% to K10.6 billion in 2011, down from K11.5 billion in 2010. Total life insurance assets, on the other hand, increased by 12.5% in 2011, totalling K68.8 billion.[140]

Malawi's insurance penetration ratio (GPW contribution tp GDP) in 2010 stood at 1.65%, a comparatively low value in the SADC region. Similarly, Malawi's insurance density (GPW per capita in US Dollar units) at 6.5 marked a lower position compared to other SADC neighbours. Of the total premiums written in all SADC countries, Malawi's share is 0.16%.[141] Hence, insurance in Malawi makes a rather small contribution to the economy and in the region.

Insurance product landscape

With regard to available insurance products in Malawi, the RBM PISU Annual Report 2011 provides statistics for three classes of general insurance business, including motor, fire and personal accident. The remaining products for the general segment are summarised under miscellaneous insurance. Looking at the product range offered by NICO General Insurance Co. Ltd, the market leader in general insurance in Malawi, reveals a wide range of offered products in addition to the three categories listed above. These include house holders insurance, engineering, goods-in-transit, marine, workers compensation, professional indemnity and others. Motor insurance is the biggest premium earner accounting for 59.7% of gross premiums written in the general insurance segment in 2011. As in

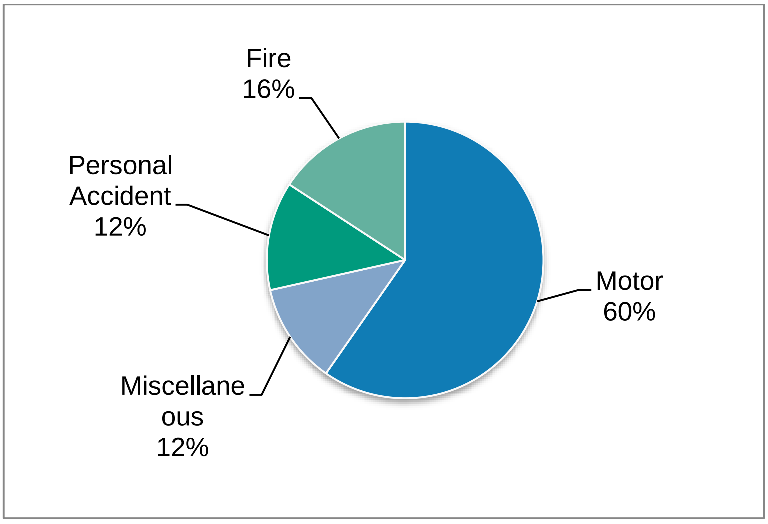
139 Trade Policy Review 2010, Malawi

140 Reserve Bank of malawi (RBM), Pension and Insurance Supervision (PISU) Department, Annual Report 2011

141 Mwiru 2011

other SADC countries, third-party liability motor insurance is obligatory. Figure XX shows market shares of general insurance products in Malawi in 2011.

Figure 12: Composition of gross premiums by class of general insurance in 2011



Source: Reserve Bank of Malawi (RBM), Pension and Insurance Supervision (PISU) Department, Annual Report 2011

6.5.2 Competition in the sector

Competition in the general insurance market

The general insurance industry in Malawi is rather concentrated. Of the seven registered insurers, the top three companies accounted for almost three quarters (74%) of total subsector assets and for more than two thirds (69.5%) of total premiums written in 2011. NICO General Insurance Co Ltd., the biggest player in the market, alone holds 43.5% of total assets and wrote 36.6% of total premiums in 2011. The company is a wholly owned subsidiary of NICO Holdings Ltd, a financial group whose core business is insurance and banking services. Other companies under NICO Holdings Ltd. are NICO Life Insurance Company Ltd., NICO Zambia Insurance Ltd., NICO Insurance Uganda Ltd., NIKO Insurance Tanzania Ltd., NICO Technologies Ltd. and NBS Bank. Besides its engagement in financial services, NICO Holdings owns hotels, real estate, a hospital and a shopping mall.[142] Table XX shows market shares of general insurers in terms of total assets and gross premiums in 2011.

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142 NICO General Insurance Company Ltd. Website

Table 41: Markets shares of general insurers in Malawi in 2011

	Total Assets 2011		Gross Premiums 2011	
Company	**K' million**	**%**	**K' million**	**%**
NICO General insurance Co	4,597.5	43.5%	3,534.5	36.6%
General Alliance Insurance Co	1,929.4	18.2%	1,379.1	14.2%
United General Insurance Co	1,358.7	12.8%	1,881.4	19.3%
REAL Insurance Co	1,110.6	10.5%	1,071.1	11.0%
Prime Insurance Co	651.6	6.2%	1,147.9	11.8%
Charter Insurance Co	600.0	5.7%	416.0	4.3%
Reunion Insurance Co	332.3	3.1%	303.4	3.1%
Total	10,580.1	100%	9,733.35	100%

Source: Reserve Bank of malawi (RBM), Pension and Insurance Supervision (PISU) Department, Annual Report 2011

Competition in the life insurance market

The life insurance subsector is highly concentrated and mainly shared by only two large players, Old Mutual and NICO Life Insurance company. Between them they held 98.6% of total assets and 83.3% of total gross premiums in 2011. Old Mutual Malawi is the market leader, owning 57.1% of total assets. It is a subsidiary of Old Mutual plc., a leading international long-term savings, protection, banking and investment Group, based in London. Table XX shows market shares of life insurers in terms of total assets and gross premiums in 2011.

Table 42: Market shares of life insurers in Malawi in 2011

	Total Assets 2011		Gross Premiums 2011	
Company	**K' million**	**%**	**K' million**	**%**
Old Mutual	39,226.98	57.1%	793.54	27.4%
NICO Life	28,530.73	41.5%	1,641.84	55.9%
Vanguard	912.63	1.3%	696.5	1.1%
Smile Life	129.27	0.2%	200.79	6.8%
Total	68,799.62	100%	2,935.20	100%

Source: Reserve Bank of malawi (RBM), Pension and Insurance Supervision (PISU) Department, Annual Report 2011

6.6 Insurance sector regulatory framework and trade openness

In Malawi, the Insurance Act of 2010 provides the primary legislative framework which governs the insurance market. This new insurance Act is an amended version of the Insurance Act of 1957 previously in place. Under delegated powers from the Ministry of Finance, The Reserve Bank of Malawi is responsible for supervising the industry. The Reserve Bank currently regulates and supervises the following market players which make up the insurance industry: general insurance companies, life insurance companies, reinsurance companies, insurance brokers, insurance agents and insurance loss assessors/adjusters.

In 2012, the Reserve Bank undertook several regulatory reforms. It issued four new directives for transaction of insurance business, including directives for risk management, fit and proper persons, corporate governance and premium payment. Adding these four new directives to the two existing ones, namely the financial reporting requirements directive and the minimu capital & solvency requirements directive, there are now in total six directives in place.

Regulations in trade in insurance services for Malawi presented below are based on the Acts and legislations presented above as well as information obtained from the World Bank Services Trade

Restrictions Database (World Bank 2009)[143], as well as other sources. Data from the World Bank Database for Malawi is from the year 2008. Wherever there are no specific references to the relevant Acts or other sources, the information presented is based on the data from this Database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three segments of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

For the three subsectors no quotas or prohibitions on the number of licenses available to domestic or foreign operators could be identified. The Insurance Act or regulations do not contain any information indicating that there was a restriction in this regard.

Value of services transactions

Similarly, no evidence could be found suggesting that services transactions of licensed insurance providers, domestic or foreign, are limited through quotas.

Number of services operations

Further, properly licensed insurance companies do not seem to be restricted in the number of branches they are allowed to open or in the number/amount of insurance policies they are permitted to sell.

Number of Natural persons

Malawi's legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

Foreign insurance providers are not allowed to establish a commercial presence through a branch. Section 8(a) of the Insurance Act requires that an applicant for a license as an isurer, other than an external reinsurer, is a company incorporated under the Companies Act. Section 15(1) further states that an insurer is supposed to establish a principal office in Malawi and shall appoint a principal officer in Malawi. The establishment of a domestically incorporated subsidiary is allowed and foreign suppliers do not seem to face any ownership restrictions.

Establishment of joint ventures

With regard to joint ventures, foreign operators can enter into partnerships with local firms and are permitted to hold a controlling stake. No restrictions were found in this regard.

Participation of foreign capital

Malawi is generally open to foreign investment and foreign investors are generally granted national treatment. Its constitution protects investment, irrespective of ownership.[144] In all three insurance subsectors, foreign insurers may enter the market by acquiring a domestic private or public entity. In

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143 World Bank 2009

144 WTO Trade Policy Review 2010 Malawi

both cases they do not seem to face any ownwership restrictions and may obtain a controlling stake in the domestic private or public insurer.

With regard to capital requirements, the minimum for general insurers (foreign and domestic) is K50 million paid-up capital (Insurance (Minimum Capital and Solvency Requirements for General Insurers) Directive, 2010). For life insurers the minimum requirement is K70 million and for reinsurers it is K100 million.

National Treatment

Discriminatory measures in licensing

When applying for a license, domestic and foreign applicants may be treated differently with regard to solvency margin requirements. The World Bank database indicates that foreign insurers in all three subsectors under review may not be exempted from solevency margin requirements whereas this may be possible for locally established applicants. This information could, however, not be verified by the Insurance Act and related direcives.

Nationality requirements

Section 9(1) of the Directive to the Insurance Act 2010 *Minimum standards on corporate governance for insurance companies* requires that the Board of an insurer has at least five directors. Section 9(7) further stipulates that a majority of the directors and the chairperson of the Board shall ordinarily reside in Malawi. According to Section 7(g,h) at least one member of the senior management is also required to reside in Malawi and in the case of a foreign controlled insurer, the senior management of a subsidiary shall report to a local Board established in Malawi. However, no indications with regard to nationality requirments of board members could be identified.

With regard to employees, data for the year 2008 from the World Bank Services Trade Restrictions Database indicates that foreigners can only be employed after meeting the labour market test. Furthermore, only up to five top executive positions may be occupied by foreigners if required by the foreign investor. This restriction could, however, not be identified in the Insurance Act 2010 or related legislation, so that it remains unclear whether this restriction is valid in practice or not.

Other restrictions

Licensing procedures

The regulating authority holds discretion over the decision to issue a license to an applicant. It is not automatically granted if the public criteria are fullfilled. The licence is valid for one year and subject to renewal every year.

Repatriation of earnings

Insurers that want to repatriate earnings must comply with exchange control regulations and tax requirements. For this they need to obtain approval of the Central Bank. Section 70 of the Insurance Act further states that unless the exchange control authorities have approved the transaction in writing, insurers shall not quote insurance contracts in foreign currency.

Cessation requirement to domestic reinsurer

Domestic and foreign insurers in all subsectors under review are not obliged to cede a certain percentage of their insurance business to the domestic reinsurer.

Cross-border purchase of insurance

Domestic individuals and companies in Malawi are not permitted to conclude insurance contracts for automobile insurance (and presumably general shot-term insurance) with providers located outside the country. Accroding to the World Bank database, cross-border purcahse in life insurance and reinsurance is allowed, but consumers need to demonstrate domestic unavilability of the particular insurance service requested. Section 18 of the Insurance Act, on the other hand, stipulates that no insurer, insurance broker, insurance agent or any other person shall place insurance business, other than reinsurance business, outside Malawi unless it is approved in writing by the Registrar.

Table 43: Limitations in trade in insurance services in Malawi by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None	None	None
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed, requirement to be incorporated under the Companies Act (Insurance Act 2010, Section 8(a))	Not allowed, requirement to be incorporated under the Companies Act (Insurance Act 2010, Section 8(a))	Allowed (Insurance Act 2010, Section 8(a))
	• Establishment of a subsidiary	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)
	• Acquisition of domestic private entity	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)	Allowed, No ownership restrictions (WB database)
	National Treatment			
7)	Discriminatory measures in licensing	None	None	None

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
8)	Nationality requirements for employees	Foreigners can only be employed after meeting the labour market test; Five top executive positions may be occupied by foreigners if required by the foreign investor (WB database, not verified by Insurance Act)	Foreigners can only be employed after meeting the labour market test; Five top executive positions may be occupied by foreigners if required by the foreign investor (WB database, not verified by Insurance Act)	Foreigners can only be employed after meeting the labour market test; Five top executive positions may be occupied by foreigners if required by the foreign investor (WB database, not verified by Insurance Act)
9)	Nationality requirements for board of directors	The majority of the directors and the chairperson of the Board shall ordinarily reside in Malawi (Insurance (Minimum Standards of Corporate Governance for Insurance companies) Directive, 2010)	The majority of the directors and the chairperson of the Board shall ordinarily reside in Malawi (Insurance (Minimum Standards of Corporate Governance for Insurance companies) Directive, 2010)	The majority of the directors and the chairperson of the Board shall ordinarily reside in Malawi (Insurance (Minimum Standards of Corporate Governance for Insurance companies) Directive, 2010)
10)	Any other discriminatory measures	None	None	None
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	License allocation at discretion of regulatory authority	License allocation at discretion of regulatory authority	License allocation at discretion of regulatory authority
	• length of license	No information found	No information found	No information found
12)	Minimum capital requirements	For domestic insurers: minimum of R3 million of stated capital; For domestic insurers exclusively carrying our captive insurance business: minimum of R500,000 (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $100,000 of paid-up capital; For non-domestic insurers exclusively carrying our captive insurance business: minimum of $25,000 (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)	For domestic insurers: minimum of R3 million of stated capital; For domestic insurers exclusively carrying our captive insurance business: minimum of R500,000 (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $100,000 of paid-up capital; For non-domestic insurers exclusively carrying our captive insurance business: minimum of $25,000 (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)	For domestic reinsurers: minimum of R5 million of stated capital; (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $50,000 of paid-up capital; (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
13)	Limitations on repatriations of earn-ings	None	None	None
14)	Mandatory cessation requirements to domestic reinsurers	None	None	None
15)	Purchase of insurance from suppli-ers located outside Malawi	Not allowed	Not allowed	Allowed

7 MAURITIUS

7.1 The Mauritian economy

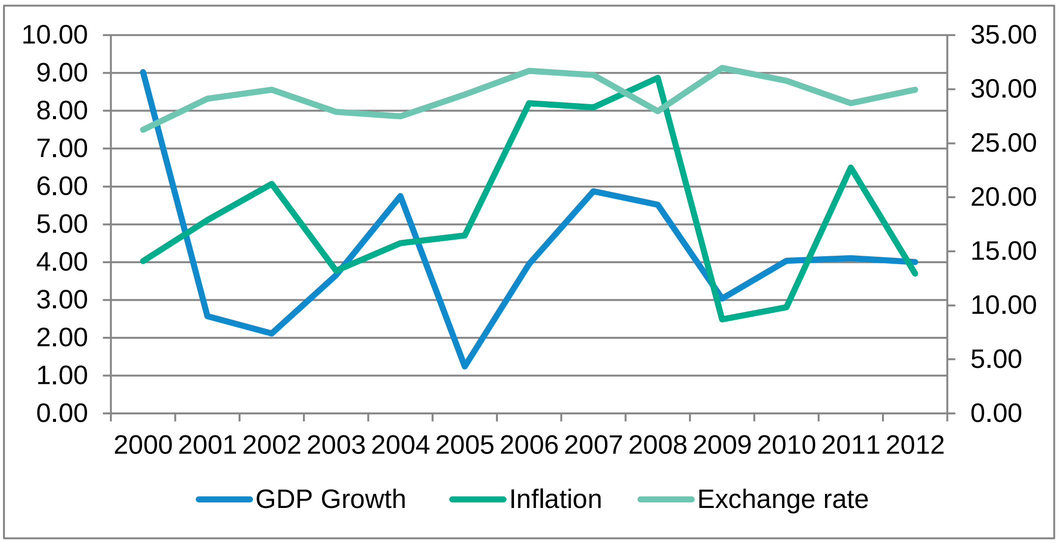
Mauritius is a cluster of small islands located east of the African mainland's east coast. The islands have a total land area of 2,040km^2, and an estimated population of 1.3 million (est. 2013).

When Mauritius gained its independence in 1968, the country was a low income state with an agriculture based economy. The Mauritian economy is now a diversified middle-income economy whose four pillars are: sugar, textiles, tourism and financial services. The economy is also expanding into fish processing, information and communications technology, and hospitality. Approximately 90% of all cultivated land is used to cultivate sugar cane which makes up 15% of total exports.

Due to increasing competition and declining margins in sugar and textiles, the Mauritian government at the turn of the millennium made the decision to diversify the economy. The government adopted legislation such as the Business Facilitation Act of 2006 which simplified the business licensing process with respect to starting a business and allowed businesses to start operations within three days of incorporation. Also, residence permits and work permits for foreign investors, entrepreneurs, and professionals have been combined into what is called an occupation permit, which is now processed within three working days. The country's location off the coast of Africa offers an attractive business base due to its proximity for both regional and international trade, especially into the COMESA and SADC regions. Offshore business activities became a significant sector in Mauritius as from 1992, when the Mauritian Offshore Business Activities Act (MOBA Act 1992) came into force. In 2001, under the Financial Services Development Act 2001 the government established a Financial Services Commission (FSC) and an Advisory Council. The FSC now monitors the country's stock exchange, offshore business activities and the insurance industry.

In 2012, Mauritius' GDP stood at US$11.93 billion, whilst GDP per capita adjusted for purchasing power parity was US$15,600. Growth in real GDP growth is relatively robust averaging 4.2% from 2003 to 2012. This stability has made Mauritius one of the most competitive and successful economies in Africa. The Mauritian government itself actively seeks foreign investment making Mauritius one of the world's most open economies to foreign ownership and one of the highest recipients of Foreign Direct Investment (FDI) per head of population. Average FDI per head from 2005 to 2009 was US$ 217.

Figure 13: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

7.2 Mauritius' Financial Sector

7.2.1 Financial sector policy

In the 1990's Mauritius decided to establish itself as an International Financial Centre. The country established the Global Business sector in 1992 to try and attract foreign investment to various banking and non-banking activities. By January 2010 there were 28,000 Global Business vehicles established in Mauritius[145].

For tax structuring and planning purposes, Global Business vehicles can either operate as a Global Business Company 1 (GBC1) or as a Global Business Company 2 (GBC2). A GBC1 can carry out business activities such as asset management, credit finance, custodian services (non-CIS), distribution of financial products, factoring, leasing, occupational pension schemes, pension fund administration, pension scheme management, retirement benefit schemes, superannuation funds, registrar and transfer agencies, treasury management and other non-banking financial activities. The GBC1 is considered a tax resident of Mauritius and therefore benefits from a favourable tax rate. A GBC2 conducts its business only with non-residents and in currencies other than the Mauritian rupee. It is not a tax resident in Mauritius and therefore cannot benefit from double taxation avoidance treaties[146].

7.2.2 The regulatory framework

In the late 1980s Mauritius embarked on a process of liberalising the financial sector. The driving force behind these reforms was the desire to develop and modernise the financial sector in order to position Mauritius as a regional financial centre. The sector now consists of an array of institutions including large international banks, investment banks, insurance companies, stockbrokerages, leasing and credit institutions, foreign exchange dealers, and non-bank deposit taking institutions.

145 (HSBC, 2010)
146 (HSBC, 2010)

The regulation of the Mauritian financial sector is conducted mainly through two regulatory bodies, the Bank of Mauritius (which is the central bank) and the Financial Services Commission (FSC).

- *Bank of Mauritius.* The Bank of Mauritius was first established as the Mauritian central bank in 1967. Its current mandate and purpose is however contained in the Bank of Mauritius Act of 2004. The primary objective of the Bank is to safeguard the value of the national currency and its international convertibility. The Bank is also responsible for formulating monetary policy; acting as the Government's banker and advisor; managing public debt; establishing an efficient payment, settlement and clearing system; managing foreign currency reserves; and regulating the banking sector.

The relevant Act for the regulation of the banking industry is the Banking Act of 2004. Under this Act for banks to be licensed in Mauritius, they must be incorporated under Mauritian law.

- *Financial Services Commission (FSC).* The Financial Services Commission of Mauritius was established in 2001 by the Financial Services Act as the regulator for non-bank financial services. The legal framework within which the regulator operates includes the Financial Services Act, the Securities Act and the Insurance Act[147]. The overriding mission of the FSC is to promote the development of financial institutions and capital markets in Mauritius, suppress crime and malpractice, and ensure the stability of the financial system.

Table 44: Licensing activity of the FSC in 2011

Enabling Laws	Categorisation as per the FSC rules	Number of entities licensed from July 2009 to Dec. 2010	Number of entities licensed 2011
Financial Services Act	Financial Services Providers	32	5
	Specialised Financial Services Institutions	36	2
	Corporate and Trust Services Providers		9
Securities Act	Capital Market Intermediaries	90	14
	Collective Investment Schemes (CIS) and Closed-end Funds (CEFs)	165	2
	CIS functionaries and professionals	65	3
Insurance Act	Insurance service providers		
	– Insurance agents		18
	– Insurance brokers		1
	– Insurance salespersons		675

Source: (Financial Services Commission Mauritius, 2011)
Note: The table excludes nominee companies, qualified trustees, enforcers and successors to enforcers

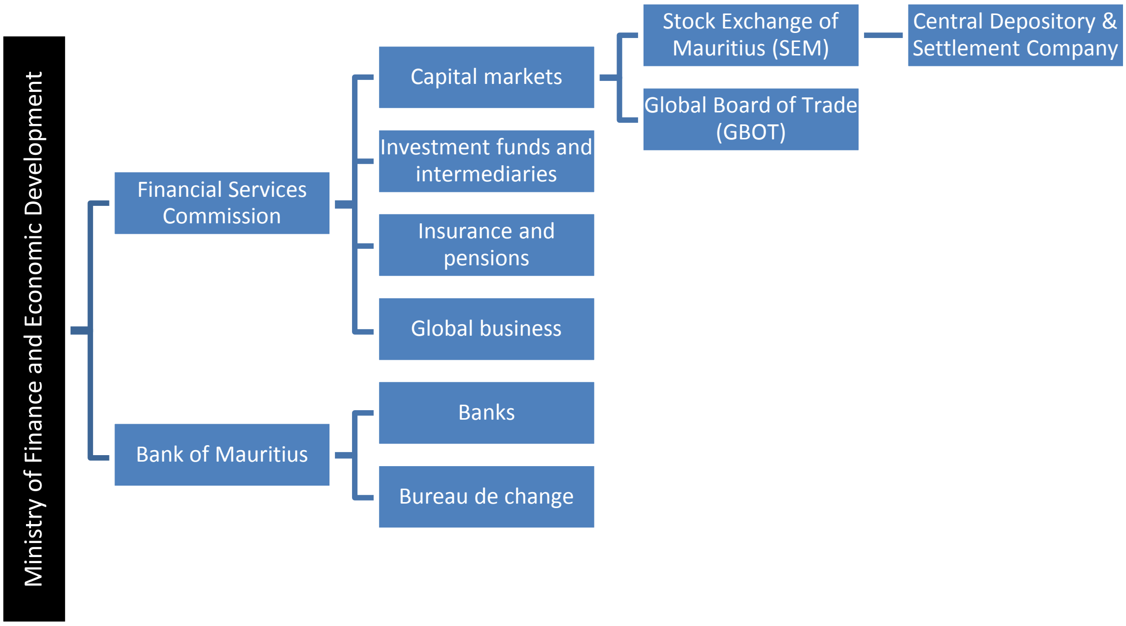
The FSC regulates two capital markets in Mauritius, namely: the Stock Exchange of Mauritius (SEM) Ltd and the Global Board of Trade (GBOT) Ltd. The Stock Exchange of Mauritius Ltd (SEM) holds a 51% shareholding in the Central Depository & Settlement Company Ltd (CDS). Other CDS shareholders include the Ministry of Finance and Economics Development and the central bank. The CDS is the only institution that provides a centralised depository, clearing and settlement service to the securities market. The Securities (Central Depository, Clearing and Settlement) Act of 1996 provides the legal framework for the appointment of the 10 member Board of Directors that run the CDS as well as for the operation of the CDS. Section 3(1) of the Act suggests that once established by the SEM, the CDS shall be solely responsible for providing depository, settlement and clearing services.

147 (Financial Services Commission Mauritius)

The GBOT is an electronic international multi-asset class exchange offering a basket of commodity and currency derivatives, and equity products. These products include:

- Commodities futures and options
- Currencies futures and options
- Contracts For Difference (CFDs)- Commodities, Currencies & Indices
- Equity derivatives –Index futures and options and Single Stock futures and options
- Equity Securities, Debt Securities, Depository Receipts, Fund Listing & ETFs

Figure 14: The organisational structure of the Mauritian financial sector's regulators



7.2.3 Financial depth and performance

The main growth engines of the Mauritian economy are export processing zones, sugar, tourism and financial services. Stress tests reveal that the Mauritian banking system is well capitalised and resilient and should be able to withstand many shocks[148]. In terms of infrastructure, in 2010 there were 1,009 ATMs and 23 commercial bank branches per 100,000 adults, figures comparable to many developed economies.

Domestic credit to the private sector as a percentage of GDP was 91.4% in 2011 and the last measure of broad money (M3) relative to GDP was 143.02% in 2005.[149]

7.3 Mauritius' banking and non-bank financial Services – sector overview

7.3.1 Banking and microfinance industries

Prior to the enactment of the Banking Act in 2004, there were broadly two types of banking licenses. The distinction between the two licenses was based on the use of the domestic currency, as well as the extent to which the bank's activities were not off shore. There were therefore separate licensing requirements for banks engaged in "domestic" versus "offshore" banking. A Category 1 license was for regular commercial banking activities within Mauritius and a Category 2 license was for investment banking activities conducted in a foreign currency. These restrictions were however lifted in 2004 by the new Banking Act. Despite these changes, the HSBC for example, still operates 2 separate entities in Mauritius – as a branch of the Hong Kong and Shanghai Banking Corporation Limited and as a locally incorporated subsidiary named HSBC Bank (Mauritius) Limited.

148 (IMF Staff Report, 2012)
149 World Bank Data

As at November 2011, banks in Mauritius had a total asset value of MURs 924.2billion (approximately US$32.4 billion) and the total amount of credit distributed to the private sector stood at MURs 248.8 billion (approximately US$8.7 billion)[150].

Table 45: Summary of banking institutions in Mauritius, 2011

Type of operator	Ownership	Assets (US$')	Branches
Banks			
The Mauritius Commercial Bank Ltd	Local	5,449.0	40
State Bank of Mauritius Ltd	Local	3,262.7	43
HSBC Bank (Mauritius) Ltd	China/Mauritius	3,990.8[151]	
Hongkong & Shanghai Banking Corporation Ltd	China	1,082.9[152]	11
Barclays Bank Plc	UK	3,217.2	25
Bank of Baroda	India	755.9	7
Bramer Banking Corporation Ltd	Local	247.9	17
Habib Bank Ltd	Pakistan	54.8[153]	2
Bank One Ltd	Kenya	550.0	15
Mauritius Post and Cooperative Bank Ltd	Local	427.9	15
Banque des Mascareignes Ltee	France	734.9	6
Investec Bank (Mauritius) Ltd	South Africa	855.8[154]	1
SBI Mauritius	India	1,259.6[155]	15
Standard Bank (Mauritius) Ltd	South Africa	1,522.2[156]	
Standard Chartered Bank (Mauritius) Ltd[157]	UK	3,543.2[158]	1
Deutsche Bank (Mauritius) Ltd	Germany	1,049.2	2
P.T. Bank International Indonesia	Indonesia	40.0[159]	1
AfrAsia Bank Limited	Local	588.1	1
ABC Banking Corporation	Local	108.3	3
Century Banking Corporation	Qatar	8.3	

Source: Annual Reports, bank websites
Note: missing data reflects that either no information is available from public source or where available was not reported in a sufficiently disaggregated format

7.3.2 Collective investment schemes

Section 101 of the Securities Act allows the FSC to recognise upon application a foreign collective investment scheme, subject to the conditions that the FSC deems necessary. Mauritius is currently being used extensively as an International Financial Centre by global investors for

150 (Mauritius Bankers Association Limited, 2012)
151 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Mauritius Bankers Association Bank Profiles Report 2011
152 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Mauritius Bankers Association Bank Profiles Report 2011
153 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Mauritius Bankers Association Bank Profiles Report 2011
154 Using an exchange rate of 1 USD = MURs 29.3578
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158 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Mauritius Bankers Association Bank Profiles Report 2011
159 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Mauritius Bankers Association Bank Profiles Report 2011

the establishment of Funds investing in developing markets. All Funds must however be incorporated under the Companies Act 2001 of Mauritius for them to be licensed and regulated by the FSC.

The FSC has developed flexible guidelines for the regulation of collective investment schemes, adopting industry best practice from various long-established and well-regarded jurisdictions. This has resulted in the incorporation of more than 439 investment funds and assets worth in excess of US$43 billion as of December 2009[160].

7.3.3 Foreign exchange dealers

In 2010, GBOT launched the first African based currency exchange that would offer commodity and currency derivative trading[161]. There are currently 6 licensed traders, the majority of whom are Mauritian. From the available public sources used in this review, it is however not clear if the dealers need to be registered with the FSC too.

Table 46: Summary of licensed foreign exchange dealers

Type of operator	Ownership	Volume/value of transaction (MURs)	Branches
Foreign exchange dealers			
British American Exchange Co. Ltd	UK	-	1
CIM Forex	Local	-	1
Thomas Cook (Mauritius) Operations Co. Ltd	UK	-	1
Shibani Finance Co. Ltd	Local	-	1
Forex Direct Ltd	Local	-	1
Island Premier Traders FX Ltd	Local	-	1

Source: Bank of Mauritius website

7.3.4 Money changers/bureau de change

There are currently 10 licenced money changers. These would appear to be relatively small operations and no further information could be found on their shareholding.

Table 47: Summary of licensed foreign exchange dealers

Type of operator	Ownership	Volume/value of transaction	Branches
Foreign exchange dealers			
Abbey Royal Finance	-	-	1
Change Express Ltd	-	-	1
Easy Change (Mauritius) Co. Ltd	-	-	1
EFK Ltd	-	-	1
Iron Eagle Ltd	-	-	1
Max & Deep Co. Ltd	-	-	1
Moneytime Co. Ltd	-	-	1
Unit E Co. Ltd	-	-	1
Viaggi Finance Ltd	-	-	1
Vish Finance Ltd	-	-	1

Source: Bank of Mauritius website

160 (Moller, 2010)
161 (Greenberg, 2010)

7.3.5 Capital markets

The SEM itself is segmented into the Development & Enterprise Market (DEM) and the Official Market. The distinction being that the DEM is designed for small to medium enterprises and hence listing on the DEM is simpler, less costly and has lower compliance requirements. There are currently 11 entities licensed by the FSC to operate as investment dealers on the SEM.

GBOT is divided into two broad segments, the commodity market segment and the currency market segment. Gold, silver and crude oil are currently traded through the commodity segment, with EUR/USD, GBP/USD, JPY/USD, USD/MUR, and ZAR/USD trade through the currency segment.

The following categories of Membership on Global Board of Trade Limited (GBOT) are permitted:

- *Trading Member (TM) also known as Broker Member (BM).* These are body corporates or financial institutions admitted as members on GBOT. The trading member has the rights to trade on their own as well as on behalf of their clients, but have no right to clear and settle, and hence must be associated with an ITCM.

- *Trading-cum-Clearing Member [TCM] also known as Self Clearing Member (SCM).* These are body corporates or financial institutions admitted as members on GBOT. A TCM may trade on their own account as well as on behalf of their clients, but cannot carry out clearing functions for any other member.

- *Integrated Trading-cum-Clearing Member (ITCM) also known as General Clearing Member (GCM).* These are also body corporates or financial institutions and have the rights to trade, clear and settle trades on their own behalf as well as for their clients

- *Professional Clearing Member (PCM) also known as Special Clearing Member (SCM).* These are financial institutions or commercial banks admitted by the exchange as a Member so that they can clear and settle trades initiated by trading members.

Table 48: Licensed members of the SEM and GBOT, 2012

Type of operator	Ownership	Branches
SEM Stock Brokers/Dealers		
Associated Brokers Ltd	Local	1
Bramer Securities	Local	1
Capital Markets Brokers Ltd	-	1
AXYS Stockbroking Ltd	-	1
Anglo-Mauritius Stockbrokers Ltd	-	1
IPRO Stockbroking Ltd	-	1
MCB Stockbrokers Ltd	Local	1
LCF Securities	-	1
Ramet & Associés Ltée	-	1
Prime Securities Ltd	-	1
SBM Securities Ltd	-	1
GBOT members		
ACMGOLD Ltd	-	1
AfrAsia Bank Ltd	Mauritius	1
APAC Services Ltd		1
Arab Global Commodities Ltd	-	1
Bank One Ltd	Kenya	1

Type of operator	Ownership	Branches
Chase Global Ltd	-	1
Dynamic Commodities and Forex DMCC	-	1
Evermore Global (Mauritius)	-	1
FX Primus Ltd	-	1
GRRANS Commodities	-	1
HF Markets Ltd.	-	1
Island Premier Global Markets Ltd	-	1
SBI (Mauritius) Ltd	India	1
Sevenstar Brokers	-	1
Mauritius Commercial Bank Limited	-	1
Tradeup Capital Management	-	1
VIBHS Markets Ltd.	-	1

Source: Bank of Mauritius website

7.3.6 Foreign ownership

Based on Table 45 above, the market share of local banks relative to foreign banks in terms of total assets would be around 35%. It is important however to bear in mind that the estimates reported above are not from exactly the same period but from either the 2010 or 2011 financial year-end for each individual bank.

Annual turnover on the SEM for 2011 was MURs14,959 million (approximately US$524.9 million)[162]. Table 47 reports the volume and value of shares traded by foreigners on the SEM in 2011.

Table 49: Foreign investment on the SEM (2011)

SEM Data					
	Volume of shares purchased	**Value of shares purchased (US$ million)**	**Volume of shares sold**	**Value of shares sold (US$)**	**Net investment, US$s in 2011**
Official market	47,183,467	216.1	57,059,328	232.8	(16.8)
DEM	10,172,772	4.7	12,032,114	3.5	1.2
Total foreign	57,356,239	220.8	69,091,442	236.4	(15.6)

Source: (Financial Services Commission Mauritius, 2011)

It was not possible to ascertain the nationality of the SEM and GBOT members.

7.4 Trade openness in banking services

Market access

Number of foreign suppliers

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit or quota on the number of licenses that may be allocated to foreign and domestic operators in the banking and financial sector.

Total value of services transactions or assets

162 (Stock Exchange of Mauritius , 2012)

There was no evidence found to suggest that there are limits on the value of services transactions or assets that foreign entities can provide.

Total number of services operations/quantity of service output

There was no evidence found to suggest that there are limits on total number of services operations/quantity of service output.

Number of natural persons

In order to qualify for a Mauritian work permit, the basic salary of that individual should exceed MURs 20,000 (approximately US$701.80) monthly. Should the expatriate be earning less than this then they must be vetted by the Ministry of Labour and industrial Relations and Employment[163].. This measure is an indirect attempt at trying to restrict the employment of foreigners to highly skilled labour so that for jobs requiring less skill, Mauritians are the preferred employees.

Domestic residency requirement

For the banking sector, at least one director must be a resident of Mauritius[164].

Applications for a Category 1 Global Business license require that at least 2 directors are resident in Mauritius, and that the business maintains its principal business account in Mauritius[165].

Participation of foreign capital

Foreign entities are allowed to acquire interests in a Mauritian company. Should their interests result in the foreigners taking a controlling interest in a non-bank financial company the SEC should be notified. If one of the merging parties includes a bank incorporated in Mauritius, then central bank approval is required. Central bank approval should also be obtained if the merger results in any person gaining directly or indirectly 15% of the voting rights of the bank[166].

According to the Stock Exchange (Investment by Foreign Investors) Rules of 1994, Section 3(1)(a), no foreign investor may invest in securities that result in the exercise of legal or management control of a Mauritian company without the written consent of the Commission. Furthermore Section 3(1)(b) states that FSC approval is also required if an investment by a foreigner results in 15% or more of the voting capital in a Mauritian sugar company being held by foreign investors. This is largely a political decision taken due to the significance of the sugar cane industry in terms of the employment of Mauritians, and historical importance as one of the main export earners.

The SEM also stipulates that only an investment dealer or custodian resident in Mauritius may make a sale or purchase for a foreign securities investor. All transactions conducted on behalf of the foreign investor shall be reported to the FSC no later than a single business day after the transaction[167].

National treatment

Discriminatory measures in licensing

163 (Government of Mauritius, 2012)

164 World Bank database, 2009

165 See – Section 71(4)(b)(i) of the Financial Services Act

166 See – Section 10(1) of the Banking Act

167 See - Stock Exchange (Investment by Foreign Investors) Rules of 1994, Section 4

Section 16(3) of the Financial Services Act requires that all foreign applicants for a license from the FSC should have a license from a similar enforcement body or institution in a foreign country.

Applications for a Category 2 Global Business license are restricted to corporations resident in Mauritius i.e companies incorporated in Mauritius.

Trading on the SEM can only be conducted by a trader resident in Mauritius.

Table 50: Limitations in trade in financial services in Mauritius

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)					
2)	Limitations on the total value of services transactions or assets	None (WB database)					
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	a) For employees	None (WB database) Basic salary of that individual should exceed MURs 20,000 monthly to get a permit	Basic salary of that individual should exceed MURs 20,000 monthly to get a permit	Basic salary of that individual should exceed MURs 20,000 monthly to get a permit	Basic salary of that individual should exceed MURs 20,000 monthly to get a permit	Basic salary of that individual should exceed MURs 20,000 monthly to get a permit	Basic salary of that individual should exceed MURs 20,000 monthly to get a permit
	b) For directors	None (WB database),					
5)	Domestic residency requirement	Boar must have at least one director that is a resident (WB database) Category 1 Global Business license require that at least 2 directors are resident in Mauritius	Category 1 Global Business license require that at least 2 directors are resident in Mauritius	Category 1 Global Business license require that at least 2 directors are resident in Mauritius	Trader or custodian must be resident in Mauritius. Category 1 Global Business license require that at least 2 directors are resident in Mauritius	Category 1 Global Business license require that at least 2 directors are resident in Mauritius	Category 1 Global Business license require that at least 2 directors are resident in Mauritius
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						
	b) Establishment of a representative office						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	c) Establishment of a subsidiary/branch	Allowed (WB database) Require a licence from BoM and approval of home regulator	Require a licence from BoM and approval of home regulator	Require a licence from BoM and approval of home regulator			
	d) Establishment of a joint venture	Allowed (WB database) Require a licence from the regulator	Require a licence from the regulator	Require a licence from the regulator			
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval
	b) Acquisition of a domestic private entity	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval	Significant ownership by a single person requires approval
8)	Limitations on the interest rates for lending and accepting deposits across borders	None (WB database)					
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing	Provide a copy of the certificate of registration and written confirmation from the banking supervisory authority in the applicant's home country. The central bank must be satisfied that bank is reputable	Provide a copy of the certificate of registration and written confirmation from the banking supervisory authority in the applicant's home country. The	Provide a copy of the certificate of registration and written confirmation from the banking supervisory authority in the applicant's home country. The			

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
		and has operated in the jurisdiction of its head office for at least 5 years, and is subject to consolidated supervision by a competent foreign regulatory authority.	central bank must be satisfied that bank is reputable and has operated in the jurisdiction of its head office for at least 5 years, and is subject to consolidated supervision by a competent foreign regulatory authority.	central bank must be satisfied that bank is reputable and has operated in the jurisdiction of its head office for at least 5 years, and is subject to consolidated supervision by a competent foreign regulatory authority.			
	Specific restrictions						
12)	Limits on local businesses exporting their services	Global business licence required	Global business licence required	Global business licence required	Global business licence required	Global business licence required	Global business licence required
13)	Limits on repatriation of funds	Prudential limits (WB database)	Prudential limits	Prudential limits			

7.5 Mauritius' insurance services - sector overview

7.5.1 Structure of the Sector

The insurance industry in Mauritius is one of the most developed in Sub-Sahara Africa. At the end of 2011 there were in total 33 insurance companies and 39 insurance brokers licensed to operate in Mauritius.

[168] The sector is divided into long term insurance business, covering life assurance, pensions and "permanent" health insurance; and general insurance business, covering accident and health, engineering, guarantee, liability, motor, property, transportation, and miscellaneous insurance. As insurers are obliged to insure all risks, Mauritius has a strong and significantly growing reinsurance subsector.[169] There are now no composite direct insurers operating in Mauritius, since this has been recently abolished by law. Table XX shows the number of operators in the Mauritian insurance industry by type of operator, as at the end of 2011.

Table 51: Insurance operators in Mauritius by type of operator

Type of operator	Quantity
General insurers	14
Long-term insurers	15
Reinsurers	4
Insurance brokers	39
Insurance agents and sub-agents	200

Source: Financial Services Commission Mauritius 2012, Annual Statistical Bulletin 2012

Foreign ownership

From the reviewed sources it is not clear to what extent insurance companies in Mauritius are owned by foreign companies. According to the WTO Trade Policy Review 2008, two out of 19 insurance companies active in 2007 were foreign insurers.

Insurance industry performance

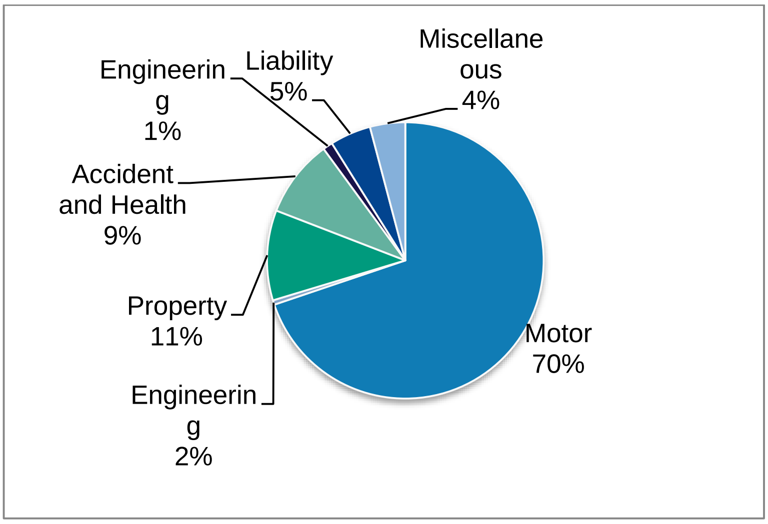
At the end of the financial year 2010, the aggregate Mauritian insurance industry's GPW equalled MUR 17.538 billion and its total assets stood at MUR 85.538 billion. Out of the total industry GPW, long-term insurance business accounted for 68% (MUR 11.963 billion) with the remaining 32% (MUR 5.575 billion) being the share of total general business GPW. From 2009 to 2010, long-term insurance business incresead by 26% and general insurance business by 11%.[170] Over the last five years the complete insurance sector's GPW grew by 77%.[171] The insurance density in Mauritius (GPW per capita in Dollar units) was 433.9 in 2010, which marked the second highest value for the SADC region after South Africa. In terms of insurance penetration, Mauritus had a ratio of 5.86% in 2010, marking the third highest GPW contribution to GDP in the SADC region.[172]

Product landscape

168 Financial Services Commission Mauritius 2012, Annual Statistical Bulletin 2012
169 WTO Trade Policy Review Mauritius 2008
170 Financial Services Commission Mauritius 2012, Annual Statistical Bulletin 2012
171 Mwiru, S. 2011
172 Ibid.

The insurance sector in Mauritius is rather developed and provides a range of products. In the life insurance subsector, insurance products related to traditional savings and risk make up the lion share with 70% of total premiums written in the life segment.[173] In the general insurance subsector the breakdown of insurance policies by class shows that the market is dominated by motor insurance (66.93%), which is compulsory in Mauritius. Other available insurance products and their share in the segement are shown in figure 14.

Figure 15: Market shares of general insurance products in Mauritius in 2010



Source: Mauritius Financial Services Commission Website

7.5.2 Competition in the sector

Competition in the general insurance market

The Mauritian general insurance market is rather concentrated with a few large companies holding the majority of the total segment assets. Out of the 14 general insurers, the biggest five companies together hold 76.4% of total assets, with the biggest general insurer, MUA, accounting alone for 25.4%. This picture is confirmed when looking at the distribution of gross premiums written, where the first five general insurers made up 72.7% of total premium sin 2011. Detailed data for market shares in the general insurance subsector can be obtained from table 18.

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173 World Bank 2012, IAIS Insurance Core Principles – Detailed Assessment of Observance

Table 52: Market shares of general insurers in Mauritius in 2011

	Total Assets 2011		Gross Premiums 2011	
Company[174]	Rs 000	%	Rs 000	%
MUA	2,956,865	25.4%	1,520,070	24.3%
SWAN	2,122,071	18.2%	1,339,600	21.4%
CIM	1,416,986	12.2%	700,771	11.2%
SICOM	1,211,623	10.4%	611,052	9.8%
New India	1,196,715	10.2%	378,187	6.0%
Mtian Eagle	892,208	7.6%	656,157	10.5%
SUN	496,207	4.3%	212,529	3.4%
GFA	358,976	3,1%	144,828	2.4%
LAMCO	271,394	2.3%	174,379	2.8%
IOGA	234,592	2.0%	60,238	0.9%
Phoenix	169,954	1.5%	226,646	3.7%
BAI	158,226	1.3%	121,536	1.9%
Jubilee	131,329	1.1%	82,922	1.4%
Credit Gua	42,291	0.4%	17,956	0.3%
Total	11,659,437	100%	6,246,871	100%

Source: Mauritius Financial Services Commission Website

In the long-term insurance sector the concentration is even stronger pronounced. In this segment the biggest three long-term insurers account for 86.3% of total subsector assets and 88.5% of total gross premiums written in 2011. SICOM, the largest long-term insurer singularly holds 34.2% of total assets and 20.8% of total gross premiums. Interestingly, BAI accounted for more than half of all gross premiums written in 2011. Table XX shows detailed market shares for all long-term insurers in Mauritius in 2011.

Table 53: Market shares of long term insurers in Mauritius in 2011

	Total Assets 2011		Gross Premiums 2011	
Company[175]	Rs 000	%	Rs 000	%
SICOM	28,775,412	34.2%	2,694,036	20.8%
BAI	22,868,119	27.1%	6,555,247	50.6%
Anglo	21,036,394	25.0%	2,216,120	17.1%
LPM	5,128,493	6.1%	621,559	4.8%
LIC	2,811,171	3.3%	318,056	2.5%
CIM Life	1,846,590	2.2%	304,510	2.3%
Island Life	982,494	1.2%	149,086	1.1%
Mtian Eagle	597,988	0.7%	60,375	0.5%
IOGA	85,231	0.1%	6,288	0.0%
LAMCO	68,981	0.1%	7,895	0.1%
Phoenix	43,327	0.0%	20,170	0.2%
Total	84,244,200	100%	12,953,342	100%

Source: Mauritius Financial Services Commission Website

7.6 Insurance sector regulatory framework and trade openness

The insurance industry in Mauritius is regulated and supervised by the Financial Services Commission (FSC) of Mauritius. The FSC was established in 2001 based on the Financial Services

174 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1.

175 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1.

Act and is responsible for licensing and supervising all players in the insurance market, including insurance companies, distributors, loss adjusters, reinsurance companies, reinsurance brokers, and actuaries and auditors. It is also charged with the devlopment of rules and regulations applicable to the insurance industry. Rules are issued by the FSC's own authority and regulations through the ultimate authority of the Minitser.[176]

The sector has exprienced considerable progress in modernizing regulation and supervision in recent years. The insurance market is governed by the Insurance Act 2005, which came into force in 2007 together with the Insurance Amendment Act 2007, the Insurance Regulations 2007, and four further rules, i.e. Solvency Rules for General Insurance Business as well as for Long-Term Insurance Business, Statutory Reinsurer Rules, and Insurance Return Rules. The Insurance Act 2005 also provides for external/global insurance business, thereby replacing the offshore insurance concept under Chapter II(5). The external insurance business is restricted to only non-Mauritian policies.[177]

Some of the regulations stipulated in the Insurance Act 2005 effectively only took effect in full in 2011 after a transistion period. This includes the abolition of composite insurers in the Mauritian market. Further, risks related to assets situated in Mauritius in the past had to be contracted with an insurer registered or licensed in Mauritius. Under clause 3(2) of the Insurance regulations this obligation is scheduled to be lifted after 1 May 2013 subject to certain "terms, conditions or restrictions". The date for the clause to become effective was extended from May 2010 and to our knowledge it is not clear whether the "terms, conditions or restrictions" have been stipulated, yet.[178]

The following regulations for the Mauritian insurance sector are based on the Acts and corresponding Regulations presented above as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2008)[179], as well as other sources. Data from the World Bank Database for Botswana is from the year 2008. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from this Database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

The insurance market in Mauritius is generally open with regard to the number of insurance suppliers allowed to operate in the market. There are no limitations on the number of licenses available to both domestic and foreign operators in all three subsectors under review.

Value of services transactions

Furthermore, no evidence could be found that services transactions of registered insurance suppliers, domestic and foreign, are restricted through quotas by regulations in Mauritius.

176 World Bank 2012, IAIS Insurance Core Principles – Detailed Assessment of Observance

177 WTO Trade Policy Review 2008, Mauritius

178 World Bank 2012, IAIS Insurance Core Principles – Detailed Assessment of Observance

179 World Bank 2008

Number of services operations

Similarly, no information was found indicating that the total number of services operations or the quantity of output of insurance suppliers is limited in Mauritius. Thus, once suppliers are licensed to operate in Mauritius and comply with the regulations, they are allowed to set up an unlimited number of branches in the country.

Number of Natural persons

Mauritius' legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

With regard to form of commercial presence the Mauritian insurance market is fairly open to foreign insurance suppliers. Foreign insurance companies may establish a domestically incorporated subsidiary and do not face any ownership restrictions in this case. They are further allowed to supply the domestic market from abroad through a branch.

Establishment of Joint ventures

The establishment of a joint venture with a local partner is allowed for single providers and a group of providers. There is no statutory limit on foreign ownership. However, Section 27(1) of the Insurance Act requires that the acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission.

Participation of foreign capital

The regulation for a foreign insurance company wanting to acquire a domestic private entity is similar to the restriction, or rather openness for establishing a joint venture. There is no statutory limit on foreign ownership and foreign companies are thus allowed to take over a controlling stake of the domestic entity. However, in this case again, they are requested to receive the approval by the Financial Services Commission in line with Section 27(1). The same regulation is valid for the acquisition of domestic public entities and generally applicable for all three subsectors, automobile, life insurance and reinsurance.

Insurance and reinsurance companies in Mauritius (domestic or foreign) are required to hold a minimum stated capital of MUR 25 million, which should be kept unimpaired.[180]

National Treatment

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Mauritian insurance market do generally not distinguish between domestic and foreign applicants. However, according to Section 11(3)(f) of the Insurance Act, a foreign applicant must be registered under the Companies Act and have satisfactory record of at least 3 years experience in handling the respective category and class of insurance business in the country under whose laws it is organized.

Nationality requirements

Once established in Mauritius, foreign insurance companies are not obliged to employ a certain number of domestic employees. The Insurance Act foresees no nationality requirements in this

180 WTO Trade Policy Review 2008, Mauritius

case. Similarly, there are no limitations on the number of foreign members on the board of directors. In line with Section 30(2) of the Insurance Act, the board of an insurer is supposed to be comprised of at least seven natural persons of which 30% shall be independent directors. A minimum of one member of the board of directors has to be resident in Mauritius.

Other forms of discrimination

Differences in treatment of domestic and foreign suppliers exist with regard to branches. In case of a branch of a foreign firm, the aggregate value of investments in commodities or corporations whose shares are listed on a licensed exchange in Mauritius or certain specified exchanges cannot exceed 10% of the assets of the insurer. Furthermore, the branch cannot invest more than 10% of the firm's assets in any property.

Other restrictions

Licensing procedures

The license granted by the regulating authority in Mauritius for an insurer to operate is valid for one year and subject to renewal by application every year. The regulating authority holds discretion over the decision to issue the license.

Minimum capital requirements

Insurance and reinsurance companies in Mauritius (domestic or foreign) are required to hold a minimum stated capital of MUR 25 million, which should be kept unimpaired.[181]

Repatriation of earnings

In order to remit any profits out of Mauritius, an insurer must comply with the solvency rules, including maintaining the required solvency margin.

Cessation requirement to domestic reinsurer

The Mauritian legislation requires domestic and foreign operators to cede 5% of its insurance business to the African Reinsurance Corporation. This regulation is valid for all three subsectors under review.

Cross-border purchase of insurance services

Domestic individuals and companies in Mauritius are generally not allowed to obtain insurance from firms located outside the country. This restriction is generally valid for all types of insurance with the exception of reinsurance, where firms can acquire reinsurance from providers located outside the country without having to demonstrate domestic unavailability.

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181 WTO Trade Policy Review 2008, Mauritius

Table 54: Limitations in trade in insurance services in Mauritius by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Allowed (WB database)	Allowed (WB database)	Allowed (WB database)
	• Establishment of a subsidiary	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
		(Insurance Act 2005, Section 27(1), WB database)	(Insurance Act 2005, Section 27(1), WB database)	(Insurance Act 2005, Section 27(1), WB database)
	• Acquisition of domestic private entity	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)	Allowed, No statutory foreign ownership restrictions, but acquisition of a significant interest in an insurer is subject to approval of the Financial Services Commission (Insurance Act 2005, Section 27(1), WB database)
	National Treatment			
7)	Discriminatory measures in licensing	None, but foreign applicant must be registered under the Companies Act and have satisfactory record of at least 3 years experience in insurance business in the country under whose laws it is organized (Insurance Act 2005, Section 11(3)(f), WB database)	None, but foreign applicant must be registered under the Companies Act and have satisfactory record of at least 3 years experience in insurance business in the country under whose laws it is organized (Insurance Act 2005, Section 11(3)(f), WB database)	None, but foreign applicant must be registered under the Companies Act and have satisfactory record of at least 3 years experience in insurance business in the country under whose laws it is organized (Insurance Act 2005, Section 11(3)(f), WB database)
8)	Nationality requirements for employees	None (WB database)	None (WB database)	None (WB database)
9)	Nationality requirements for board of directors	None, but a minimum of one member has to be resident in Mauritius (WB database)	None, but a minimum of one member has to be resident in Mauritius (WB database)	None, but a minimum of one member has to be resident in Mauritius (WB database)
10)	Any other discriminatory measures	In case of a branch of a foreign firm, the aggregate value of investments in commodities or corporations whose shares are listed on a licensed exchange in Mauritius or certain specified exchanges cannot exceed 10% of the assets of the insurer. Furthermore, the branch cannot invest more than 10% of the firm's assets in any property (WB database)	In case of a branch of a foreign firm, the aggregate value of investments in commodities or corporations whose shares are listed on a licensed exchange in Mauritius or certain specified exchanges cannot exceed 10% of the assets of the insurer. Furthermore, the branch cannot invest more than 10% of the firm's assets in any property (WB database)	In case of a branch of a foreign firm, the aggregate value of investments in commodities or corporations whose shares are listed on a licensed exchange in Mauritius or certain specified exchanges cannot exceed 10% of the assets of the insurer. Furthermore, the branch cannot invest more than 10% of the firm's assets in any property (WB database)
	Other restrictions			
11)	Licensing procedures			

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	• discretion in issuance by regulating authority	License allocation at discretion of regulatory authority (WB database)	License allocation at discretion of regulatory authority (WB database)	License allocation at discretion of regulatory authority (WB database)
	• length of license	One year, subject to renewal every year (WB database)	One year, subject to renewal every year (WB database)	One year, subject to renewal every year (WB database)
12)	Minimum capital requirements	Minimum of paid-up share capital of MUR 25 million (WTO 2008)	Minimum of paid-up share capital of MUR 25 million (WTO 2008)	Minimum of paid-up share capital of MUR 25 million (WTO 2008)
13)	Limitations on repatriations of earnings	Compliance with the solvency rules, including maintaining the required solvency margin required (WB database)	Compliance with the solvency rules, including maintaining the required solvency margin required (WB database)	Compliance with the solvency rules, including maintaining the required solvency margin required (WB database)
14)	Mandatory cessation requirements to domestic reinsurers	A minimum of 5% of insurance business to be ceded to the African Reinsurance Corporation (WB database)	A minimum of 5% of insurance business to be ceded to the African Reinsurance Corporation (WB database)	A minimum of 5% of insurance business to be ceded to the African Reinsurance Corporation (WB database)
15)	Purchase of insurance from suppliers located outside Mauritius	Not allowed (WB database)	Not allowed (WB database)	Allowed, no demonstration of domestic unavailability necessary (WB database)

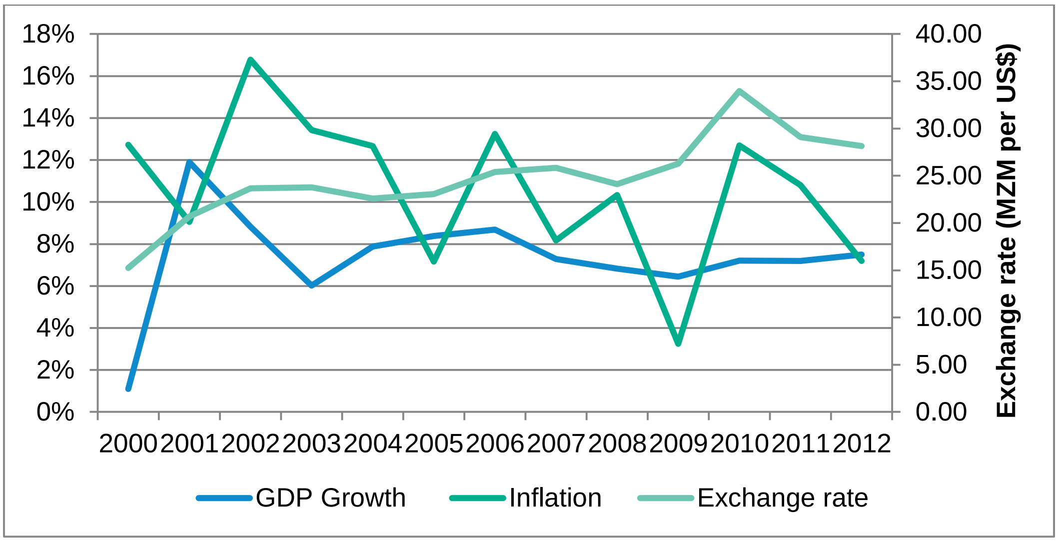
8 MOZAMBIQUE

8.1 Mozambique's economy

The World Bank estimated that Mozambique's population was approximately 23.9 million (2011 estimate). Of this population, some 70% lives in the rural areas and is largely dependent on small scale agriculture for their livelihood. The overall unemployment level stands at 27%, and the formal economy which is largely restricted to urban areas and accounts for 32% of all employment. Poverty levels are therefore high with 54.7% of the population living below the national poverty line of US$ 0.65 per day. The population growth rate is relatively high at 2.8%, resulting in an estimated 300 000 new entrants into the labour market annually. Unfortunately however, Mozambique is estimated to have the lowest education level amongst its adult population in the world at 1.2 years of formal education. This low skills base is a significant issue for employers who would like to employ skilled labour as well as for the unemployed that do not have the requisite skills to be employed.

Socialist mismanagement followed by a brutal civil war between 1977 and 1992 left Mozambique as one of the poorest countries in the world. In 1987, the government began a series of macroeconomic reforms designed to stabilize the economy. Donor assistance and political stability since 1994 have resulted in a dramatic improvement in Mozambique's economy. Mozambique's export base is relatively narrow with only 15 products recording annual exports greater than US$1million. Traditionally, the main export commodities are aluminium, prawns, cashews, cotton, sugar, citrus, timber, and bulk electricity, but these have been joined more recently by natural gas and coal. The country's first mega coal mining project came online in 2011 and this helped to push the real GDP growth rate to 7.2% in 2011.

Figure 16: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

8.2 Mozambique's Financial Sector

8.2.1 Financial sector policy

It is estimated that only 14% of the Mozambican population has access to financial services, hence the government has prioritised the establishment of financial structures to increase accessibility to banking services by the rural poor. The government and Bank of Mozambique have therefore introduced regulations that facilitate intervention by microfinance institutions. The National Directorate of Rural Development and Promotion (DNDPR) arranges three national microfinance conferences and hosts steering committees for the country's major microfinance programmes. The government has allowed the microfinance sector to evolve without much intervention, and the industry remains concentrated in major urban areas.

8.2.2 Financial sector regulation

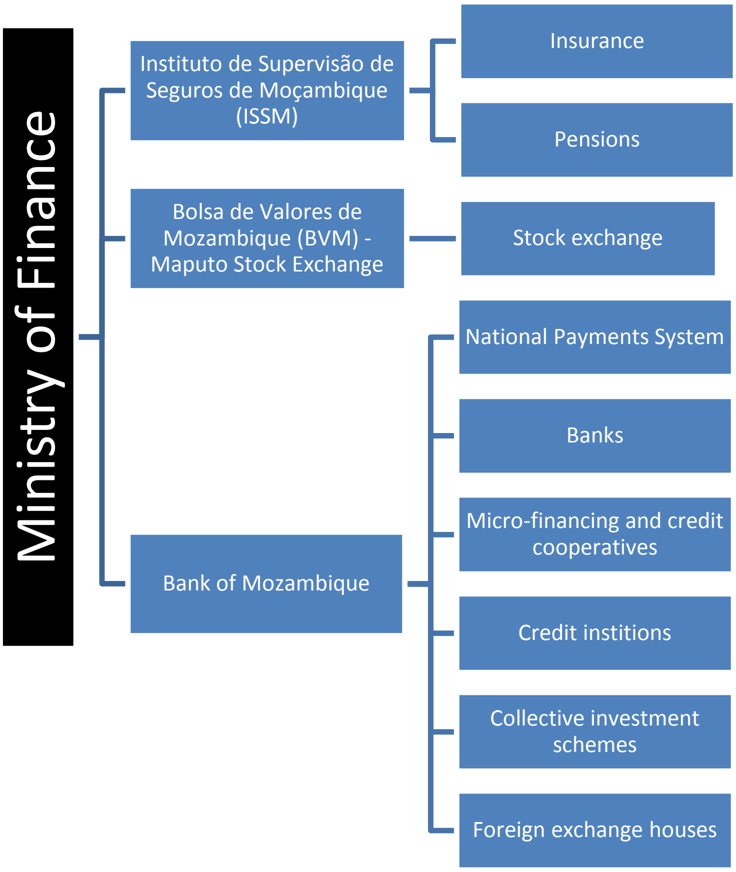
Mozambique's financial sector has three market regulators, namely:

- *Instituto de Supervisão de Seguros de Moçambique (ISSM).* The ISSM oversees the insurance and pensions industry
- *Bolsa de Valores de Mozambique /Mozambique Stock Exchange (MSE)*. The MSE was established in 1999 with SAB Miller as the first company to list on the exchange in 2001.
- *Banco de Moçambique /Bank of Mozambique (BoM).* The BoM was created after the enactment of the Banco de Moçambique Organic Act of 1992. The Banco de Moçambique Organic Act of 1992 defined the nature, objectives and functions of the central bank. The main functions of the Banco de Moçambique are as: banker and financial advisor to the government; controller of foreign exchange and the country's external reserves; intermediary in international monetary relations; and manager of monetary policy in order to maint;ain price stability and bank supervisor. Because the supervisory functions had to be independent, the commercial bank functions of the central bank had to be unbundled[182]. Even though the Banco de Moçambique is in principal independent from the central government, the Banco de Moçambique Organic Act requires that the central bank should respect the economic policy defined by the government of the republic[183].

182 Banco de Mocambique. 2012. Introduction. BoM webpage [Available online: www.bancomoc.mz/Apresent_en.aspx?id=A&ling=en

183 Banco de Mocambique.2011. Banco de Mocambique – SADC Central Banks [Available online: www.sadcbankers.org/Lists/.../Fin%20Sys%20Mozambique2011.pdf]

Figure 17: The organisational structure of the Mozambican financial sector's regulators



8.2.3 Financial depth and performance

The dollarization of the Mozambican economy in late 2009 /10 led to a non-liquid financial system with limited lending opportunities to the private sector. However, driven by short term lending in the construction and retail trade sectors, private sector credit rose from 18.7% of GDP in 2008 to 29.8% in 2010[184].

The number of ATMs and commercial bank branches per 100,000 adults is in 2010 was relatively low at 5.70 ATMs and 3.4 respectively. During the same period, domestic credit provided by banking sector as a percentage of GDP was 24.9%.

8.3 Mozambique's banking and non-bank financial services – sector overview

8.3.1 Banking and microfinance industry

The banking sector dominates Mozambique's financial sector with commercial banks accounting for 90% of the financial sector's assets. Of this, two banks (i.e. Millenium and BCI) control up to 70% of the industry's assets[185].

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184 (African Development Bank Group, 2011)
185 (Dias, D. Sanford, C. & Dermish, A., 2012)

Due to the integrated nature of the regulations that govern the banking and microfinance industries in Mozambique, it is useful to consider these two industries within the same section.

Banking

The Banco de Moçambique used to operate as a state owned monopoly in the commercial banking space until the early 1990s. Mozambique implemented the Economic Recovery Process (PRE – acronym in Portuguese) in 1987, and this included national financial system reforms that saw the separation of the Banco de Moçambique's commercial bank functions from its central bank functions. Coupled with these changes was a commitment to liberalise the financial sector in order to facilitate private sector participation .There are currently two types of banks recognised by the central bank of Mozambique, that is, full service banks and micro banks.

The Mozambican financial sector is currently dominated by three large foreign banks, which together account for 85% of the financial sector's total assets. Banco Internacional de Moçambique (BIM) SA is the country's largest bank with a 40% market share[186] and operates as a subsidiary of Banco Comercial Português SA (BCM).

It would seem that the authorities have not been successful in their attempts to open the banking sector to competition. Although there are 18 licensed banks in Mozambique, lending is concentrated in the hands of just four players: Banco Internacional de Moçambique (BIM), Banco Comercial e de Investimentos (BCI), Standard Bank and Barclays Bank Mozambique (BBM). All four banks are also majority foreign owned institutions.

Microfinance

One of the earliest links to microfinance in Mozambique was the 1989 Urban Enterprise Fund that was set up by the World Bank and executed by the Ministry of Labour. The programme provided small loans to small enterprises such as bars, beauty salons, carpenters and fishermen. Later, in 1992, following the unification of Germany, 18,000 Mozambican contract workers were repatriated to Mozambique. The German technical assistance agency Gesellschaft für Technische Zusammenarbeit (GTZ) established a training and credit programme to assist the repatriated Mozambicans. The programme eventually evolved into SOCREMO Bank in 1999[187].

Microfinance in the mid-1990s was largely driven by international NGOs with experience in microfinance. As the Mozambican economy continued to recover from the civil war, many of the international NGOs shifted their focus towards their core business. The portfolios of CARE, World Vision and Mennonite Economic Development Associates microfinance programmes were merged into the Banco de Oportunidade de Moçambique in 2005. A number of local NGOs, associations and cooperatives however also emerged offering competitive products to the early microfinance offerings[188].

Legal reforms soon followed in 2004 when the government introduced amendments to the Credit Institutions and Finance Companies Law 15/99. The result was the recognition of four categories of microfinance provision[189]:

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186 Christie, T.2009 . Mozambique. http://fic.wharton.upenn.edu/fic/africa/Mozambique%20Final.pdf

187 (de Vletter, F, 2006)

188 (de Vletter, F, 2006)

189 (de Vletter, F, 2006)

- *Category A.* This includes “micro banks” which are in turn segmented further into four sub-categories, three of which are allowed to accept deposits from the public. One of these subcategories (which allowed microbanks to have a minimum capital requirement of MT25 billion versus MT70 billion for commercial banks) was abolished. As a result, NovoBanco, SOCREMO and Banco de Oportunidade de Moçambique became commercial banks.
- *Category B.* These are local savings and credit organisations/cooperatives (SACCOs)
- *Categories C and D.* These are microfinance operators that are only subject to monitoring and include savings and loan organisations whose operations are based on communal ties or mutual association, small scale or microcredit operators and deposit intermediaries.

Categories A and B are regarded as microfinance institutions and are subject to prudential regulation, whilst categories C and D are microfinance operators and are only required to register with the Bank of Mozambique for monitoring purposes only.

The bank of Mozambique reports that there are 69 licensed micro-financing operators, 4 regional savings and loans microfinance associations, 1 leasing company, and 1 offshore foreign credit institution.

Table 55: Summary of banking institutions in Mozambique, 2010

Type of operator	Ownership	Assets (MZN’000)	Branches
Banks			
Banco Internacional de Moçambique - Millennium (BIM)	Portugal	62,098,840	150
Barclays Bank Moçambique, SA (formerly Banco Austral, Sarl)	South Africa/UK		52
Standard Bank, SA[190]	South Africa	34,711,566	38
Banco Comercial e de Investimentos (BCI), SA.[191]	Portugal		92
International Commercial Bank (ICB) Mozambique SA	Switzerland		5
Mauritius Commercial Bank (MCB) Moçambique, SA. (formerly União Comercial de Bancos)	Mauritius	1,950,996	2
BancABC Mozambique	Zimbabwe	4,405,348[192]	
FNB Moçambique, SA. (Formerly Banco de Desenvolvimento e Comércio, BDC)	South Africa		13
Socremo Banco de Microfinanças, SA[193]	Mauritius		13[194]
Banco Mercantile de Investimentos (BMI), SA			
Banco ProCredit, SA	Germany		21[195]
Banco Oportunidade de Moçambique, SA	USA		
Banco Terra, SA.	Mixed (EU)		9
Moza Banco, SA[196]	Local		
Banco Tchuma, SARL			
Banco Nacional de Investimento, SA[197]	Portugal		

190 Standard Bank. 2008. “Banking subsidiaries” www.standardbank.co.za/site/investor/corp_companies02.html

191 BCI (2012) “Estrutura Accionista” www.bci.co.mz/Institucional/estrutura_accionista.html

192 Using an exchange rate of 1 pula = MZN 3.6083

193 http://www.socremo.com/

194 Planet Rating. 2010. Socremo Bank, Mozambique. [Available online: www.ratinginitiative.org/uploads/tx_dbreports/PlanetRating_Socremo_2010_Social_ExSumm.pdf]

195 ProCredit Holdings. 2010. Annual Report.

196 http://www.mozabanco.co.mz/

197 BNI. 2012. Shareholders. BNI website [Available online: http://www.bni.co.mz/bni_en/shareholders.aspx]

Type of operator	Ownership	Assets (MZN'000)	Branches
United Bank for Africa Moçambique, SA[198]	Nigeria		2
Banco Único, SA[199]	Portugal		4[200]
Microbanks			
Microbanco Malanga (MBM), Lda	Local	-	-
Caixa Financeira de Catandica (CFC), SA	-	-	-
Caixa de Poupança Postal de Moçambique, SA	-	-	-
Microbanco NGR, SA	-	-	-
Yingwe Microbanco, SA.	-	-	-
The First Microbank, SA.	-	-	-
Caixa Financeira de Caia, SA. Distrito	-	-	-
Letshego Financial Services Mozambique (Mcb), SA	-	-	-
Leasing companies			
African Leasing Company (Mozambique), SA			
Off-shore foreign credit institution			
Efisa Bank			
Credit Cooperatives			
Cooperative Savings and Credit SCRL.			
UGC-CPC - Savings and Credit Cooperative, SCRL			
Credit Cooperative of Micro-entrepreneurs Angónia, SCRL			
Credit Cooperative Producers Limpopo SCRL.			
Cash Credit Cooperative, SCRL			
Society Credit Cooperative Women of Nampula, SCRL			
Nacala Box Women, Credit Cooperative, SCRL.			
Savings and Loans Microfinance Associations			
Community Housing Association of Microfinance Maputo Northern			
Community Housing Association of South Maputo Micro-finance			
Community Housing Association of Microfinance Matola			
Community Housing Association of Microfinance Mon-tepuez			
Micro-financing operators			
Crédito Popular	Associação Kanimambo Patrice Lumumba	Projecto Hope Mozambique	José da Lúcia Pacheco Chitzembe
Policrédito	Associação de Chamanculo "D"	Justino Artur Mondlane	Fundo de Desenvolvimento da Mulher, SARL
Cedi-Crédito	Associação de Malengane Santos	Associação Progresso	Associação para o Desenvolvimento Sustentável
CBA-Crédito	Adriano Weng Créditos	The Hunger Project Mozambique	Change Microcrédito (Sílvio Carlos Mula)
CARE Internacional em Moçambique	Associação de Machava Industrial	Chiça Créditos (António Paulo Mangue)	Gledis Margarida Gildo Mutemba
World Relief Internationla	Associação Lhuvuku de Albasini	Associação Pfuneca	Chicualacuala Crédito (Jeremias Francisco Sitoe)

198 UBA. 2012. UBA Mozambique. UBA website. Available online: http://www.ubagroup.com/web/group/genericpage/447]

199 http://www.ifc.org/ifcext/spiwebsite1.nsf/ProjectDisplay/SPI_DP30286

200 TradeMark Southern Africa. 2011. New Mozambican bank aims to become regional player. [Available online: http://www.trademarksa.org/news/new-mozambican-bank-aims-become-regional-player]

Type of operator	Ownership	Assets (MZN'000)	Branches
World Vision International	Tiago Crédito	Margareth Credirápido	Macassa Créditos (José Laite Manhique)
Mennonite Economic Development Associates	Associação de Gueguegue	Paulo José Chirindza	Caritas Diocesana de Inhambane
Kulima	Alberto Simeão Mandlaze	Walter Michel Roberto dos Santos	Rural Crédito (Angélica Jubeta Muchave)
Federação Save the Children	Multi-Crédito	Filipe Gaspar Matusse	Zavala Microcrédito (Tomás Lourenço Machai)
Acção Moçambicana para o Desenvolvimento	DMD Crédito Imediato	Filomena Nunes Vizinho	Consórcio Associações com Moçambique
Associação de Romão	JAJ Crédito (José Abel Jonasse Crédito)	Kupfuna Microcrédito (João Manuel Tembe Gustavo)	Muxungué Microcrédito (Irene Honuane)
Associação para o Desenvolvimento de Malhazine	AC Microcrédito	Microcrédito de Maputo (Sr. Paulo Jsé Mabutana)	Associação Kwaedza Simukai Manica
Associação Xiluva de Hulene	Associação Phambeni Makweru - Maputo	O Nosso Crédito (Sr. Rodolfo Sanjane)	Microcrédito Nilva (Ana Antónia Henrique Dimitri)
Associação para o Desenvolvimento das Zonas Verdes	AM - Microfinças	Filomena da Graça Massango	Jeremias José Muhai (Chalseia Microcrédito)
Matias Crédito (Sr. Matias Bernardo)	Modelo Microcrédito (Sr. Júlio Muhie Namaito)	Fundação Agha Khan	
Norcréditos	Osman Yacob de Mahomedzicar Osman	Manunu Na Mamwenhe Lamucani (Sr. Binasse Nacir)	
Alexandre Salvador Sumbana	Associação de Uvala de Mararange	Microcrédito Rahnia (Alcina Cassimo Khan)	

Source: Banco de Mocambique and various bank annual reports and websites

8.3.2 Collective investment schemes

Our review of the literature was not able to establish the magnitude of the collective investment scheme market in Mozambique. We were however able to establish that there are a number of Mozambican banks (such as Standard Bank,and Banco Comercial e de Investimentos) that offer asset management services

8.3.3 Bureau de change

There are 22 foreign exchange houses licensed by the BoM.

Table 56: Summary of licensed bureau de change in Mozambique

Type of operator	Ownership	Branches
Bureau de Change		
Afzal Exchange, Lda		
Express Exchange, Lda		
Manusso Exchange, Lda		
Africâmbio, Lda		
Cota Exchange		
World Currency, Lda		
World Currency, Lda		
Sarbaz Exchange, Lda		
Soraiex Exchange Mozambique, Lda		
Exchange SA, Lda		

Type of operator	Ownership	Branches
Executive Exchange, Lda		
Exchange Acacio, Lda		
Al Mecca Exchange, Lda		
We Exchange, Lda		
Coop Exchange, Lda		
International Exchange, Lda		
Reliability Exchange, Lda		
Multicâmbios, Lda		
786 Exchange, Lda		
Dragon Exchange, Ltd		
Méizel Exchange, Ltd.		
Mia Exchange, Ltd.		

Source: Bank of Mozambique website

8.3.4 Capital markets

The Maputo Stock Exchange/Bolsa de Valores de Mozambique was launched in 1999 with assistance from the Lisbon Stock Exchange and the World Bank. The exchange has not been very successful in attracting members and is primarily used for the partial listing of Mozambique's state-owned enterprises or other state run entities. In 2009, there were only two listings on the exchange[201].

The Mozambican bond market is relatively new as well as small (3% of GDP). Government and corporate bonds are listed on the BVM, but government bonds dominate the market. The market is however relatively illiquid as there is a low level of bond issues and investors tend to buy and hold both types of bonds[202].

Table 57: The Mozambican bond market, 2008

Type of bond	No. in issue	Market capitalisation, December (US$'million)	%	Turnover	Liquidity
Government	6	154.1	74%	2.6	1.7%
Corporate	9	54.5	26%	0.7	1.3%
Total bonds	15	208.6		3.3	1.6%

Source: (Jefferis, K., 2009)

8.3.5 National Payment System

Domestic payments infrastructure in Mozambique is underdeveloped with low levels of interconnection. There is no national switch/clearing house and Interbancos is the only multibank switch in Mozambique[203].

Interbancos is also the only non-bank participant involved in the clearing component of the national payment system. Interbanco provides ATM and POS switching for 9 banks and the company is licensed as a credit card company. In terms of clearing facilities, the Bank of Mozambique offers clearing services for cheques and VISA cards. American Express and MasterCard transactions are cleared abroad. Interbank transactions not on Interbancos are

201 (Christie, T, 2009)
202 (Jefferis, K., 2009)
203 (Dias, D. Sanford, C. & Dermish, A., 2012)

cleared through bilateral agreements. Settlement is conducted by the Bank of Mozambique electronically through CEL[204].

Money transfer agencies such as MoneyGram and Western Union are not allowed to operate independently in Mozambique and must therefore partner up with a licensed bank[205].

In 2010, Carteina Móvel, a subsidiary of the largest mobile network operator mCel (state owned) was given the regulatory approval to operate as the country's first e-money operator[206]. Vodacom's M-Pesa product offering has also applied for a license. It could not be determined however what the conditions for operating were, nor was it possible to establish whether or not a full banking license was required.

8.3.6 Foreign ownership

From being a country where the financial institution was wholly state controlled, Mozambique went through a process of liberalisation following the cessation of the civil war. Currently, most of the commercial banks are foreign owned.

8.4 Trade openness in banking services

Market access

Number of foreign suppliers

No information was available.

Total value of services transactions or assets

No information was available.

Number of services operations/quantity of service output

No information was available.

Number of natural persons

All employment contracts (including tenders awarded) with foreign workers have to be authorised by the Ministry of Labour. Due to the decentralisation of government however, the provincial labour departments, where the worker will be based, must also approve the applications. Mozambican labour laws also encourage the transfer of skills from foreigners to locals by requiring that the number of foreigners in management positions should decline over time. Therefore in the first two years a company can have a maximum of 60% of its management positions occupied by foreigners. This should decrease to 40% from the second to the fifth year; and 20% from sixth to tenth year and 10% from the tenth year onwards[207].

Domestic residency requirement

No information was available.

Type of legal entity

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204 (Dias, D. Sanford, C. & Dermish, A., 2012)
205 (Dias, D. Sanford, C. & Dermish, A., 2012)
206 (Dias, D. Sanford, C. & Dermish, A., 2012)
207 (NiassaTourism.com)

The granting of licences for agencies or representative offices falls under the Ministry of Industry, Trade and Tourism and are regulated by Decree No. 71/98 of 23 December 1998[208].

Money transfer agents such as Western Union must be linked into the national payment system.

Participation of foreign capital

Investors must submit applications for approval to the Centre of the Promotion of Investment (CPI). The CPI provides support in terms of registering the business, acquiring visas and work permits for foreign nationals, and customs documentation. The CPI negotiates with the local and central authorities (i.e. provincial government and the Minister of Finance) on the conditions for the establishment of the business[209].

National treatment

Discriminatory measures in licensing

No information was available.

Specific restrictions

Repatriation of funds

The government guarantees foreign investors the right to repatriate profits[210].

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208 (Club of Mozambique)
209 (da Cruz, V. & Pala, T, 2012)
210 (Club of Mozambique)

Table 58: Limitations in trade in financial services in Mozambique

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers						
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	a) For employees						
	b) For directors	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years	Subject to approval by central and local government, and capped at a maximum of 60% in the first two years and declining to 10% after 10 years
5)	Domestic residency requirement						
6)	Restrictions on the type of legal entities						
	• Establishment of an agency	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	• Establishment of a representative office	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism	Allowed subject to approval by the Ministry of Industry, Trade and Tourism
	• Establishment of a subsidiary/branch						
	• Establishment of a joint venture						
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity						
	b) Acquisition of a domestic private entity						
8)	Limitations on the interest rates for lending and accepting deposits across borders						
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing						
	Specific restrictions						
11)	Limits on repatriation of funds	Repatriation of profits is allowed	Repatriation of profits is allowed	Repatriation of profits is allowed	Repatriation of profits is allowed	Repatriation of profits is allowed	Repatriation of profits is allowed

8.5 Mozambique’s insurance services - sector overview

8.5.1 Structure of the sector

To be included.

8.5.2 Competition in the sector

To be included.

8.6 Insurance sector regulatory framework and trade openness

Market Access

Number of foreign suppliers

The Mozambiquan legislation does not foresee any limits on the number of licenses issued to both domestic and foreign insurance providers. There is consequently no quota on the number of foreign insurance suppliers permitted to operate in Mozambique.

Value of services transactions

Furthermore, sources reviewed for this study do not indicate that the value of services transactions of registered insurance operators under Mode 3, domestic and foreign, is limited through quotas by regulations in Mozambique. However, foreign insurance operators supplying the domestic market from outside of Mozambique under Mode 1 (cross-border supply is to a certain extent possible, see below) do face restrictions with regard to the value of insurance policies and the final sector receiving the service.

Number of services operations

No evidence could be found suggesting that the total number of services operations (i.e. the number of branches permitted) is limited in Mozambique. Thus, once suppliers are licensed to operate in Mozambique and comply with regulations, they are allowed to set up an unlimited number of branches in the country.

Number of Natural persons

The Mozambiquan legislation requires foreign insurance companies to employ a certain number of domestic employees. The law establishes quotas for foreign employees according to the size of the company. Companies with 100 or more employees are obliged to limit the percentage of foreign employees to a maximum of 5% of total workforce. For companies with between 11 to 100 employees the limitation is 8%, and for small companies with 10 or fewer employees the quota is 10%. This regulations is valid for all three subsectors under review.[211].

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211 This information is based on data obtained from the World Bank Database (2008). Corresponding information could not be found in the Decree Nr. 30/2011 for the Mozambiquan Insurance sector and thus suggests that the regulation is not merely limited to the insurance sector, but is valid for other sectors, too.

Furthermore, foreign investors with investment projects approved by the government are obligated to create jobs for Mozambican nationals and to raise their professional skill levels.

With regard to the composition of the board of directors of insurance companies, the Mozambiquan law forsees no nationality requirements and members can be be citizens of any country. However, Chapter II, Section II, Article 28 of the Decree Nr. 30/2011 requires that at least one of the members of the board of directors must be sufficiently proficient in Potuguese. The same Article further stipulates that the majority of the members have to be resident in the Republic of Mozambique.

Legal form of commercial presence

In Mozambique, under certain conditions, foreign operators are permitted to supply the domestic market through the establishment of branches without having to be domestically incorporated. According to Chapter I, Section III, Article 16 of the Decree Nr. 30/2011, foreign insurers may be granted to do so, “if they conform to and apply the criteria of opportunity and convenience, measured in the light of the economic, financial and market interests of the Republic of Mozambique”. Further, foreign branches are only permitted in areas and types of insurance for which the respective insurer is authorized in the country where its head office is registered. To set-up a branch, the foreign insurer also has to prove that it has effectively operated its activity in its country of origin for more than five years and is incorporated as a commercial company.

Besides being allowed to set-up a branch, foreign operators may also establish a domestically incorporated subsidiary and do not face any ownership restrictions in this case.

Establishment of Joint ventures

The establishment of a joint venture with a local partner is allowed for single providers and a group of providers. Foreign companies are allowed to obtain a controlling stake of the domestic firm and ownership by the foreign firm is unlimited.

Participation of foreign capital

Foreign suppliers can enter Mozambique’s insurance market by acquiring a domestic private entity or a domestic public entity. The law foresees no maximum share of ownership in both cases, giving a foreign supplier or a group of suppliers the opportunity to own 100% of the domestic entity. This regulation is valid for all three subsectors, automobile, life insurance and reinsurance.

National Treatment

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Mozambiquan insurance market do not distinguish between domestic and foreign applicants.

Nationality requirements

With regard to the composition of the board of directors of insurance companies, the Mozambiquan law forsees no nationality requirements and members can be be citizens of any country. However, Chapter II, Section II, Article 28 of the Decree Nr. 30/2011 requires that at least one of the members of the board of directors must be sufficiently proficient in Potuguese. The same Article further stipulates that the majority of the members have to be resident in the Republic of Mozambique.

Foreign investors with investment projects approved by the government are obligated to create jobs for Mozambican nationals and to raise their professional skill levels.

Other restrictions

Licensing procedures

In all three subsectors under review, the license to operate granted by the regulating authority is valid for an unlimited period of time and not subject to renewal. If an opeartor applies for a license, the regulating authority is required to provide a licensing decision with 45 days and to inform the applicant of reasons in case of rejection.

Minimum capital requirements

Minimal capital requirements for domestic and foreign operators differ between suppliers in the life assurance and in the non-life assurance subsectors. For life insurers the requirement in 2010 was $2,030,300, while for non-life insurers the requirement was $1,000,000.[212]

Repatriation of earnings

In order to repatriate earnings, the projects must be approved by the Investment Promotion Centre and registered with the Central Bank in Mozambique.

Cessation requirement to domestic reinsurer

Domestic or foreign operators are not obliged to cede a certain percentage of their insurances to the domestic reinsurer. This regulation is valid for all three subsectors under review.

Cross- border purchase of insurance services

Domestic individuals and companies in Lesotho are allowed to obtain insurance from firms located outside the country in the three subsectors automobile, life insurance and reinsurance. However, in the subsectors automobile insurance and life insurance, they are required to demonstrate domestic unavailability of the service required and there are restrictions on the value of the insurance policy and the final sector receiving the services.[213] This is not the case for reinsurance.

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212 Mwiru, S. (2011)

213 No information was found up to which value of insurance policies cross-border purchase is allowed and in which particular sectors this is allowed.

Table 59: Limitations in trade in insurance services in Mozambique by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None under Mode 3; but restrictions on the value of insurance policies under Mode 1 (WB database)	None under Mode 3; but restrictions on the value of insurance policies under Mode 1 (WB database)	None, neither under Mode 3 nor under Mode 1 (WB database)
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	There are quotas for foreign employees according to the size of the company: 5% for companies with >100 employees; 8% for companies with between 11 and 100 employees; 10% for companies with 10 or fewer employees. (WB database)	There are quotas for foreign employees according to the size of the company: 5% for companies with >100 employees; 8% for companies with between 11 and 100 employees; 10% for companies with 10 or fewer employees. (WB database)	There are quotas for foreign employees according to the size of the company: 5% for companies with >100 employees; 8% for companies with between 11 and 100 employees; 10% for companies with 10 or fewer employees. (WB database)
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Allowed, under certain conditions, domestic incorporation not required (see above) (Decree Nr. 30/2011, Chapter I, Sec. III, Article 16)	Allowed, under certain conditions, domestic incorporation not required (see above) (Decree Nr. 30/2011, Chapter I, Sec. III, Article 16)	Allowed, under certain conditions, domestic incorporation not required (see above) (Decree Nr. 30/2011, Chapter I, Sec. III, Article 16)
	• Establishment of a subsidiary	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
6)	Limitations on participation of foreign capital			

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	• Acquisition of domestic public entity	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	• Acquisition of domestic private entity	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	National Treatment			
7)	Discriminatory measures in licensing	None (WB database)	None (WB database)	None (WB database)
8)	Nationality requirements for employees	Foreign investors are obligated to create jobs for Mozambican nationals and to raise their professional skill levels (WB database)	Foreign investors are obligated to create jobs for Mozambican nationals and to raise their professional skill levels (WB database)	Foreign investors are obligated to create jobs for Mozambican nationals and to raise their professional skill levels (WB database)
9)	Nationality requirements for board of directors	None, but at least one member has to be sufficiently proficient in Portuguese and more than half of the members have to be resident in Mozambique. (Decree Nr. 30/2011, Chapter II Sec. II, Article 28.)	None, but at least one member has to be sufficiently proficient in Portuguese and more than half of the members have to be resident in Mozambique. (Decree Nr. 30/2011, Chapter II Sec. II, Article 28.)	None, but at least one member has to be sufficiently proficient in Portuguese and more than half of the members have to be resident in Mozambique. (Decree Nr. 30/2011, Chapter II Sec. II, Article 28.)
10)	Any other discriminatory measures	None	None	None
	Specific restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	No information (WB database)	No information (WB database)	No information (WB database)
	• length of license	Unlimited (WB database)	Unlimited (WB database)	Unlimited (WB database)
12)	Minimum capital requirements	Minimum of $1,000,000 for non-life insurers (Mwiru, S. 2011)	Minimum of $2,030,300 for life insurers; (Mwiru, S. 2011)	Minimum of $2,030,300 for life insurers; (Mwiru, S. 2011)
13)	Limitations on repatriations of earnings	Projects must be approved by the Investment Promotion Centre and registered with the Central Bank (WB database)	Projects must be approved by the Investment Promotion Centre and registered with the Central Bank (WB database)	Projects must be approved by the Investment Promotion Centre and registered with the Central Bank (WB database)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
14)	Mandatory cessation requirements to domestic reinsurers	None (WB database)	None (WB database)	None (WB database)
15)	Purchase of insurance from suppliers located outside Mozambique	Allowed, but demonstration of domestic unavailability necessary and restrictions on the value of the insurance policy and the final sector receiving the service (WB database)	Allowed, but demonstration of domestic unavailability necessary and restrictions on the value of the insurance policy and the final sector receiving the service (WB database)	Allowed (WB database)

9 NAMIBIA

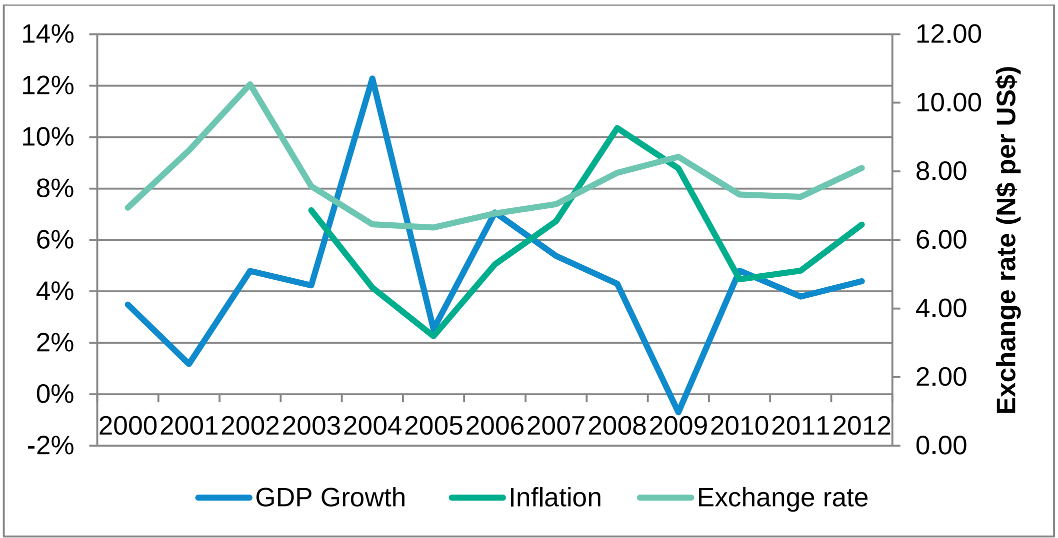
9.1 Namibia's economy

The World Bank estimated that Namibia's population was approximately 2.3 million in 2011. With a land area of 825,418 km^2 that is dominated by the arid Namib Desert, Namibia is one of the least populated countries in the world.

Although Namibia was originally a German colony, between 1920 and 1990 Namibia was governed by South Africa, and was subject to South African administration and laws, including its Apartheid policies. After gaining its independence from South Africa in 1990, Namibia introduced its own currency, the Namibian dollar (N$) in 1993. The currency is however pegged to the South African rand and the economy as a whole remains closely integrated with the South African economy.

Namibia is a low middle income country whose formal economy is largely based on capital intensive industry such as the extraction and processing of minerals for export (especially diamonds). Although the mining sector employs only 3% of the population, the sector contributed 8.8% to GDP in 2010. More than 50% of foreign exchange earnings may be attributed to mining exports and as much as 25% of the state's revenue is from taxes and royalties obtained from the sector[214]. Between 25% and 40% of the Namibian population is dependent on subsistence agriculture, yet agriculture (excluding fishing) only contributes about 10% to the gross domestic product

Figure 18: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

9.2 Namibia's financial sector

9.2.1 Financial sector policy

The dominance of South African firms leaves the sector vulnerable to the fortunes of the South African market. In 2010 when South Africa's ABSA bank attempted to purchase a controlling interest in

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214 CIA World Factbook. 2012. Namibia. [Available online: https://www.cia.gov/library/publications/the-world-factbook/geos/wa.html]

CIH[215], Bank of Namibia did not consider this application favourably. The central bank argued that the proposed merger would have negative effects on the stability of the financial system and the country's broader economic objectives to be less reliant on South Africa. See Box 1 below.

9.2.2 Financial sector regulation

Namibia is sparsely populated and endowed with an abundance of mineral wealth. Since gaining its independence from South Africa in 1990, the country has enjoyed a stable political and legal environment. Due to the country's historic links with South Africa, Namibia has one of the most sophisticated, diverse and developed financial systems in Africa. Many of the country's financial and non-financial institutions have maintained their historical links with South African institutions. This is further reinforced by Namibia's membership in the Common Monetary Area (CMA) of Southern Africa.

There are two main regulatory authorities responsible for overseeing the Namibian financial sector. These are the Bank of Namibia (central bank) and the Namibian Financial institutions Supervisory Authority (NAMFISA).

a) *Namibia Financial Institutions Supervisory Authority (NAMFISA).* The NAMFISA has the responsibility of regulating and supervising non-banking financial institutions in Namibia and was established by the NAMFISA Act of 2001.
b) *Bank of Namibia (BoN).* According to the Namibian Constitution, the role of the Bank of Namibia is to "serve as the State's principle instrument to control the money supply, the currency and the institutions of finance and to perform all other functions ordinarily performed by a central bank". The Bank of Namibia Act of 1997 further elaborates on this by stating that the BoN must promote a sound monetary, credit and financial system; promote monetary stability and efficiency; foster conditions conducive to economic development and act as the Government's banker.

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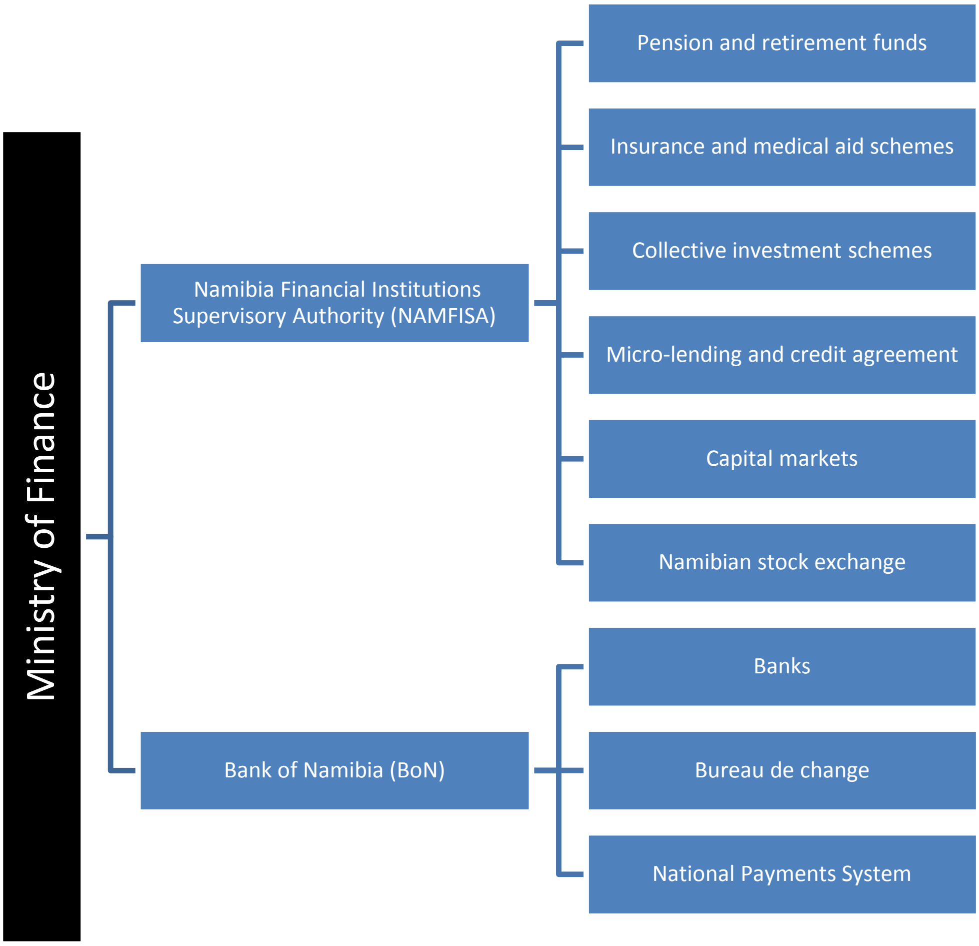
215 ABSA. 2010. "Absa announces the potential acquisition of a controlling interest in Namibia's Capricorn Investment Holdings" Press release, 19 February 2010

Figure 19: The organisational structure of Namibia's financial sector regulators



9.2.3 Financial depth and performance

Summing up the employee levels reported in the bank annual reports for 2010, the total employment in the banking sector was 4,310. The World Bank reports that there were 27.31 ATMs and 240 bank branches per 100,000 adults in 2008. This compares favourably to OECD levels. Domestic credit provided by the banking sector as a ratio of GDP was 48% in 2010[216].

9.3 Namibia's banking and non-bank financial services – sector overview

9.3.1 Banking sector

Namibian banks are regulated under the Banking Institutions Act of 1998 (as amended). The Namibian Central Bank reports that there are five authorised commercial banks operating in Namibia. These are Fides Bank Namibia Limited, Bank Windhoek, Nedbank Namibia, First National Bank of Namibia, and Standard Bank of Namibia. Bank Windhoek is the only locally controlled bank, whilst the other banks include three of the "Big Four" commercial banks that dominate South Africa's financial sector. In addition to the five commercial banks there are three statutory institutions that do not fall under the jurisdiction of the central bank but appear operate on the fringes of the commercial banking and microfinance space offering developmental finance to farmers and small to medium

216 World Bank Data

enterprises at concessionary rates. These are: the Agricultural Bank of Namibia (Agribank), Development Bank of Namibia and the Namibia Post Office Savings Bank (NamPost) [217].

Table 60: Summary of banking institutions in Namibia, 2010

Type of operator	Ownership	Assets (US$'billion)	Branches
Banks			
Bank Windhoek Ltd	Local	1.98	27
Fides Bank Namibia Ltd	Germany	N/A	N/A
First National Bank of Namibia Limited	South Africa	2.17	49
Nedbank Namibia Limited	South Africa	0.98	12
Standard Bank of Namibia Ltd	South Africa	1.95	22
Statutory financial institutions			
Namibia Post Office Savings Bank (NamPost)	Local	0.25	130
Agricultural Bank of Namibia Ltd	Local		
National Housing Enterprise Ltd	Local		
Development Bank of Namibia Ltd	Local		

Source: Bank of Namibia website, bank annual reports

Concentration in the banking sector in Namibia is similar to that observed throughout the Southern African Common Monetary Area (i.e. Namibia, Lesotho, Swaziland, South Africa). In general, the banking sector in these countries is highly concentrated and dominated by South African banks (The US Department of Justice's cap for moderate concentration). A 2005 research paper by the Namibian Economic Research Unit (NEPRU) concluded that the banking sector had strong oligopolistic features, resulting in market imperfections with social costs in the form of "wider interest spreads and higher bank charges" than in South Africa[218].

Table 61: Commercial banks market share analysis on total assets and customer deposits

Bank	Market shares based on total assets		Market shares based on customer deposits	
	N$ billion	Market share	N$'000	Market share
Bank Windhoek Limited	14.5	27%	8,419,847	22%
Nedbank Namibia Limited	7.15	13%	4,550,688	12%
FNB of Namibia Limited	15.9	30%	12,045,869	31%
Standard Bank Namibia	14.3	27%	12,220,995	31%
NamPost Savings Bank	1.83	3%	1,575,163	4%
Total	**53.68**	**100%**	**38,812,562**	**100%**
HHI		**2,536**		**2,566**

Source: Various bank annual reports 2010

9.3.2 Microfinance industry

Microfinance has relatively low penetration rates in Namibia but NAMFISA recognises it as a rapidly growing industry. NAMFISA has a micro-lending and credit agreements department that licenses micro-lenders and requires that they in turn comply with the standards set by NAMFISA as well as submit quarterly financial returns. Based on these returns the total loans granted by registered micro-

217 (Chisadza, S. & Dube, M., 2012)

218 BTI 2010 *Namibia Country Report* https://www.bon.com.na/docs/pub/FSR%20March%202011.pdf

lenders reached N$538 million (approximately US$76.3) in 2007 and rose to N$1,757 billion (approximately US$206.5 million) in 2012. The number of NAMFISA registered micro-lending institutions increased from 186 in 2006 to 275 in 2012[219].

The NAMFISA definition of micro-lending refers to loans under N$50,000 (approximately US$5899[220]) that must be repaid in instalments to the micro-lender over a maximum period of 60 months. Due to the risks involved and the short term nature of the loans, the interest rates on these are higher than bank rates[221]. NAMFISA registered micro-lender may not lend out money in excess of N$50,000[222].

9.3.3 Collective investment schemes

Collective investment schemes in Namibia are regulated by the Investment Institutions division of NAMFISA. In 2012 there were 23 registered investment managers and asset management companies in Namibia. The investment managers managed N$109 billion (approximately US$12.9 billion) whilst the management companies had N$32 billion (approximately US$3.8 billion) under management[223]. A large proportion of these managed investments are from pension funds, and long term insurers. In 2012, pension funds and long term insurance assets constituted over 70% of the assets managed by investment managers.

There were 12 registered unit trust management companies at the end of 2012. Total funds under management increased from N$13.9 million in 2007 to N$32.1 million in 2012[224].

9.3.4 National Payments System (NPS)

The BoN's responsibilities in terms of the NPS include generally overseeing the NPS, providing settlement services through the Namibia Inter-bank Settlement System (NISS), and promoting system reform in line with international developments. The NISS is a real time gross settlement system that processes and settles transaction in real time.

The Payments Association of Namibia (PAN) manages the conduct of its members in relation of all payment system matters and especially the inter-bank clearing system. Therefore all the licensed banks are members of PAN.

9.3.5 Capital markets

In 2012 there were 33 companies listed on the Namibian Stock Exchange (NSX), the only licensed stock exchange in Namibia in terms of the Stock Exchange Control Act of 1985. There are 4 licensed stock brokerages houses/members of the exchange and 43 associate members (i.e. banks, listed companies, investment institutions, etc.). Each year the members and associate members elect an Executive Committee of 9 members from the business community that represent the various sectors of the economy. A tenth member of the Committee is appointed by NAMFISA. The NSX is regulated by NAMFISA under the Stock Exchange Control Act of 1985.

Of the securities listed on the NSX, there are 26 companies with a market capitalisation of N$1,170,475 million (2010) that are dual-listed on the Johannesburg Stock Exchange. In addition,

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219 (Namibia Financial Institutions Supervisory Authority, 2013)
220 December 2012 official exchange rate
221 (Namibia Financial Institutions Supervisory Authority, 2013)
222 (Namibia Financial Institutions Supervisory Authority, 2012)
223 (Namibia Financial Institutions Supervisory Authority, 2011)
224 (Ministry of Finance, Namibia, 2011)

there are 7 companies that have their primary listing on the NSX and have a combined market capitalisation of N$7,782 million. Trade on the NSX is however characterised as having relatively low levels of liquidity. This is ascribed to the buy and hold strategy adopted by many domestic investors such as pension funds and long-term insurers that are required to hold 35% of their asset in Namibia[225].

Table 62: Stockbrokers in Namibia

Type of operator	Ownership	Branches
Stockbrokers & Dealers		
PSG Konsult Namibia	South Africa	
IJG securities (Pty) Ltd	-	
Simonis Storm Securities (Pty) Ltd	-	
Namibia Equity Brokers (Pty) Ltd	-	

Source: Namibian Stock Exchange website

9.3.6 Foreign ownership

Three of Namibia's banks are foreign controlled. The nature of the foreign control in Namibia is different from that in the other case studies because all of the foreign banks are from one country, South Africa. This leaves Namibia susceptible to external shocks emanating from the South African economy. Moreover, prior to 2006, South Africa's ABSA Bank had a 34.4% stake in Capricorn Investment Holdings, the main shareholder in Namibia's only local bank.

9.4 Trade openness in banking services

Market access

Number of foreign suppliers

Whilst there is no written policy stating that there is a limit to the number of foreign suppliers, the manner in which the BoN dealt with the attempt by ABSA to purchase Bank Windhoek in 2006 suggests that the Namibian authorities may be wary of over-exposing the industry to South African influences.

Box 2: ABSA's experience in Namibia[226]

In 2006, ABSA disposed of its 34.4% stake in Capricorn Investment Holdings (CIH) whose flagship brand was Bank Windhoek. ABSA then applied to the Bank of Namibia for a full-service banking licence in 2008, a move that was well received by the regulator. That same year ABSA was granted a provisional licence by the Bank of Namibia to operate a commercial bank. In light of the global financial crisis however, the ABSA Group decided to adopt a more conservative strategy by opening a Representative Office instead. In 2009, ABSA was granted a certificate to open a Representative Office in Namibia by the Bank of Namibia (BoN)[227]. At the same time, ABSA's provisional full-service banking licence expired[228]. In February 2010, ABSA announced its intention to acquire a controlling interest in CIH[229]. ABSA applied to the Namibian central banks for approval of the merger, but the Bank of Namibia did not consider this application favourably. The central bank argued

225 (Ministry of Finance, Namibia, 2011)
226 This box is an extract from Chisadza, S. & Dube, M., (2012)
227 See - (ABSA Namibia, 2009)
228 See - (The Namibian, 2009)
229 See - (ABSA Group, 2010)

that the proposed merger would have negative effects on the stability of the financial system and the country's broader economic objectives to be less reliant on South Africa.

ABSA's 2008/9 decision to avoid opening a full-service bank suggests that from banks' perspective, the Namibian market does not have sufficient capacity for another full-service bank to enter the market and operate profitably. However, because of the large number of South African firms operating in Namibia, the country remained an attractive proposition for one of South Africa's "big four" banks. From the Namibian regulator's perspective, the main concern around letting ABSA acquire a controlling stake in CIH would have been the risks associated with allowing the entire banking industry to be linked to a single foreign country. There are however some concerns that the political drive to ensure that Namibians control and manage all assets could affect the competitiveness of the sector.[230]

Total value of services transactions or assets

After being awarded a branch license, a foreign banking institution may only open one branch office[231].

Total number of services operations/quantity of service output

The World Bank data base reports that for cross-border supply, the interest rates charged by lending banks are restricted and require BoN approval.

Number of natural persons

Under section 71(1)(b), the Minister may publish regulations and determinations that allow the Minister to make regulations relating to the citizenship or residence of a board member.

Domestic residency requirement

At least two Namibians resident in Namibia shall be appointed to manage the branch with at least one being appointed as the principal officer[232]. Included with the application should be a description of the extent of involvement and decision making that the local executive officer will have in the operation of the branches.

Type of legal entity

Section 19 of the Banking Institutions Act (BIA) of 1998 allows foreign banking institutions to open a representative office, a branch or a subsidiary in Namibia subject to approval by the Bank of Namibia. The 2010 amendment to the BIA contained provisions that authorised foreign banks to open branches in Namibia whilst at the same time prohibited banking institutions from converting to branches of foreign institutions.

The World Bank database (2009) reports that joint ventures in banking are allowed, provided that both parties to the venture hold a license.

Participation of foreign capital

Our review did not identify any limits on the participation of foreign capital.

National treatment

Discriminatory measures in licensing

230 See - (ABSA Group, 2010)

231 See – Sections 11.2 of the Banking Institutions Determination (BID-22) Branches of Foreign Banking Institutions of 2012

232 See – Sections 10.3 & 10.4 of the Banking Institutions Determination (BID-22) Branches of Foreign Banking Institutions of 2012

A foreign banking institutions applying to enter the Namibian market Must be financially sound and should demonstrate a viable business case. The BoN argues that this will ensure that only well-established foreign banks enter the Namibian market[233] as foreign bank branches. In addition to the above, the BoN for prudential reasons requires that all branches of foreign banks must ensure that the sum of their capital does not at any time amount to less than the greater of[234]:

(i) an amount specified by the Bank based on the applicant's proposed business model; or (ii) an amount that represents 10% of the risk weighted assets of a branch and other exposures of a branch that the bank may deem fit.

Specific restrictions

Repatriation of funds

The repatriation of dividends from Namibia is subject to a withholding tax of 10%.

Localisation of core banking systems

Concerned by the inability of banks in Namibia to make payments on South African national holidays due to shared and integrated infrastructure, the BoN published a determination instructing all foreign banks to localise their core banking functions (i.e. records, documents, IT systems etc) especially with regards to the NPS[235].

The licensing conditions for the licensing of collective investment schemes, microfinance institutions and stockbrokers could not be ascertained.

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233 See – Section 9.1 of the Banking Institutions Determination (BID-22) Branches of Foreign Banking Institutions of 2012

234 See – Sections 9.2 & 9.3 of the Banking Institutions Determination (BID-22) Branches of Foreign Banking Institutions of 2012

235 (Bank of Namibia, 2008)

Table 63: Limitations in trade in financial services in Namibia

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database) but over exposure to South Africa is a concern	None		None	None	
2)	Limitations on the total value of services transactions or assets	May only open one branch office	None		None	None	
3)	Limitations on the total number of services operations/quantity of services output	Restrictions on mode 1 lending (WB database)	None		None	None	
4)	Limitations on the number of natural persons						
	a) For employees		None		None	None	
	b) For directors	At least two Namibian directors, one being CEO. Need to also prove that they have sufficient authority to make decisions for the local branch.		At least two Namibian directors, one being CEO. Need to also prove that they have sufficient authority to make decisions for the local branch.			At least two Namibian directors, one being CEO. Need to also prove that they have sufficient authority to make decisions for the local branch.
5)	Domestic residency requirement	At least two directors must be residents, including the CEO		At least two directors must be residents, including the CEO			At least two directors must be residents, including the CEO
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	b) Establishment of a representative office	Allowed but BoN approval required		Allowed but BoN approval required			Allowed but BoN approval required
	c) Establishment of a subsidiary/branch	Allowed but BoN approval required		Allowed but BoN approval required			Allowed but BoN approval required
	d) Establishment of a joint venture	Allowed but BoN approval required, and both parties must have a license		Allowed but BoN approval required, and both parties must have a license			Allowed but BoN approval required, and both parties must have a license
7)	Limitations on the participation of foreign capital						
	– Acquisition of domestic public entity	Allowed (WB database)					
	– Acquisition of a domestic private entity	Not allowed (WB database)					
8)	Limitations on the interest rates for lending and accepting deposits across borders	Restrictions on mode 1 lending (WB database)					
	National Treatment						
9)	Discriminatory measures in licensing	Must maintain a minimum of N$8.5 billion in assets for 2 years prior to applying for a license		Must maintain a minimum of N$8.5 billion in assets for 2 years prior to applying for a license			Must maintain a minimum of N$8.5 billion in assets for 2 years prior to applying for a license
	Specific restrictions						
10)	Limits on local businesses exporting their services	Allowed but BoN approval required		Allowed but BoN approval required			Allowed but BoN approval required
11)	Limits on repatriation of funds	Subject to a 10% withholding tax (WB database)					

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
12)	Localization of core banking functions	Core banking functions should be done locally		Core banking functions should be done locally			Core banking functions should be done locally

9.5 Namibia's insurance services - sector overview

9.5.1 Structure of the sector

The Namibian insurance market is composed of over 30 insurance companies. The long-term insurance sector includes life, health, pensions and disability insurance and is relatively larger in size and more developed than the short-term sector, which includes mostly car, house, household contents and commercial risk insurance.[236] By the end of 2010 the following actors in the insurance sector were registered:

Table 64: Insurance operators in Namibia by type of operator

Type of insurance company	Quantity
Short-term insurers (General insurers)	13
Long-term insurers (incl. Life insurers)	17
Reinsurers	1
Insurance brokers (long-term insurance)	104
Insurance agents (long-term insurance)	2610
Insurance brokers (short-term insurance)	121
Insurance agents (short-term insurance)	395

Source: NAMFISA Annual Report 2011

Performance of the insurance industry

Gross written premiums (GWP) for the short-term insurance sector increased by 16% to N$ 2bn in 2010 (approx. US$ 275m), in line with the 5-year compound annual growth rate of 15% in this segment. Despite this growth trend, market penetration is estimated to have increased by only 0.2% from 1.8% of GDP in 2006 to 2% in 2010. The short-term segment is characterise by a two tier structure. The three largest market actors, who are all South African subsidiaries, collectively account for more than 75% of gross premiums.[237]

Short-term insurance

Total assets of the short-term insurance sector increased from N$ 1.95bn in 2009 to N$ 2.36bn in 2010. This 21% increase is mostly due to growth in investment income, capital ganis and profits for the period. The shareholders' equity totalled N$ 783 million and the solvency ratio, as measured by equity to total assets, averaged 32 percent over the past four years, indicating that the industry is well capitalised.

Insurance services portfolio mix

236 Commonwealth of Nations http://www.commonwealthofnations.org/business/africa/namibia/insurance_and_reinsurance/

237 Global Credit Rating Co., Namibia Reinsurance Analysis, September 2011: http://www.google.de/url?sa=t&rct=j&q=namibia%20national%20reinsurance%20corporation%20ltd%20marc%20joffe&source=web&cd=1&cad=rja&sqi=2&ved=0CCIQFjAA&url=http%3A%2F%2Fwww.namibre.com%2Fdocs%2FCredit%2520Rating%2520NamibRe%25202011.pdf&ei=b-JVUOWsOYmZ0QWnzoGwDg&usg=AFQjCNHkk4rIZSucf83-VdGlW9bjsjVNmA

In terms of revenue composition, the short-term segment is dominated by automobile insurance, which made up 37% of total premiums in 2010. The segments personal accident and miscellaneous accounted each for 20% of the market, fire insurance made up 18%, with the remaining 5% being shared by marine, aviation and guarantee insurance.[238]

Insurance services provided by foreign operators

The following table provides an overview of insurance covered by foreign insurance companies over the past two years.

Type of insurance	2009 (N$ million)	2010 (N$ million)
Aviation	52.72	22.56
Fire	11.96	7.4
Marine	63.91	50.82
Miscellaneous	48.46	46.11
Vehicles	-	35
Total	177.05	161.89

Source: NAMFISA Annual Report 2011

Long-term insurance

In the long-term insurance industry gross premium income increased by 2.3% to N$4.46 billion in 2010. Industry's assets grew by 13.6% to N$25 billion and policy liabilities amounted to N$22 billion. Namibian long-term insurers are generally well capitalised and financially strong, as measured by the capital adequacy requirements (CAR) and the surplus assets.[239]

The Namibian insurance market includes several brokers, although the majority of premiums is generated by a few multinational companies. The Namibian Insurance Brokers Association (NIBA) oversees all intermediaries and registration with NIBA is obligatory for intermediaries. In addition, the Namibian Insurance Association (NIA) was established to protect the interests of insurers, which is a legal voluntary entity, made up of representatives from primary firms in the sector.[240]

9.5.2 Competition in the insurance sector

Market shares of short-term insurers to be included. Only names of firms available, not market shares.

Market shares of long-term insurers to be included. Only names of firms available, not market shares.

Reinsurance

In the long-term industry, the dominant life insurance company had a market share of 41% of premiums in 2009. A further 46% market share was made up by four other insuring companies.[241]

Namibia National Reinsurance Corporation Limited (Namib Re) is the only locally registered reinsurer operating in Namibia. The cooperation is 100% owned by the Namibian government and

238 NAMFISA Annual Report 2011

239 Ibid.

240 Global Credit Rating Co., Namibia Reinsurance Analysis, September 2011

241 CISNA SADC Insurance Harmonisation Report 2012 (Draft)

derives 89% of its business in Namibia. The company benefits from mandatory cessions in the market.[242]

Despite sustained high premium growth in recent years, Namib Re has a relatively small capital base and a small book in comparison with other regional reinsurers. Due to the dominance of key international players, including Africa Re, Namib Re operates in the follow market. However, in terms of solvency, underwriting margin and liquidity position, Namib Re compares favourably in the region.[243]

9.6 Insurance sector regulatory framework and trade openness

The insurance sector in Namibia is regulated by the Namibia Financial Institutions Supervisory Authority (NAMFISA), which operates under the auspieces of the Ministry of Finance. NAMFISA supervises and regulates a broad range of institutions, including long-term insurance, short-term insurance, pension and retirement funds, medical aid schemes, freindly societies, unit trust management schemes, the stock exchange, asset managers, participation bond schemes, public accountants' and auditors', micro lenders, and hire purchase outlets.[244]

The regulatory framework for the insurance sector is provided by the Financial Institutions Supervisory Authority Act No. 3 of 2001. This Act refers to the Short-term Insurance Act No. 4 of 1998, and the Long-term Insurance Act No. 5 of 1998, which have been amended by the Finanincial Institutions Supervisory Act 2001. The registrar of the short-term and long-term insurance sector is the chief executive officer of NAMFISA, as stipulated by Section 5 of the Financial Institutions Supervisory Authority Act 2001.[245] NAMFISA is currently in the process of renewing the non-bank legislation by reviewing all relevant policies, procedures and operational guidelines. A new Financial Institutions and Markets Bill is being developed, which was supposed to be promulgated in 2012.[246]

The following regulations for the Namibian insurance sector are based on the Acts presented above as well as information obtained from the World Bank Services Trade Restrictions Database (WB Database). Data from the WB Database for Namibia is from the year 2008. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from the WB Database.

Market Access

Number of foreign suppliers

The legislation for the insurance sector in Namibia foresees no limitations on the number of foreign service suppliers allowed to operate on the local market. In the three subsectors automobile insurance, life insurance and reinsurance there are no quotas or prohibitions on the number of licenses available to foreign suppliers.

Value of services transactions

242 Global Credit Rating Co., Namibia Reinsurance Analysis, September 2011
243 Global Credit Rating Co., Namibia Reinsurance Analysis, September 2011
244 NAMFISA Website http://www.namfisa.com.na/
245 Ibid.
246 CISNA SADC Insurance Harmonisation Report 2012 (Draft) and NAMFISA Website http://www.namfisa.com.na/.

Furthermore, no evidence could be found indicating that services transactions of registered insurance suppliers, domestic and foreign, are restricted through quotas.

Number of services operations

Similarly, the total number of services operations or the quantity of output of insurance suppliers does not seem to be limited. No evidence was identified suggesting otherwise.

Number of natural persons

Namibia' legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

With regard to form of commercial presence, foreign insurance providers are not allowed to supply the Namibian market through the establishment of a branch in the country. According to Section 16 of the Long-term Insurance Act 1998 and also Section 16 of the Short-term insurance Act 1998, an insurance firm must be a public company that is registered in Namibia. The establishment of a subsidiary, on the other hand, is allowed and there are no restrictions with regard to maximum ownership. This is equally valid for long-term and short-term insurance business.

Establishment of Joint ventures

The establishment of a joint venture with a local partner is allowed under the Namibian legislation and foreign ownership by a single firm or by a group of firms is not limited. This includes obtaining a controlling stake in the local firm within the joint venture.

Participation of foreign capital

Foreign insurance providers are not permitted to enter the local market by investing in and acquiring a domestic public entity or a controlling stake of that entity. However, the acquisition of a private entity in the domestic market by a single foreign supplier or a group of suppliers is allowed and there are no restrictions on the maximum share of ownership by the foreign supplier.

National Treatment

Nationality requirements

The current legislation foresees nationality requirements for the board of directors of foreign suppliers. Section 16 of the Short-term Insurance Act 1998 as well as of the Long-term Insurance Act stipulate that the managing director and at least 50% of the members of the board of directors must be Namibian citizens resident in Namibia. In exceptional circumstances the Registrar may grant permission that the managing director for a certain period of time may ba a foreign citizen.[247] With regard to employees of foreign suppliers, there are no nationality requirements.

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Namibian insurance market do not distinguish between domestic and foreign applicants. Once licenses are approved, they are valid an unlimited amount of time for both, local and foreign suppliers. A renewal of the license is not required, neither for local nor for foreign suppliers.

Other restrictions

Licensing procedures

247 Longt-term Insurance Act 1998 and Short-term Insurance Act 1998, Section 16.

In terms of licensing procedures, it is noteworthy, that the fulfillment of the licensing requirements by a firm, does not automatically lead to the issuance of the licence. The Authority still has discretionary power in this case.

Minimum capital requirements

In order to be registered as a long-term insurer in Namibia, Section 16 of the Long-term Insurance Act 1998 requires the insurance company (domestic or foreign) to hold a minimum of N$ 1 million of paid-up capital in case that company only provides one class of long-term insurance other than funeral insurance and reinsurance. In case the company wants to beregistered as reinsurer but in no further class of long-term insurance business, the requirement is N$ 5 million. If a company wants to apply for registration in two or more classes of long-term insurance other than reinsurance, it has to hold N$ 4 million of paid-up capital. And if one the classes offered is reinsurance, the company is required to hold N$ 10 million. Section 16 of the Short-term Insurance Act 1998 forsees identical requirements of paid-up capital for companies applying for registration in the short-term sector.

Repatriation of earnings

In terms of repatriation of earnings of foreign suppliers, dividends from Namibia are subject to a withholding tax of 10%.

Cessation requirement to domestic reinsurer

In all three subsectors, domestic insurance companies have to follow mandatory cessation requirements and are obliged to reinsure at least 20% of their business with the domestic reinsurer, Namib-Re.

Cross-border purchase of insurance services

In Namibia, domestic companies and individuals are allowed to obtain short-term and long-term insurance from firms located outside the country in certain cases. In doing so, Section 2 (2) of the Short-term insurance Act 1998 and of the Long-term insurance Act 1998 requires them to demonstrate domestic unavailability of the specific service required. Furthermore, in the case of reinsurance, domestic companies cannot obtain unlimited foreign reinsurance but have to reinsure 20% of their business to Namib-Re, as stated above.

Table 65: **Limitations in trade in insurance services in Namibia by subsector**

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed, insurance firm must be a public firm registered in Namibia (Short-term Insurance Act 1998, Sec. 16)	Not allowed, insurance firm must be a public firm registered in Namibia (Long-term Insurance Act 1998, Sec. 16)	Not allowed, insurance firm must be a public firm registered in Namibia (Long-term Insurance Act 1998, Sec. 16)
	• Establishment of a subsidiary	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Acquisition of domestic private entity	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)	Allowed, no ownership restrictions (WB database)
	National Treatment			
7)	Discriminatory measures in licensing	None	None	None

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
		(WB database)	(WB database)	(WB database)
8)	Nationality requirements for employees	None (WB database)	None (WB database)	None (WB database)
9)	Nationality requirements for board of directors	Managing director and a minimum of 50% of the members of the board of directors have to be Namibian citizens resident in Namibia (Short-term Insurance Act 1998, Sec.16)	Managing director and a minimum of 50% of the members of the board of directors have to be Namibian citizens resident in Namibia (Long-term Insurance Act 1998, Sec.16)	Managing director and a minimum of 50% of the members of the board of directors have to be Namibian citizens resident in Namibia (Long-term Insurance Act 1998, Sec.16)
10)	Any other discriminatory measures	None	None	None
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	The Authority holds discretionary power in issuing a license (WB database)	The Authority holds discretionary power in issuing a license (WB database)	The Authority holds discretionary power in issuing a license (WB database)
	• length of license	Unlimited, no renewal required (WB database)	Unlimited, no renewal required (WB database)	Unlimited, no renewal required (WB database)
12)	Minimum capital requirements	Minimum of N$ 1 million paid-up capital for firms providing only one class of short-term insurance; Minimum of N$ 4 million if they provide 2 classes of short-term insurance (Short-term Insurance Act 1998, Sec.16)	Minimum of N$ 1 million paid-up capital for firms providing only one class of long-term insurance; Minimum of N$ 4 million if they provide 2 classes of long-term insurance (Long-term Insurance Act 1998, Sec.16)	Minimum of N$ 5 million paid-up capital for firms providing only reinsurance; Minimum of N$ 10 million if the firm provides reinsurance and another class of long-term insurance (Long-term Insurance Act 1998, Sec.16)
13)	restrictions on repatriation of earnings	Repatriation of dividends from Namibia is subject to a withholding tax of 10% (WB database)	Repatriation of dividends from Namibia is subject to a withholding tax of 10% (WB database)	Repatriation of dividends from Namibia is subject to a withholding tax of 10% (WB database)
14)	Mandatory cessation requirements to domestic reinsurers	Minimum of 20% of insurance to be reinsured with Namib-Re (WB database)	Minimum of 20% of insurance to be reinsured with Namib-Re (WB database)	Minimum of 20% of insurance to be reinsured with Namib-Re (WB database)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
15)	Purchase of insurance from suppliers located outside Namibia	Allowed in exceptional cases, but demonstration of domestic unavailability necessary (Short-term Insurance Act 1998, Sec. 2(2))	Allowed in exceptional cases, but demonstration of domestic unavailability necessary (Long-term Insurance Act 1998, Sec. 2(2))	Allowed in exceptional cases, but demonstration of domestic unavailability necessary (Long-term Insurance Act 1998, Sec. 2(2))

10 SEYCHELLES

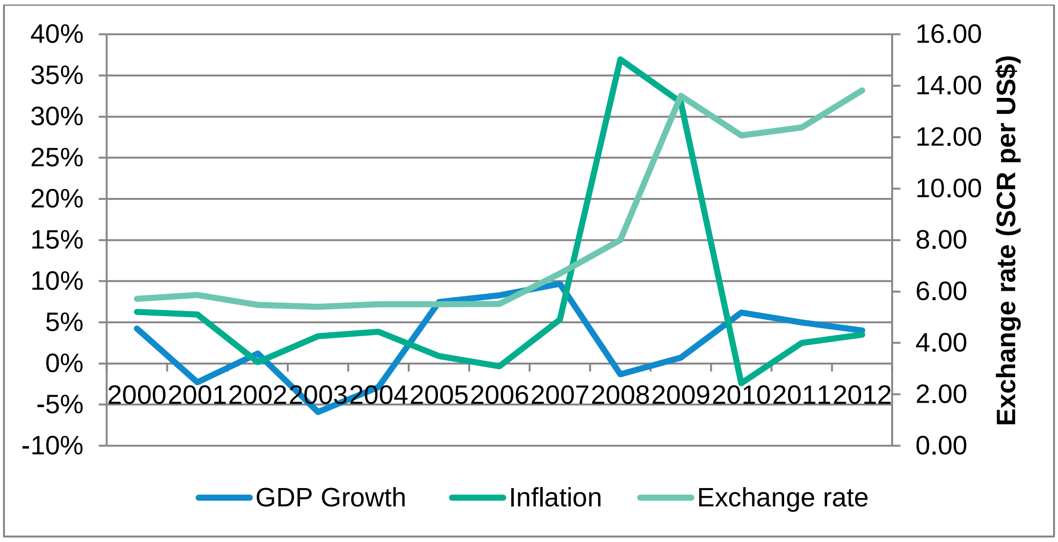
10.1 The economy of the Seychelles

With a population that in 2011 was estimated at 86,525 (World Bank est.), Seychelles has the smallest population for any African state. The Seychelles consists of 115 islands and has approximately 55% of the population is located in urban areas.

Traditionally, exports from cinnamon, vanilla and copra plantations were the main drivers of the economy. The opening of an international airport in 1971 resulted in a boom in the tourism industry and a decline in the prominence of plantations. In recent years however, the government has moved to reduce the country's dependence on tourism by encouraging the development of farming, fishing, small scale manufacturing and an offshore sector. The passage of the revised Mutual Fund Act (2007), Securities Act (2007), and the Insurance Act (2007) is an indication of the country's determination to move from simply being an offshore jurisdiction to being a full-fledged offshore Financial Centre. The Seychelles government is also exploring the potential for off-shore oil deposits.

Despite the government's policy to diversify the Seychellois economy, in 2011 the economy grew at 5% which was higher than was expected. This growth was largely attributed to an 11% increase in tourism numbers. Economic reforms that have resulted in a reduction in budget deficits has also fuelled recent growth, but a decline in foreign direct investment as well as increasing food and energy prices if placing downward pressure on economic growth.

Figure 20: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

10.2 Seychelles' Financial Sector

10.2.1 Financial sector policy

In 1994 Seychelles introduced comprehensive offshore tax haven legislation (the Seychelles International Business Authority Act) that allowed two main types of offshore companies, i.e. the classic International Business Company, which is free of taxes, and Special License Company paying low taxes. These and other liberalization efforts were implemented as part of the country's policy to reduce the state's role in the financial sector, foster private sector credit growth, and by targeting offshore banking, it is anticipated that this would also reduce the country's dependence on tourism. These policy changes created the need for additional prudential regulation. As of 2009, supervision of non-bank financial institutions has been transferred to the Central Bank, already supervising bank activities, to build a more effective and unified oversight mechanism.

10.2.2 Financial sector regulation

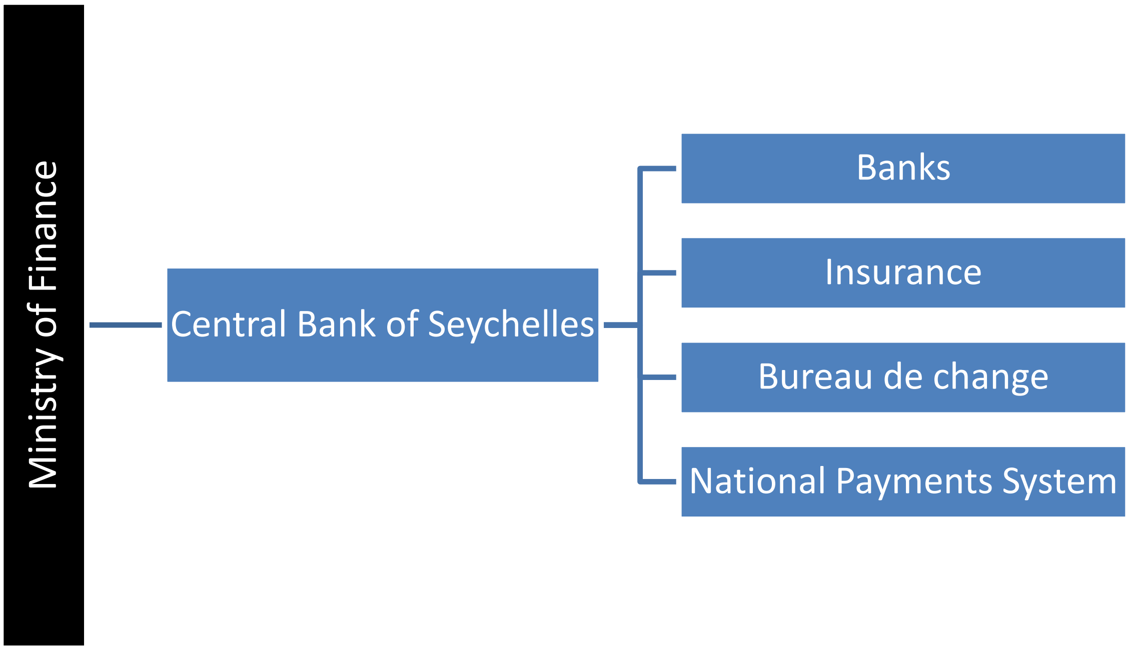
There are three financial regulatory authorities:

a) *Central Bank of Seychelles (CBS).* The Seychelles Monetary Authority was established in 1978 but was transformed into the Central Bank of Seychelles in 1983. The Bank is currently regulated by the 2004, Central Bank of Seychelles Act which contains provisions that allow for the Bank to attain greater autonomy from the government of Seychelles. The regulation of insurers in Seychelles was formerly the responsibility of the Insurance Authority, governed by the provisions of the Seychelles Insurance Act 1994. In 2008 that responsibility was transferred to the Financial Services Supervision Division (FSSD) of the Central Bank of Seychelles. The FSSD is the prudential regulator of banks, bureaux de change, insurance companies and intermediaries.

b) *The Seychelles International Business Authority (SIBA).* The SIBA was established in 1995 under the Seychelles International Business Authority Act. SIBA licenses and regulates offshore business activities and is the registrar for International Business Companies, International Trusts, Protected Cell Company, Companies Special License, and Limited Partnerships.

c) *Financial intelligence Unit (FIU).* The FIU polices the financial sector in Seychelles for money laundering or criminal conduct.

Figure 21: The organisational structure of the Seychelles financial sector's regulators



10.2.3 Financial depth and performance

There were 35.24 ATMs and 35.2 bank branches per 100,000 adults in 2010. During the same period, domestic credit provided by banking sector as a percentage of GDP was 48.1%. In terms of employment, the banking sector employed 576 employees in 2010.

10.3 Seychelles' banking and non-bank financial services – sector overview

10.3.1 Banking industry

Under the Financial Institutions Act of 2004, the Central Bank of Seychelles may issue two types of banking licenses, namely a banking license and an offshore banking license. The holder of a banking license may engage in banking business with residents and non-residents in all currencies. The holder of an offshore banking license however may only conduct business with non-residents and in foreign currencies only[248].

There are 6 banks with a banking license and 2 with an offshore license. BMI Offshore Bank is the only bank solely in offshore banking whereas Barclays Bank Ltd holds both licenses[249].

The Government of Seychelles is the majority shareholder in Nouvobanq and Seychelles Savings Bank whilst the other five banks are foreign owned. Three of the foreign owned banks are incorporated in the country as subsidiaries whist the other two are overseas companies with branches in the Seychelles[250].

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248 (Central Bank of Seychelles, 2010)
249 (Central Bank of Seychelles, 2010)
250 (Central Bank of Seychelles, 2010)

Table 66: Summary of banking institutions in Seychelles

Type of operator	Ownership	Assets (Rupee)	Branches
Commercial Banks			
Barclays Bank (Seychelles) Ltd	UK		7
Mauritius Bank (Seychelles) Ltd	Mauritius		6
Bank of Baroda	India		1
Habib Bank Ltd	Pakistan		1
Seychelles International Mercantile Banking Corporation (SIMBC) t/a Nouvobanq	Local		3
Seychelles Savings Bank	Local		5
Offshore banks			
BMI Offshore Bank		590,502,000	1
Barclays Bank			7

Source: Central Bank of SeychellesFSSD Annual Report 2010

Housing finance is dominated by semi-public institutions. The Seychelles Housing Development Corporation (SHDC) contributes approximately one-third of credit to the private sector in the form of subsidized lending for housing. Due to the large subsidies, the government has been making efforts to transfer a portion of the SHDC's housing loan portfolios to commercial banks.

10.3.2 Microfinance industry

The Credit Union Act of 2009 as well as the Cooperatives Act of 2005 set out the regulatory framework for regulating credit cooperatives. The Seychelles Credit Union is the only licensed credit union and microfinance institution.

10.3.3 Collective investment schemes

Seychelles' statute law on mutual funds/collective investment schemes is contained in the Mutual Fund and Hedge Fund Act of 2008. The establishment and operation of mutual fund companies is governed by the Companies Act of 1972, in connection with the Companies (Special Licences) Act of 2003 or the Protected Cell Companies Act of 2003 or by the International Business Companies Act of 1994. The establishment and operation of unit trusts on the other hand is governed by the International Trust Act of 1994.

Under the current regulatory framework, funds may be administered either from the Seychelles by a locally licensed fund administrator or from outside the Seychelles by an approved foreign administrator. There are however no offshore mutual funds currently operating from the Seychelles[251].

10.3.4 Bureau de change

The Central Bank of Seychelles issues two classes/types of bureau de change licenses. Class B licences allows the holder to engage in the buying and selling of foreign currency notes, coins, and travellers cheques. Class A license holders may engage transmission services in addition to the services provided by class B license holders. There were 24 licensed bureaux de change in 2010. There does however appear to be a relatively high level of churn as four

251 (African Development Bank , 2012)

bureau de change were granted licenses whilst four licenses were surrendered in 2010 alone[252].

Table 67: Summary of bureau de change in Seychelles

Type of operator	Ownership
Class A	
ARC Exchange (Pty) Ltd	
Cash Plus Co. (Pty) Ltd	
Mason's Xchange	
Royale Growth (Pty) Ltd	
Creole Exchange	
Vision money Transfer Ltd	
Le Relxax Bureau de Change	
Doubleclick Exchange (Pty) Ltd	
JPL Exchange (Seychelles) Ltd	
UAE Exchange(Seychelles) Ltd	
Class B	
Ideal Money Changer (Pty) Ltd	
Seymore (Pty) Ltd	
Sylvie's Exchange (Pty) Ltd	
Universal Money Changer (Pty) Ltd	
Thompson (Seychelles) Ltd	
Jamboo Money Exchange Ltd	
Vims Exchange Ltd	
Money Stretcher (Pty) Ltd	
Victoria Money Changer Ltd	
Anthrium Foreign Exchange (Pty) Ltd	
Best Exchange (Pty) Ltd	
Mohan's Xchange Ltd	
Exotic Exchange (Pty) Ltd	
A&T Exchange Ltd	

Source: Central Bank of Seychelles FSSD Annual Report 2010

In terms of the purchases of foreign currency in 2010, bureau de change accounted for R1.282 billion (27.1%) and R1.273 billion (26.5%) in sales. Commercial banks accounted for the balance[253].

10.3.5 Capital markets

While no stock market exists in the country, the authorities are in the process of exploring the development of an exchange. In 2007 the authorities introduced a Securities Act. The provisions of the Act would be enforced by SIBA and an application to establish a stock exchange was received under the provisions of this Act of 2007[254].

Long term government bonds have been reintroduced in the domestic market to try and kick start the development of the capital markets[255].

252 (Central Bank of Seychelles, 2010)
253 (Central Bank of Seychelles, 2010)
254 (Central Bank of Seychelles, 2010)
255 (African Development Bank , 2012)

10.3.6 National Payment System

Under section 30 of the Central Bank of Seychelles Act, the CBS is given the mandate of establishing facilities for the clearing and settlement of payments. The Bank is currently in the process of upgrading this system and in 2012 launched the Seychelles Electronic Cheque Clearing (ECC) System under the Truncated Automated Clearing House (TIACH) project. This system marked a move away from the previous manual cheque clearing processes, thereby allowing cheques to be cleared within a day[256].

10.3.7 Foreign ownership

The Company Special License Act of 2003 provides for the incorporation of offshore companies called International Business Companies (IBCs) that may be used by persons that wish to conduct business outside the Seychelles whilst taking advantage of the favourable tax legislation in the Seychelles.

10.4 Trade openness in banking services

Market access

Number of foreign suppliers

No information was available.

Total value of services transactions or assets

No information was available.

Total number of services operations/quantity of service output

No information was available.

Number of natural persons

The employment market is quite closely regulated in the Seychelles. Work permits issued by the Immigration Division, Department of Internal Affairs, called 'Gainful Occupation Permits' cost SR700 per month per foreign employee plus a processing fee of SR1,000 (at the time of writing). These rules are relaxed for businesses licensed under the Investment Promotion Act, and for businesses in the International Trade Zone[257]. On approval of the permit, a security bond/bank guarantee from a Seychelles Bank is required, where the amount of the bond depends on the nationality of the employee. Immigrants from Reunion (SR5,000), Maldives (SR7,000), Nairobi (SR7,000), Mauritius (SR7,000) and the UAE (SR7,000) are charged the least whilst those from the USA (SR24,0000), Yugoslavia (SR24,000), Cuba (SR24,000) and the Czech Republic (SR24,000) are charged the highest[258].

Domestic residency requirement

Section 5(1)(l) of the Financial Institutions Act requires that application for a license to operate as a financial institution by a foreign entity should be accompanied by a certificate of designation specifying at least one director is resident in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served.

Type of legal entity

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256 (SADC Bankers, 2012)

257 (Seychelles Government, 2012)

258 (Seychelles Government, 2012)

Foreign entities may either operate subsidiaries that are incorporated in Seychelles or branches (not incorporated).

Participation of foreign capital

Whilst local financial institutions must apply to the Central Bank to merge, Schedule 1, Section 2 of the FIA requires that any mergers/amalgamations by a foreign entity having a material effect on the operations of the Seychelles branch, then the Bank should be notified within a month of such an amalgamation.

A foreign financial institution should also notify the Central Bank of any change in the registered shareholders within 21 days of such a change[259].

National treatment

Discriminatory measures in licensing

Under Section 5(1)(l), approval of the home regulatory authority is required.

Specific restrictions

Repatriation of funds

Under Section 31 of the FIA, limits the ability of a foreign institution to either pay dividends on its shares (if locally incorporated) or transfer overseas any profits earned in Seychelles unless the Central Bank is satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off, or cause the bank to contravene its capital adequacy requirements, and provisions are made for impaired credits..

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259 See – Section 9(5) of the Financial Institutions Act

Table 68: **Limitations in trade in financial services in Seychelles**

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers						
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	a) For employees	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee	There is a quota on the number of foreigners that may work in the Seychelles. Work permit holders must pay a variable once off bond and an annual fee
	b) For directors						
5)	Domestic residency requirement	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served.	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served	At least one director in the Seychelles who shall act as the officer, agent or person upon which any legal processes will be served

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						
	b) Establishment of a representative office						
	c) Establishment of a subsidiary/branch	Allowed with or without incorporating in Seychelles	Allowed with or without incorporating in Seychelles	Allowed with or without incorporating in Seychelles	Allowed with or without incorporating in Seychelles	Allowed with or without incorporating in Seychelles	Allowed with or without incorporating in Seychelles
	d) Establishment of a joint venture						
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity						
	b) Acquisition of a domestic private entity	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank	Local institutions must seek the approval of the Central Bank and international mergers with a material effect on the Seychelles must be reported to the Central Bank
8)	Limitations on the interest rates for						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	lending and accepting deposits across borders						
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing	Approval of home regulator is required	Approval of home regulator is required	Approval of home regulator is required	Approval of home regulator is required	Approval of home regulator is required	Approval of home regulator is required
	Specific restrictions						
11)	Limits on repatriation of funds	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements	Central Bank must be satisfied that all capitalised expenses and items of expenditure no represented by tangible assets are written off and transfer will not result in contravention of the capital adequacy requirements

10.5 Seychelles' insurance services - sector overview

10.5.1 Structure of the sector

In 2011, there were four domestic insurers and three non-domestic insurers licensed to operate in the Seychelles. A domestic insurer is based in Seychelles and may sell both Seychelles and non-Seychelles policies. Seychelles policies cover risks situated in the Seychelles, whereas non-Seychelles policies refer to risks located outside Seychelles. A non-domestic insurer only provides non-Seychelles policies. He my operate in or from Seychelles, whereby “in Seychelles” refers to a provider licensed and physically located in Seychelles, and “from Seychelles” means a company licensed but not physically based in Seychelles. Besides insurance companies, table XX shows type and number of insurance intermediaries in Seychelles as at the end of 2011.

Table 69: Insurance operators in the Seychelles by type of operator

Type of operator	Quantity
Domestic insurers	4
Non-domestic insurers	3
Reinsurers	0
Insurance brokers	10
Insurance agents and sub-agents	40

Source: Central Bank of Seychelles, Financial Services Supervision Annual Report 2011

Foreign ownership

Out of the four domestic insurers, SACOS Life Assurance Co. Ltd. and SACOS Insurance Co. Ltd. are majority owned by the Government. The remaining two domestic insurers have both local and private foreign shareholders. All three non-domestic insurers are foreign-owned. Table XX shows ownership structures of insurers in Seychelles.

Table 70: Ownership structure of insurance companies in Seychelles

Domestic Insurance company	Shareholders
SACOS Life Assurance Co. Ltd.	• 99.9% SACOS Group Ltd. • 0.1% Director of Finance and Corporate Affairs
SACOS Insurance Co. Ltd.	• 99.9% SACOS Group Ltd. • 0.1% Director of Finance and Corporate Affairs
H. Savy Insurance Co. Ltd.	• 50% Corvina Investment Co. Ltd. • 20% Mauritian Eagle Ins. Co. Ltd. • 18.75% Harry Savy & Co. Ltd. • 11.25% Mahe Shipping Co. Ltd.
MUA (Seychelles) Co. Ltd.	• 7.5% Devin Investments Ltd. • 6.48% Mr. Dominique Galea • 6.30% Societe Robert de Froberville • 4.99% Societe de Financement et de Promotion • 4.51% Sir Maurice Latour Adrien KT • 4.34% Pershing LLC-Main Custody • 4.14% Miss Bluette Latour Adrien • 61.74% Remaining Shareholders
Non-domestic Insurance company	**Shareholders**
SRS Insurance Co. Ltd.	• 50% Special Risk Solutions Ltd. • 50% Hamilton Compass Ltd.
EOE P&I Association Ltd.	• 50% Yamagashi Transport Services Ltd. • 50% East Mutual Holdings
E&G Insurance Co. Ltd.	• 100% Estate and General (International) Ltd.

Source: Central Bank of Seychelles, Financial Services Supervision Annual Report 2011

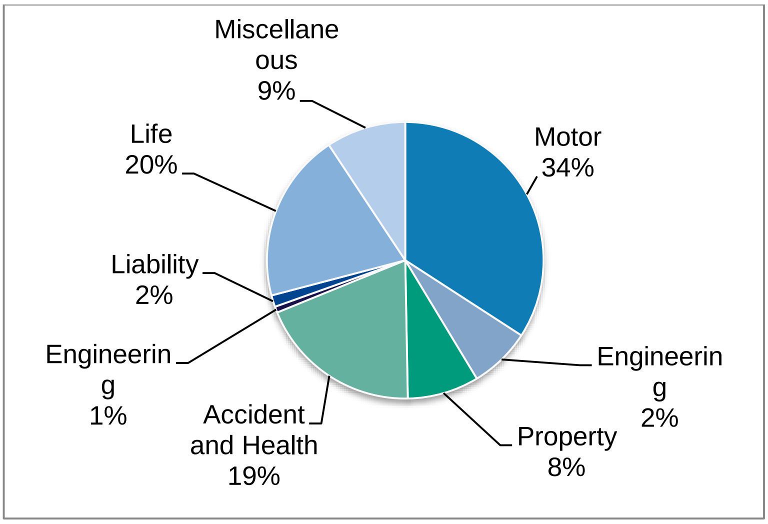
Insurance industry performance

In 2011, insurers in Seychelles together achieved a turnover measured in GPW of R260.45 million. The sector grew by 5.7% compared to 2010, where total GPW stood at R246.39. The general insurance subsector accounted for 80% of the industry's total GPW, with the remaining 20% being written by long-term insurance business. Total insurance sector assets grew by 8.3% in 2011, reaching R646.91 million. Long-term insurers hold 74% of investment assets, whilst general insurers account for the remaining 26%. Unfortunately, no data could be obtained on the insurance density or the insurance penetration ratio in Seychelles.

Insurance product landscape

In the long-term insurance segment only life insurance was domestically available in 2011, holding a market share of 20% measured as proportion of total sector GPW. The general insurance product landscape is wider and includes accident and health, engineering, guarantee liability motor, property, marine, aviation, island transit and goods-in-transit insurance. Health insurance was newly introduced in 2011 by SACOS Insurance Co., covering medical treatment or surgery which require admission to hospital. Motor insurance is the single biggest class of insurance with 34% of total sector GPW. Figure XX shows market shares of each class of insurance for 2011.

Figure 22: Share of total GWP per class of insurance in Seychelles in 2011



Source: Central Bank of Seychelles, Financial Services Supervision Annual Report 2011

10.5.2 Competition in the sector

From the sources reviewed for this study no detailed information on market shares and business generated per insurance company in the Seychelles insurance sector could be obtained. Looking at employment numbers per insurer suggests that SACOS Life Assurance Co. and SACOS Insurance Co., as well as Harry Savy Insurance Co. seem to be the three largest players in the market. The latter two companies had 38 and 29 employees respectively, whereas SACOS Life Assurance employed 15 people in 2011. This stands in contrast to MUA Co.'s four employees in total, indicating that MUA is not yet as established as the other three companies. However, detailed information on premiums written and assets by each company would be necessary to confirm this estimation.

10.6 Insurance sector regulatory framework and trade openness

The Insurance sector in Seychelles is supervised by the Financial Services Supervision Division (FSSD) of the Central Bank of Seychelles. FSSD is divided into two sections: the Banking Supervision and Foreign Exchange Section and the Insurance Supervision Section. The latter is planning to change its generalist structure into specialist units and it is constantly building capacities and reorganising work processes with the help of experts from the World Bank's FIRST initiative. In 2011, the Insurance Supervision Section employed six staff compared to 16 staff working in its Banking counterpart.

The insurance market is regulated and supervised under the provisions of the Insurance Act 2008 and its connected regulations. These include the Insurance (Domestic Insurance Business) Regulations 2009, the Insurance (Non-domestic Insurance Business) Regulations 2009, and the Insurance (Restrictions on Insurers) Regulations 2012. The regulations and trade restrictions presented in the following are based on information obtained from these legislations. Key findings with regard to Market Acces, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

The Insurance Act forsees no quotas or fixed number of insurance providers, for both domestic and foreign providers, allowed to operate in Seychelles.

Value of services transactions

Moreover, no evidence could be found that services transactions of registered insurance operators, domestic and foreign, are limited by regulations.

Number of service operations

Similarly, no information was found indicating that the total number of service operations or the quantity of output of insurance suppliers is limited in Seychelles. In theory, suppliers are thus allowed to set up an unlimited number of branches once they are licensed.

Number of natural persons

Seychelles' legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

Section 7(1,2) of the Insurance Act requires the separation of short-term and long-term business, meaning that no composite insurers are allowed and operators can only take on one of the two categories. The exemption is reinsurance business, where providers are allowed to reinsure both types of business. Only licensed domestic insurers as defined above are allowed to provide insurance policies. The Insurance (Restrictions of Insurers) Regulations 2012 under section 3 state that persons, wishing to cover risks related to assets situated in Seychelles, are not allowed to enter into insurance contracts with insurers who are not licensed in Seychelles.

Participation of foreign capital

From the sources reviewed no restrictions with regard to the establishment of joint ventures or the acquisition of domestic private or public insurance companies could be found. It seems that there are no limitations with regard to the participation of foreign capital.

National Treatment

Apart from differences with regard minimum capital requirements, no evidence was found pointing out significant differences in the treatment of domestic and non-domestic insurers.

Nationality requirements

No requirements with regard to the composition of the board of directors could be found. In case of the establishment of a non-domestic insurer, Section 30(b) of the Insurance Act requires the manager to be an authorised agent appointed by the parent company who needs to be approved by the Authority.

Other restrictions

In terms of repatriation of earnings by foreign operators no restrictions could be found. Furthermore, there seem to be no cessation requirements to domestic reinsurers. Currently also no domestic reinsurer exists.

Minimum capital requirements

With regard to minimum capital requirements, the regulations differ for domestic and non-domestic insurers. According to Section 15 of the Insurance (Domestic Insurance Business) Regulations

2009, a general or long-term insurer shall provide at least R3 million of stated capital. For reinsurance the minimum requirement is R5 million, whereas for insurers exclusively carrying on captive insurance business it is R500,000. In the case of non-domestic insurers, Section 4 of the Insurance (Non-Domestic Insurance Business) Regulations 2009 requires general and long-term insurers to hold paid-up capital to the amount of $100,000. For reinsurers the minimum is $50,000 and for insurers with exclusively captive insurance business it is $25,000.

Cross-border purchase of insurance services

Domestic residents and companies in Seychelles are not allowed to obtain insurance across the border. As stated above, risks related to assets situated in Seychelles, need to be insured with operators licensed in Seychelles. However, from the sources reviewed it became not clear whether there are exceptions in the case of domestic unavailability of desired insurance products.

Table 71: Limitations in trade in insurance services in Seychelles by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None	None	None
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (Insurance (Restrictions of Insurers) Regulations 2012, Section 3)	Not allowed (Insurance (Restrictions of Insurers) Regulations 2012, Section 3)	Not allowed (Insurance (Restrictions of Insurers) Regulations 2012, Section 3)
	• Establishment of a subsidiary	None	None	None
	• Establishment of a joint venture	None	None	None
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	None	None	None
	• Acquisition of domestic private entity	None	None	None
	National Treatment			
7)	Discriminatory measures in licensing	None	None	None
8)	Nationality requirements for employees	For non-domestic insurers the manager needs to be an authorised agent appointed by the parent company and approved by the Authority (Insurance Act 2008, Section 30(b))	For non-domestic insurers the manager needs to be an authorised agent appointed by the parent company and approved by the Authority (Insurance Act 2008, Section 30(b))	For non-domestic insurers the manager needs to be an authorised agent appointed by the parent company and approved by the Authority (Insurance Act 2008, Section 30(b))

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
9)	Nationality requirements for board of directors	None	None	None
10)	Any other discriminatory measures	None	None	None
	Specific restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	License allocation at discretion of regulatory authority	License allocation at discretion of regulatory authority	License allocation at discretion of regulatory authority
	• length of license	No information found	No information found	No information found
12)	Minimum capital requirements	For domestic insurers: minimum of R3 million of stated capital; For domestic insurers exclusively carrying our captive insurance business: minimum of R500,000 (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $100,000 of paid-up capital; For non-domestic insurers exclusively carrying our captive insurance business: minimum of $25,000 (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)	For domestic insurers: minimum of R3 million of stated capital; For domestic insurers exclusively carrying our captive insurance business: minimum of R500,000 (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $100,000 of paid-up capital; For non-domestic insurers exclusively carrying our captive insurance business: minimum of $25,000 (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)	For domestic reinsurers: minimum of R5 million of stated capital; (Insurance (Domestic Insurance Business) Regulations 2009, Section 15); For non-domestic insurers: minimum of $50,000 of paid-up capital; (Insurance (Non-Domestic Insurance Business) Regulations 2009, Section 4)
13)	Limitations on repatriations of earnings	None	None	None
14)	Mandatory cessation requirements to domestic reinsurers	None	None	None
15)	Purchase of insurance from suppliers located outside Seychelles	Not allowed	Not allowed	Allowed

11 SOUTH AFRICA

11.1 The South African Economy

According to Census 2011, South Africa's population stood at 51.8million, with 53.7% of these living in urban areas. Approximately 23.7% of the population stays in the largely urban province of Gauteng followed by the coastal province of KwaZulu-Natal with 19.8% of the population. Census results also show that around 1 million people had immigrated to Gauteng in the last 10 years, highlighting the rural-urban flow of migration. Only 56% of the people that currently reside in Gauteng were actually born there.

Historically, mining has been one of the main drivers of the South African economy, and is one of the world's leading mining and mineral processing countries. In 2008, South Africa's estimated share of global platinum production was 77%, whilst it was 45% for chromium, 19% for manganese and 11% for gold, South Africa produces 5% of the world's polished diamond production by value, and is the world's third largest coal exporter. Despite these impressive figures, mining's contribution to South Africa's GDP is on the decline, down from 21% in 1970 to 6% in 2011 and still represents 60% of exports.

High levels of unemployment and inequality are the two main challenges faced by the country. The end of the apartheid system of government in 1990 left a skewed racial economic hierarchy that placed the minority whites at the top, followed by South Africans of mixed race or Asian descent, and the indigenous blacks at the bottom, Since the advent of democracy in 1994, any progress in changing the racial profile of earnings has only been significant at the top of the income spectrum. As a result, even though South Africa's economy is the largest in Africa accounting for about 24% of Africa's GDP and being ranked by the World Bank as an upper-middle income economy, official estimates place unemployment at 25%. Unofficial estimates argue that taking into account discouraged job seekers, the unemployment rate could be as high as 40%. In addition to the high level of unemployment, an additional concern is the high level of inequality. In 1995, the poorest 20% of the population earned on average ZAR1,010 per year (2008 prices), whilst the wealthiest 20% earned R44,336 a year. In 2008 the poorest 20% earned ZAR1,486 a year whilst the wealthiest 20% were earning R64,565 a year. Using the government's poverty line of US$2 a day approximately 48% of South Africans were living in poverty in 2008.

The post-Apartheid governments have therefore adopted policies that try to identify the most vulnerable and poorest sections of the society and provide them with a comprehensive social security programme that involves grants and social support. In 2011, social welfare grants supported 15.2 million South Africans, up from 2.5 million in 1998. As a result of these interventions the proportion of the population living on less than US$1 a day has fallen from 11.0% (in 1994) to 5% (in 2010).

South Africa's economy grew by 3.1% in 2011, up from 2.9% in 2010, however domestic structural weaknesses[260] and fragile global economic recovery is expected to hamper economic growth in the short term. Following the 2008 global slowdown, interest rates in South Africa have been generally low as the Reserve Bank has kept repo-rates at historic 30-year lows in an attempt to stimulate spending and offer some relief to households in debt. Rising social security spending coupled with weaker tax revenue has resulted in a marginal increase in the fiscal deficit from 4.2% in 2010 to 4.8% in 2011.

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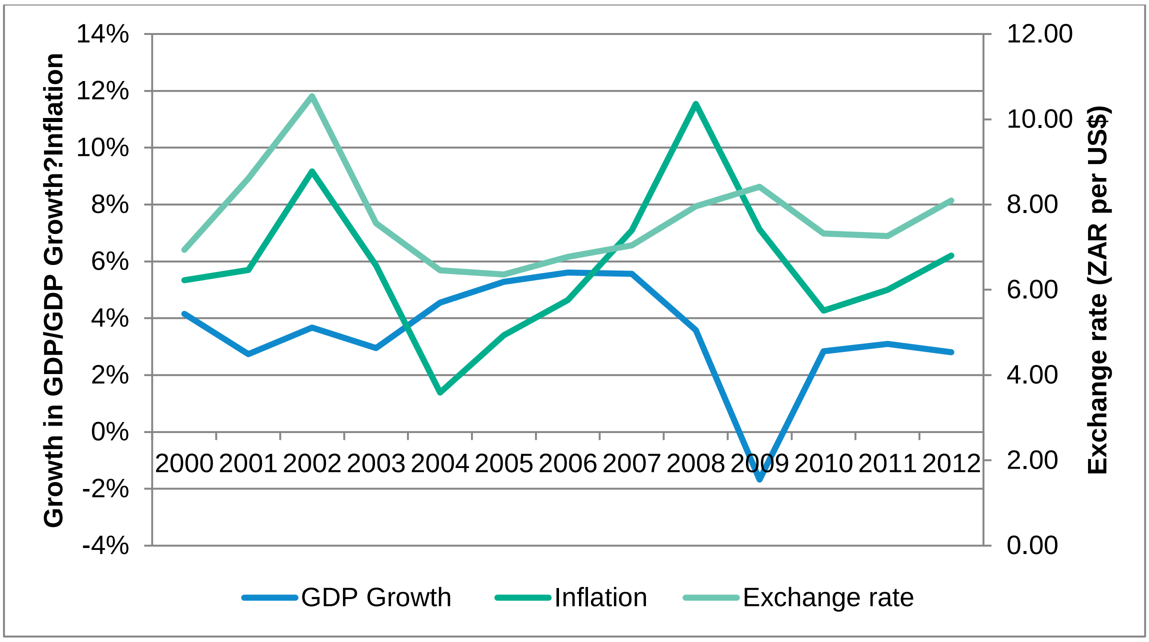
260 Two of the main concerns over South Africa's domestic economy include strikes by workers in the mining sector and concerns over the security of electricity supply

Figure 23: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

11.2 South Africa's Financial Sector

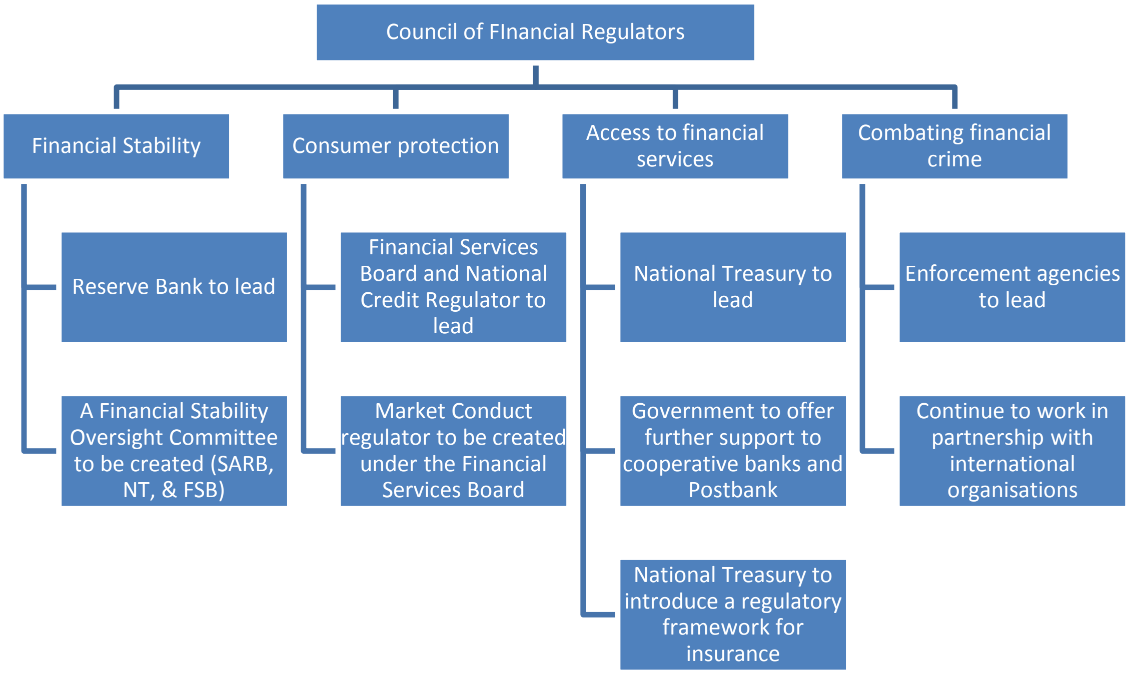
11.2.1 Financial sector policy

Many foreign banks and investment houses have either set up operations in South Africa or have representative offices in the country. The financial sector in South Africa has over R6 trillion in assets, contributes approximately 10.5% to the economy's gross domestic product, employs 3.9% of the workforce and contributes at least 15% of corporate income tax[261].

South Africa's financial system weathered the financial crisis well due to its sound macroeconomic fundamentals and robust financial regulatory framework. However, the policy document *A safer Financial Sector to serve South Africa Better* cautioned against complacency and proposed the move to a " twin peaks model" of financial regulation will be adopted where there is a single market conduct regulator and a single prudential regulator.

261 (National Treasury, 2011)

Figure 24: Proposed new framework for the regulation of financial services in South Africa



11.2.2 Financial sector regulation

South Africa's financial services sector is well developed, includes dozens of domestic and international institutions, and is backed by a relatively sound regulatory and legal framework. South Africa's financial sector compares favourably with those of industrialised countries with extensive electronic banking facilities, a nationwide interoperable payments system, and the 20th largest exchange in the world by market capitalisation.

The mandate for ensuring overall financial stability lies mainly with the South African Reserve Bank (SARB). Other regulatory agencies such as the market conduct regulators and the Financial Services Board (FSB) also take financial stability into account when making decisions within their jurisdictions[262].

- *The South African Reserve Bank (SARB).* The SARB is responsible for the supervision of the large and usually full service banks. The SARB is an independent institution that reports directly to parliament and whose Governor is appointed by the President. [263].

- *Co-operative Banks Development Agency (CBDA).* This agency is responsible for the supervision of small co-operative financial institutions (CFIs). These CFIs include saving and credit co-operatives, community banks[264], saving schemes and credit

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262 It has been suggested that in the future a Financial Stability Oversight Committee be established that allows the systemic oversight of the South African financial sector

263 (National Treasury, 2011)

264 The Co-operative Banks Act defines co-operative banks as co-operatives registered as banks in terms of that Act whose members – (a) are of similar occupation or profession or who are employed by a common

unions (stokvels[265]), village banks, and financial services co-operatives. In 2010 there were approximately 60 accredited CFIs with R137 million in assets, R125 million in savings, and approximately 36,000 members[266].

– *Financial Services Board (FSB).* The FSB is an independent regulator established by statute to oversee the South African Non-Banking Financial Services Industry. Major financial institutions that the board is broadly responsible for include the country's Central Securities Depository (CSD), exchanges (for both bonds and equities) , clearing houses, pension funds, and insurers (both short term-and long-term).

Other regulators in the financial sector are:

The Financial Intelligence Centre (FIC) which was established in 2002 to spearhead South Africa's fight against financial crimes. The legislative framework for the FIC draws on the Prevention of Organised Crime Act of 1998 which criminalises money laundering; the Protection of Constitutional Democracy Against Terrorism and Related Activities Act of 2004, which criminalised the financing of terrorism; and the Financial intelligence Centre Act (FICA) of 2001 which prescribes a list of accountable institutions[267].

- *The Johannesburg Stock Exchange (JSE)* Ltd which is the country's equities exchange is a self-regulating organisation (SRO) i.e. the Exchange is responsible for the regulation of its members. In terms of the Financial Markets Act (2012) however, the Exchange itself is regulated by the FSB. The exchange is not only one of the largest stock exchanges in the world , but it is alsothe largest in Africa with a market capitalisation of US$835 billion (as of 31 October 2012)[268] .

- *The Bond Exchange of South Africa (BESA),* which is now a subsidiary of the JSE, is South Africa's bond exchange. This is also a SRO with limited oversight provided by the FSB through its supervision of the JSE.

- *The Council for Medical Aid Schemes* is a statutory body established by the Medical Schemes Act of 1998 to provide regulatory supervision of private health financing through medical schemes

employer or who are employed within the same business district. (b) have common membership in an association or organisation, including a business, religious, social, co-operative, labour or educational group; or (c) reside within the same defined community or geographical area. In Section 14 & 15 of the Act, co-operative banks are defined (i) "primary savings" co-operative banks (that may not offer loans); (ii) "primary savings and loans" co-operative banks that may provide loans; (ii) "secondary" co-operative banks that provide the same services as "primary savings and loans" co-operative banks as well as trading in financial instruments and may open a foreign currency account with a bank, and; (iv) a "tertiary" co-operative bank that may conduct the same business as a secondary co-operative banks as well as conducting additional banking services and invest money deposited with it in investments prescribed by the Finance Minister.

265 A stokvel is an association of individuals that make regular contributions to a common pool of savings from which complete or partial withdrawals may be made by each contributor on a rotational basis. These groups may be general savings groups, investment oriented or burial societies that are meant to assist members with burial costs.

266 (National Treasury, 2011)

267 These include banks and other financial providers, bureaux de change, insurance companies, collective investment schemes, accountants, auditors, attorneys, casinos, bookmakers, estate agents, stock and bond brokers, and motor vehicle dealers.

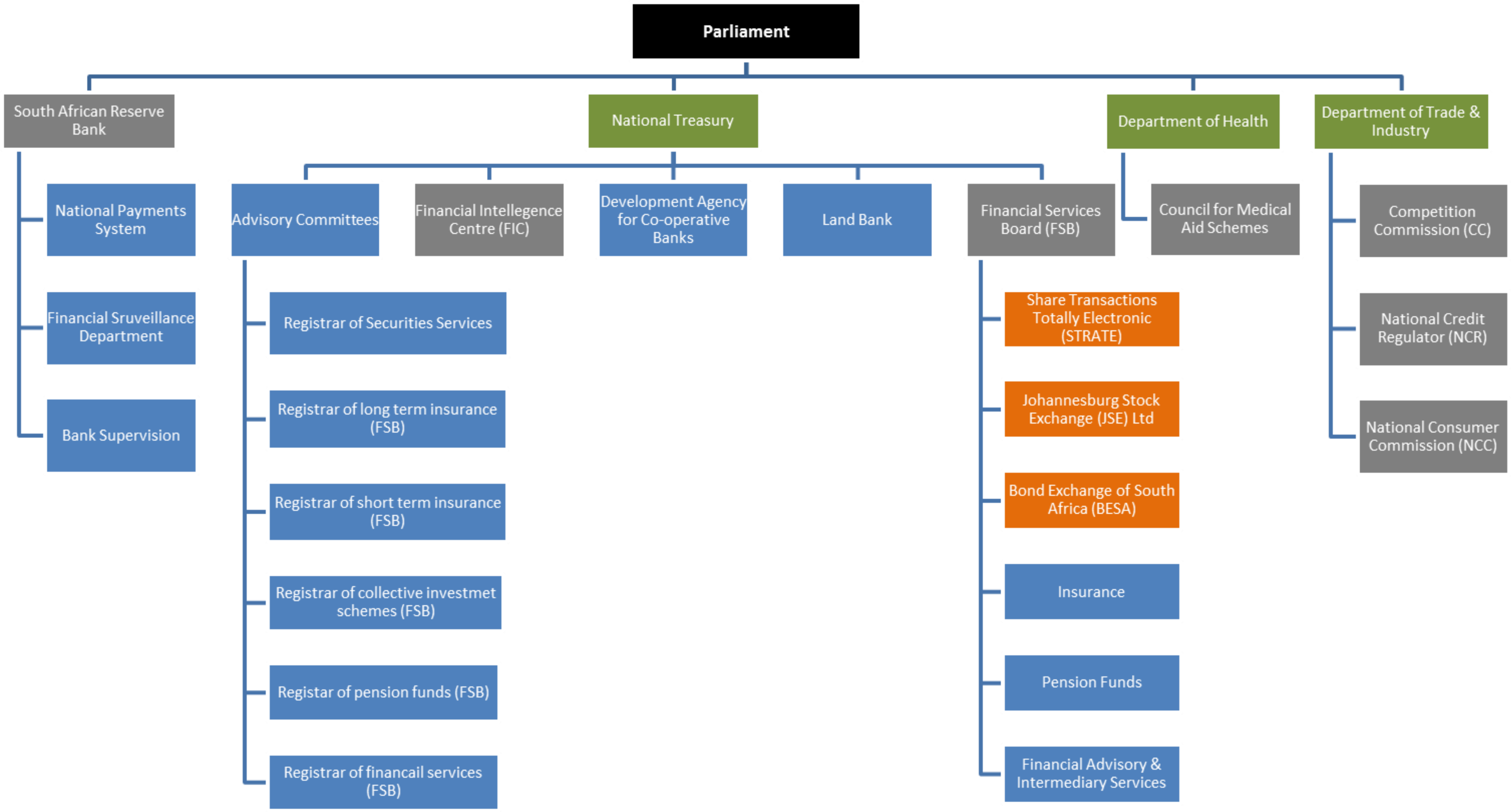
268 (World Federation of Exchanges, 2012)

- *The Competition Commission* is a statutory body constituted in terms of the Competition Act of 1998. The Commission is empowered to investigate, control and evaluate restrictive business practices, abuse of dominance, as well as mergers and acquisitions in order to achieve equity and efficiency in the South African economy.

- *The National Credit Regulator (NCR)* was established under the National Credit of 2005. The NCR is responsible for the regulation of the South Africa's credit industry and is tasked with educating South Africans on how to use credit effectively, to conduct research and develop policies for the industry, the registration of industry participants, investigate complaints, and ensure the enforcement of the Act.

Figure 24 graphically illustrates how South Africa's regulators relate to each other within the financial sector's regulatory framework.

Figure 25: The organisational structure of the South African financial sector's regulators



Source: (National Treasury, 2011)

11.2.3 Financial depth and performance

Between 2000 and 2010, the financial sector grew at an annual rate of 9.1% (as measured by gross value add), outperforming economic growth, which grew at 3.6% annually[269]. In 2011, the ratio of broad money supply to GDP was 42.3%[270].

Table 72: Snapshot of the financial services sector in South Africa

	June 2000	June 2010	Relative size 2010
			Share of GDP
Size*	US$9.9bn	US$27.8bn	10.2%
Assets	US$272.3bn	US$825.1bn	252%
Of which :			
Banks	US$105.2bn		127%
Long term insurers**	US$90.8bn	US$245.32bn	60%
Short term insurers	US$7.2bn	US$ 13.28bn	4%
Pension funds (public and private)	US$67.7bn		62%
		Share of formal employment	
Employment***	286,000	356,353	3.9%
		Share of corporate taxes	
Tax contribution* for 2009/10	n/a	US$2.9bn	15.3%

Source: (National Treasury, 2011)
**Size is gross value added in nominal rand of the financial intermediation and insurance component of the finance, real estate and business services sector. Estimate based on projected growth.*
***The long-term insurance assets figure includes assets of pension funds managed by an insurance company*
**** Financial intermediation, insurance, pension funding and auxiliary services*
N.B.: using the average exchange rate for 2000 and 2010 of US$1:ZAR6.94 and US$1:ZAR7.32 respectively

11.3 South Africa's banking and non-bank financial services – sector overview

11.3.1 Mainstream banking industry

South Africa has the largest and most developed economy in the region. The country's financial sector and related infrastructure are substantially more advanced relative to most of the other SADC countries. Many corporations have located their regional head offices within the country and for this reason; the country is often regarded as a "gateway" into Africa.

South African legislation recognises various categories of banking institutions. According to the Banks Act of 1990, foreign banks can establish subsidiaries or local branches in South Africa, subject to approval by the central bank. The Act defines a branch as "an institution that is not a public company" but that has been authorised to conduct banking business within South Africa. The subsidiary of a bank on the other hand is a locally incorporated bank. As part of the application process the foreign applicant must provide documentation showing that the under the laws of its home country it is authorised to conduct the business of a bank[271].

Once a foreign bank has established a subsidiary or local branch, it can conduct banking business within South Africa. The Banks Act Amendment of Regulations (effective from 2008)

269 (National Treasury, 2011)
270 World Bank Data
271 See – Section 34(2) of the Banks Act of 1990

outlines broad prudential requirements for local bank branches. Section 3(a) states that applicants for a branch license must hold net assets above US$1 billion for 18 months prior to the submission of the application. If however the applying institution is part of a group and is relying on the group to meet the capital requirements it must have in its own right US$400 million. Once operational the branch capital shall may not fall below the greater of R250 million (approximately US$30.5 million[272]) or 8% (or other higher rate set by the SARB) of the assets and other risk exposures[273]. At least 2 people that reside in South Africa must be appointed to manage the branch, one of which shall be the chief executive[274].

Alternatively, a foreign bank can establish a representative office in South Africa. These offices may merely "promote" or "assist" the business which the foreign bank conducts from abroad but may not engage in banking business within South Africa.

Section 4 of the Banks Act also allows the Central Bank to enter into a memorandum of understanding with a foreign supervisor that the two authorities will notify each other of any adverse assessments in the operations of a bank that may affect the foreign operations of the regulated entity. Any institution applying for a bank branch license must notify the Reserve Bank as to the extent that the branch will be monitored by the home supervisor. An operating license may be denied on the basis that the Bank deems the level of supervision inadequate[275].

In terms of limits on shareholding by institutions, the previous restriction on shareholding in banks and controlling companies was repealed; however caps on individual shareholding remain. An individual must apply to the central bank for authorisation to hold more than 15% of the voting rights of a bank. If permission is granted they must wait another 12 months before they can increase their holding to 24%, subject to central bank approval. The same process is repeated for the individual shareholder to increase their share of the voting rights to 49% and then 74%. Beyond 74%, the individual shareholder must apply to the Minister of Finance for approval[276].

Unlike banks, mutual banks are not public companies but are juristic persons whose shareholders exercise control over them through general shareholders meetings. Shareholders must apply to the central bank for authorisation to convert the institution into a bank (i.e. a public company). Persons that are not resident in South Africa and institutional shareholders that are not incorporated in South Africa would not however qualify to become shareholders after the conversion[277]. There are three licenced mutual banks in South Africa. These are also regulated by the central bank under the Mutual Banks Act of 1993.

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272 Using the average exchange rate for 2012 of US$1:ZAR8.21

273 See – Section 3(a) – (c) of the Banks Act Amendment of Regulations (effective from 2008)

274 See – Section 4 (c) of the Banks Act Amendment of Regulations (effective from 2008)

275 See – Section 18A. (5) of the Banks Act of 1990

276 See – Section 37(2)(a) of the Banks Act of 1990

277 See – Section 61(2) of the Mutual Banks Act of 1993

Table 73: Summary of banking institutions in South Africa, 2011

Type of operator	Ownership	Assets (US$ million)	Branches
Subsidiaries and locally controlled banks			
ABSA Bank Ltd	UK	99,034.5	
Albaraka Bank Ltd	Bahrain	447.7	12
Habib Overseas Bank Ltd	Pakistan		
HBZ Bank Ltd	Switzerland	487.9	7
Mercantile Bank Ltd	Portugal	840.0	2
The South African Bank of Athens Ltd			
African Bank Ltd	Local	6,338.3	1,400 banks and in-store branches
Bidvest Bank Ltd	Local	499.2	90
Capitec Bank Ltd	Local	1,991.7	455
FirstRand Bank Ltd	Local	96,265.8	722+
Grindrod Bank Ltd	Local	844.4	3
Investec Bank Ltd	Local	68,622.3	7
Nedbank Ltd	Local	78,494.2	536
Sasfin Bank Ltd	Local	82.2	
Standard Bank of South Africa, Ltd	Local	173,429.1	722
Ubank Ltd	Local	540.0	
Branch offices of foreign banks			
Bank of Baroda	India		
Bank of China Ltd	China		
Bank of India	India		
Bank of Taiwan, SA Branch	Taiwan		
BNP Paribus	France		
China Construction Bank Corp.	China		
Citibank	USA		
Deutsche Bank AG	Germany		
JP Morgan Chase Bank, NA	USA		
Société Générale	France		
Standard Chartered Bank	UK		
State Bank of India	India		
HSBC Ltd	China		
Representative Offices of Foreign Banks			
AfrAsia Bank Ltd	Mauritius	N/A	N/A
Banco Africano de Investimentos	Angola	N/A	N/A
Banco BPI, SA	Portugal	N/A	N/A
Banco Espirito Santo e Comercial de Lisboa	Portugal	N/A	N/A
Banco Santander Totta S.A.	Portugal	N/A	N/A
Bank Leumi Le-Israel BM	Israel	N/A	N/A
Bank of America, NA	USA	N/A	N/A
Bank of Cyprus Group	Cyprus	N/A	N/A
Bank of India	India	N/A	N/A
Barclays Bank Plc	UK	N/A	N/A
Barclays Private Clients International Ltd	UK	N/A	N/A
BNP Paribas Johannesburg	France	N/A	N/A
Commerzbank AG Johannesburg	Germany	N/A	N/A
Credit Suisse AG	Switzerland	N/A	N/A
Ecobank	Togo	N/A	N/A
Export-Import Bank of India	India	N/A	N/A
Fairbairn Private Bank (Isle of Man) Ltd	UK	N/A	N/A
Fairbairn Private Bank (Jersey) Ltd	UK	N/A	N/A
First Bank of Nigeria	Nigeria	N/A	N/A
First City Monument Bank Plc	Nigeria	N/A	N/A
Hellenic Bank Public Company Ltd	Cyprus	N/A	N/A
HSBC Bank International	China	N/A	N/A

Type of operator	Ownership	Assets (US$ million)	Branches
Icici Bank Ltd	India	N/A	N/A
Industrial and Commercial Bank of China African Representative Office	China	N/A	N/A
KfW Ipex-Bank GmbH	Germany	N/A	N/A
Lloyds TSB Offshore Ltd	UK	N/A	N/A
Millenium BCP	Portugal	N/A	N/A
National Bank of Egypt	Egypt	N/A	N/A
NATIXIS Southern Africa Representative Office		N/A	N/A
Royal Bank of Scotland International Ltd	Scotland	N/A	N/A
Société Générale Representative Office for Southern Africa	France	N/A	N/A
Sumitomo Mitsui Banking Corp.	Japan	N/A	N/A
The Bank of New York Mellon	USA	N/A	N/A
The Bank of Tokyo-Mitsubishi UFJ, Ltd	Mauritius	N/A	N/A
The Mauritius Commercial Bank Ltd	Mauritius	N/A	N/A
The Representative Office for Southern and Eastern Africa of the Export-Import Bank of China	China	N/A	N/A
The Royal Bank of Scotland, N.V.	Scotland	N/A	N/A
UBS AG	Switzerland	N/A	N/A
Unicredit Bank AG	Italy	N/A	N/A
Union Bank of Nigeria Plc	Nigeria	N/A	N/A
Vnesheconombank	Russia	N/A	N/A
Wells Fargo Bank, NA	USA	N/A	N/A
Zenith Bank Plc	Nigeria	N/A	N/A
Mutual Banks			
Finbond Mutual Bank	Mixed	72.7	166
GBS Mutual Bank	Mixed	109.9	10
VBS Mutual Bank	Mixed	34.8	
Banks in Liquidation			
Islamic Bank Ltd		N/A	N/A
Regal Treasury Private Bank Ltd		N/A	N/A

Source: South African Reserve Bank website; various bank annual reports
N.B.: using the average exchange rate for 2011 of US$1:ZAR7.25

11.3.2 Microfinance industry

In areas not serviced by the traditional banks financial services cooperatives are often used. By definition, a financial services cooperative (FSC) is "a closed cooperative[278], the members of which are not serviced by banks and who are members of a community within a defined geographical area"[279]. The cooperative accepts funds for the issue of shares, accepts deposits from members, advances loans to members, and provides a share of the profit to its members. Such cooperatives must maintain an account with the South African Reserve Bank (SARB), who will in return provide support, training and advice.

Registered cooperative banks, FSCs and credit cooperatives (SACCOs) make up South Africa's Cooperative Finance Institutions (CFIs). A FSC or SACCO may qualify to become clas-

278 A closed cooperative means a cooperative that does not conclude transactions with persons that are not members.

279 See – Section 1 of the Government Notice 1846 ("Financial Services Cooperatives)

sified as a cooperative bank if they have at least 200 members and over R1 million (approximately US$121,802.7 million[280]) in deposits[281]. Savings clubs, known in South Africa as *Stokvels,*[282] are however not regarded as CFIs. As at 29 February 2012, there were 106 CFIs with a total of R217,5 million (approximately US$ 26.5 million[283])worth of assets and 53,240 members. However, only 20% of the CFI sector held 93% of the sector's total assets[284].

The Co-operative Banks Act which established the Co-operative Banks Development Agency (CBDA) seeks to promote, support and develop the co-operative banking sector. The supervision of cooperative banks is conducted jointly by the CBDA and the South African Reserve Bank. As deposit-taking institutions, CFIs fall under the Banks Act Exemption Notice No. 887 and Exemption Notice No. 1176 and are therefore still regulated by the respective self-regulatory bodies, namely the Savings and Credit Co-operative League of South Africa (SACCOL) and the South African Microfinance Apex Fund (SAMAF).

11.3.3 Collective investment schemes

Collective investment schemes in South Africa are regulated by the FSB in terms of the Collective Investment Schemes Control Act, No 45 of 2002 ("CISCA). Foreign collective investment schemes are regulated . Foreign collective investment schemes are regulated under Part VIII of the CISCA. The following rules and restrictions that apply specifically to foreign CIS[285]:

- Approval letter from home regulator
- The scheme must enter into a representative agreement with a local manager or establish a representative office
- The schemes may not invest in any over the counter markets, but only on exchanges that are members of the World Federation of Exchanges
- The funds may borrow only 10% of the value of the fund for liquidity purposes on a temporary basis.
- The funds invest in derivatives for efficient only for efficient portfolio management. Only the following unlisted derivative instruments may be invested in for efficient portfolio management: unlisted forward currency, interest rate or exchange rate swap transactions.)
- 90% of the debt securities, money market instruments, and bonds invested in must at least have a credit rating of "investment grade" by Standard & Poor's, Moody's or Fitch
- A fund may not invest in a fund of funds or a feeder fund
- A foreign fund of funds must invest in at least 5 other funds and may not invest in another fund in excess of 20% of the said fund of funds value
- No gearing/leverage is allowed
- No scrip lending will be allowed
- Securities may only be pledged for borrowing

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280 At the average exchange rate for 2012 of US$1:ZAR8.21

281 (National Treasury, South Africa, 2012)

282 A stokvel is a savings club where members contribute a fixed amount of money per given period. The total amount collected is then paid out to various members on a revolving basis.

283 At the average exchange rate for 2012 of US$1:ZAR8.21

284 (Cooperative Banks Development Agency, 2012)

285 (Financial Services Board, -)

- The trustee/custodian must be independent from the asset manager/fund administrator/promoter. That is the trustee must be completely independent
- Declare all jurisdictions where the scheme is present

Similarly, South African CIS face some restrictions in their ability to participate in foreign markets. Section 45 of the CISCA restricts where a portfolio manage may invest abroad. Local schemes may only invest in the following:

- Non-equity securities from issuers in a country with a foreign currency sovereign rating, and the issuer has a long-term credit rating
- Equity securities on an exchange that is a full member of the World Federation of Exchanges

Table 74 tabulates the number of FSB approved collective investment schemes in 2012.

Table 74: Approved collective investment schemes in South Africa, 2012

	Number of portfolios	Total assets (US$ billion)	% of total
Local CIS	1042	123.1	87.28
Foreign CIS	308	16.5	9.25
CIS in property	6	4.6	3.24
Participation Bonds	6	0.3	0.23

Source: FSB website
N.B.: using the average exchange rate for 2012 of US$1:ZAR8.21

11.3.4 Bureaux de change

The Minister of Finance has appointed certain banks to act as Authorised Dealers in foreign exchange that gives such banks the right to buy and sell foreign exchange, subject to conditions and within limits prescribed by the Financial Surveillance Department of the Reserve Bank. The Reserve Bank may also issue a foreign exchange licence with limited authority to bureaux de change. The Treasury restricts this authority to dealing in foreign exchange for the sole purpose of facilitating travel related transactions.

Table 75: SARB approved foreign currency dealers, 2012

Authorised foreign currency dealers	Authorised foreign currency dealers with limited authority
ABSA Bank Ltd	Ace currency Exchange (Pty) Ltd
Albaraka Bank Ltd	EuroDollar Foreign Exchange (Pty) Ltd
Bank of Baroda	Forex World (Pty) Ltd
Bank of China (Johannesburg Branch)	FxAfrica Foreign Exchange (Pty) Ltd
Bank of Taiwan South Africa Branch	Global Foreign Exchange (Pty) Ltd
Bidvest Bank Ltd	Imali Express (Pty) Ltd
Calyon	Inter Africa Bureau de Change (Pty) Ltd
China Construction Bank, Johannesburg Branch	Master Currency (Pty) Ltd
Citibank, N. A. South Africa	Rand Bureau de Change (Pty) Ltd
Deutsche Bank AG, Johannesburg Branch	Sikhona Forex (Pty) Ltd
FirstRand Bank Ltd	Tourvest Financial Services (Pty) Ltd trading as American Express Foreign Exchange Services
Habib Overseas Bank Ltd	Tower Bureau de Change (Pty) Ltd
HBZ Bank Ltd	
Investec Bank Ltd	

Authorised foreign currency dealers	Authorised foreign currency dealers with limited authority
JP Morgan Chase Bank, Johannesburg Branch	
Mercantile Bank Ltd	
Nedbank Ltd	
Sasfin Bank Ltd	
Société Générale	
Standard Chartered Bank, Johannesburg Branch	
State Bank of India	
HSBC, Johannesburg Branch	
South African Bank of Athens Ltd	
Standard Bank of South Africa Ltd	

Source: South African Reserve Bank website;

11.3.5 Capital markets

There are four types of JSE members: equities members, commodity derivatives members, equities derivatives members and bond market members. There are 64 licensed equities members operating 112 branches, 60 commodity derivatives trading dealers and 6 clearing members, 107 equity derivatives members, and 53 bond members.

In terms of foreign participation, the JSE stipulates that only members may trade directly on the exchange. Foreign membership is however allowed but in order to manage risk, the JSE requires equity members to have a capitalized local presence. Hence the primary place of business of a member should be controlled by a broker who shall also be the executive director. This broker must reside in the area where the business is located[286]. The JSE also allows direct market access for clients of member firms from offshore, if the member sponsors the foreign client and effectively accepts the foreign participant's risk. In terms of capital controls, foreigners who can trade on the JSE and remit all proceeds with no exchange control intervention i.e. there are no restrictions on the ability of the foreign investor to repatriate the proceeds from their investment. The foreign exchange controls that do exist pertain to domestic investors only[287].

The JSE rules also require that a service provider that manages foreign investments for a client may not enter into transactions in foreign investments (i.e. a foreign exchange or foreign collective investment scheme) unless the client has a tax clearance certificate, and the manager discloses the jurisdictional restrictions, and the risks associated with the investment[288]. The service provider will also require a Foreign Portfolio Investments license from the SARB's Exchange Control Department. This ensures that the foreign investment remains within the limits prescribed by the Department[289]. The Act does not however specify what that cap should be.

Due to the additional risks involved in the trading of derivatives, the JSE requires that the branch of a foreign bank that wishes to become a member of the exchange should provide written proof to the JSE confirming that the foreign parent of the local branch is subject to

286 See – Section 4.60 of the JSE Equities Rules
287 (Johannesburg Stock Exchange, 2012)
288 (Johannesburg Stock Exchange, 2005), (Johannesburg Stock Exchange, 2010)
289 See – Section 8.120.10 of the JSE Equities Rules

capital adequacy requirements. The capital adequacy requirements set by the JSE for members of the derivatives exchange would therefore apply to the parent company[290].

11.3.6 National Payments System (NPS)

South Africa's National Payments System is regulated and supervised by the SARB under the National Payment Systems Act of 2004. In order to account for issues of mutual concern, section 3 of the Act allows the SARB to recognise the self-regulation of a payment system body. An example of these self-regulating bodies are the payment clearing houses (PCHs) which are bilateral agreements between two or more participants in a SARB settlement system. In general a separate PCH exists for each payments channel such as credit card transaction, ATM transaction, or point-of-sale transactions etc .

The Reserve Bank is responsible for operating the inter-bank settlement service via the real-time South African Multiple Option Settlement (SAMOS) system. SAMOS is also used for settling the obligations arising out of retail payment clearing and the equity and bond markets. In South Africa, only persons that are participants in the Reserve Bank's settlement system (i.e. those with an account at the SARB such as banks, mutual banks, cooperative banks, branches of foreign banks or a designated clearing participant) may clear[291].

As the payments system has evolved it has become increasingly feasible for non-bank institutions (that do not have an account with the Reserve Bank) to participate. The entry of non-bank participants into the clearing systems is however hindered by the fact that in order to be a member of a PCH, the applicant requires the approval of all the existing PCH participants with who it intends to compete against. On the other hand, the existing PCH members would argue that the introduction of non-banks into the PCH agreements introduces systemic risks[292]. As a result, there are currently no non-banks that participate in clearing. An independent supplier of ATMs, such as ATM Solutions, would therefore need to be "sponsored" (for a fee) by a licensed bank to participate in the system. Similarly, money transfer agencies such as MoneyGram, Western Union or cellphone banking offerings such as M-PESA must all be sponsored into the system by a clearing bank. This limits the penetration of innovative mobile banking solutions.

11.3.7 Foreign ownership

South Africa's banking sector has attracted considerable interest from abroad with a number of foreign banks either establishing a local presence or acquiring substantial stakes in major banks. According to the South African Reserve Bank's Bank Supervision Report of 2009, shareholding by foreigners in 2009 stood at 47.5% of total nominal bank shares in issue. Much of this ownership may be attributed to Barclays' stake in ABSA and the Industrial and Commercial Bank of China's interests in Standard Bank.

Foreign participation in the cooperative banking space appears to be relative low. The presence of foreign funds through collective investment schemes in South Africa is also relatively low at 11.77%.

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290 See – Section 4.20.1A.3 of the JSE Derivative Rules

291 See – Section 6(1) of the NPS Act of 2004

292 For example fraudulent instructions to transfer money into a certain account

11.4 Trade openness in banking services

Market access

Number of foreign suppliers

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit or quota on the number of licenses that may be allocated to foreign and domestic operators in the banking and financial sector.

There appears to be limited involvement in microfinance by NGOs and others who are active elsewhere on the continent. This may be because South African legislation only recognises full service banks (including mutual banks) on one end of the spectrum and cooperative financial institutions on the other. Unfortunately cooperative financial institutions by their very nature are closed to external participants, presumably including foreign donors. Discussions have been underway for the better part of a decade on enacting a Dedicated Banks Bill which would set lower licensing requirements for small low risk banks that only perform basic banking functions for the low end market.

Total value of services transactions or assets

No evidence was found that the authorities restrict the value of services offered by foreign entities.

Number of services operations/quantity of service output

The opening of additional outlets using a branch license requires the approval of the central bank[293].

Number of natural persons

At least 2 people that reside in South Africa must be appointed to manage the branch, one of which shall be the chief executive[294].

Brokerage firms must be headed by a locally licensed and resident broker.

Type of legal entity

Authorisation from the SARB is required to open a representative office, however the representative offices may merely "promote" or "assist" the business which the foreign bank conducts from abroad but may not engage in banking business. This is subject to approval from the home regulator.

A license from the SARB is required to open a branch/subsidiary subject to approval from the home regulator.

Access to the NPS is restricted to settlement system participants who must be incorporated in South Africa and licensed by the SARB.

Participation of foreign capital

For prudential reasons an individual investor must apply to the central bank for authorisation to hold more than 15% of the voting rights of a bank and to the Minister of Finance for over 74%.

293 See – Section 5(b) of the Banks Act Amendment of Regulations (effective from 2008)
294 See – Section 4 (c) of the Banks Act Amendment of Regulations (effective from 2008)

Persons that are not resident in South Africa and institutional shareholders that are not incorporated in South Africa would qualify to become shareholders after the conversion of a mutual bank into a bank.

Financial services cooperatives (FSC) may only transact within a closed group and within a defined geographic area.

Only members may trade directly on the exchange; however the legislation also requires that all members must be headed by a locally licensed and resident broker and this effectively prevents foreign investors from trading directly on the exchange (See – capital markets section above for further details).

National treatment

Discriminatory measures in licensing

Foreign applicants for a license should have a license from a similar enforcement body or institution in a foreign country.

Applicants for a branch license must hold net assets above US$1 billion for 18months prior to the submission of the application. If the applying institution is part of a group and is relying on the group to meet its capital requirements, the applicant must have in its own right US$400 million. Once operational the branch capital shall may not fall below the great of R250 million or 8% (or other higher rate set by the SARB) of the assets and other risk exposures.

JSE members trade in derivatives and are subsidiaries of foreign firms must meet capital adequacy requirements.

Access to NPS is restricted to banks who in turn must be incorporated in South Africa.

Specific restrictions

Repatriation of earnings

None [World Bank Database], but ExchangeCcontrol restrictions prescribed by SARB may apply for income earned in South Africa

Limits on local businesses exporting their services

South African CIS face some restrictions on their abilities to participate in foreign markets. Section 45 of the CISCA restricts where a portfolio manage may invest abroad.

Table 76: Limitations in trade in financial services in South Africa

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)					
2)	Limitations on the total value of services transactions or assets	None (WB database)					
3)	Limitations on the total number of branches/quantity of services output	SARB approval required					
4)	Limitations on the number of natural persons						
	a) For employees	BEE requirements					
	b) For directors	BEE requirements					
5)	Domestic residency requirement	Representative offices must have a least 2 resident directors			Stockbroker must be a resident		
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency	Allowed but SARB approval required	Allowed but SARB approval required	Allowed but SARB approval required			
	b) Establishment of a representative office	Allowed but SARB approval required	Allowed but SARB approval required	Allowed but SARB approval required			
	c) Establishment of a subsidiary/branch	Allowed but SARB approval required	Allowed but SARB approval required	Allowed but SARB approval required			Allowed but SARB approval required especially for clearing
	d) Establishment of a joint venture	Allowed subject to prudential shareholding limits for an individual (WB database)	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual			
7)	Limitations on the participation of foreign capital						

	a) Acquisition of domestic public entity	Allowed subject to prudential sharehold-ing limits for an indi-vidual (WB database)	Allowed subject to prudential share-holding limits for an individual	Allowed subject to prudential share-holding limits for an individual			
	b) Acquisition of a domestic private entity	Allowed subject to prudential sharehold-ing limits for an indi-vidual (WB database)	Allowed subject to prudential share-holding limits for an individual	Allowed subject to prudential share-holding limits for an individual			
8)	Limitations on the interest rates for lending and accepting deposits across borders	None (WB database)					
9)	Other discriminatory measures based on nationality requirements	None					
	National Treatment						
10)	Discriminatory measures in li-censing	Home regulator ap-proval SARB capital re-quirements for branches.			Derivatives trad-ers must meet capital adequacy requirements		Clearing must ef-fectively have a bank licence
	Specific restrictions						
12)	Limits on local businesses exporting their services	Foreign entity must be licensed in home country	Foreign entity must be licensed in home country	Foreign entity must be licensed in home country			
13)	Limits on repatriation of funds	None (WB database)					

11.5 South Africa's insurance services – sector overview

11.5.1 Structure of the sector

To be included.

11.5.2 Competition in the sector

To be included.

11.6 Insurance sector regulatory framework and trade openness

The insurance sector in South Africa is regulated and supervised by the Financial Services Board (FSB) under the National Treasury. The FSB operates under various pieces of legislation and is accountable to government and parliament. The two main pieces of legislation for the insurance sector are the Long-term Insurance Act (Act 52 of 1998) and the Short-term Insurance Act (Act 53 of 1998). The enforcement and supervision of both Acts lies with the Insurance Division of the FSB. In addition, according to the FSB Annual Report 2012, an Insurance Laws Amendment Bill (ILAB) was scheduled to be tabled in Parliament in early 2013 and subject to public consultations by the National Treasury afterwards. The ILAB is supposed to address gaps in the insurance regulatory framework and enhance the powers of the Registrar.[1]

South Africa has further strongly pursued the goal of a better regulation and licensing of the microinsurance industry in response to the need to enhance financial inclusion as well as consumer protection. In 2011, the National Treasury released a microinsurance policy document and established a steering committee and various working groups to supervise the drafting of the Microinsurance legislation. The legislation was scheduled to be tabled in Parliament in 2013.[2]

The following regulations for the South African insurance sector are based on the Acts presented above as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2008)[3], as well as other sources. Data from the World Bank Database for South Africa is from the year 2008. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from this database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

For all three subsectors no quotas or limitations on the number of licenses available to domestic or foreign operators could be identified. Both the Long-term Insurance Act and the Short-term insurance

1 FSB Annual Report 2012

2 Ibid.

3 World Bank 2008

Act do not contain any restrictions in this regard and the South African insurance market is characterized by a multitude of operators in all subsectors.

Value of services transactions

Similarly, the Insurance Acts and other sources reviewed for this study did not show any limitations on the value of services transactions of licensed insurance providers, domestic or foreign.

Number of service operations

With regard to the number of branches that properly licensed insurance companies are allowed to open in the country, there are no restrictions in both Insurance Acts. This is, however, only valid for licensed providers in South Africa, not for foreign companies (see below). Further, insurers are generally not restricted in the number or amount of policies they are allowed to sell.

Number of natural persons

In all subsectors reviewed, there is no limitation on the number of foreign natural persons that insurers in South Africa can employ.

Legal form of commercial presence

Foreign insurers are not allowed to establish a commercial presence through a branch. Section 9(3) of the Long-term and the Short-term Insurance Act requires an applicant to be incorporated as a public company in South Africa to carry on insurance business in the country. The establishment of a domestically incorporated subsidiary is allowed and foreign insurers do not face any ownership restrictions in this regard.

Establishment of joint ventures

Joint ventures between two and more foreign and domestic insurance service providers are subject to limitations on control and shareholding. Section 26 of the Long-term Insurance Act and Section 25 of the Short-term Insurance Act require that insurers (foreign and domestic) who want to acquire 25% or more of the value of the shares in a registered insurer need the written approval of the Registrar of Insurance. According to the World Bank database, South Africa's BEE programme requires that each financial institution targets a minimum of 25% black ownership, measured at the holding company level. This target was already supposed to be met by 2010.

Participation of foreign capital

In terms of market access through the acquisition of a domestic insurance company the same regulations apply with regard to control and shareholding as described in the previous paragraph. Furthermore, an insurer, domestic or foreign, wanting to acquire a controlling stake in another insurer needs to present information similar to that required when applying for registration. The application in this case is treated in the same manner as a new application for the registration of an insurer and is referred to the Licensing Committee (appointed by the Financial Services Board) for their recommendation.[4]

National Treatment

The requirements for obtaining a license to operate in the South African insurance market do not distinguish between domestic and foreign applicants. In general, no evidence could be found indicating that regulations for the establishment, licensing and operation of insurance companies treat foreigners differently than domestic providers.

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4 WTO Trade Policy Review South Africa 2009

Nationality requirements

With regard to the composition of the board of directors there are regulations related to South Africa's Black Economic Empowerment (BEE) programme, which aims at encouraging the inclusion of historically disadvantaged groups on the board of directors. In 2008, this included that each financial institution should have a minimum representation of 11% by black woman on its board of directors.

Other restrictions

Licensing procedures

The law requires every insurer or reinsurer to be registered for a specific class or classes of business. Once the regulating authority is convinced that all requirements are fulfilled and has granted the license, it does not seem to be limited to a certain period of time.

Minimum capital requirements

The minimum capital requirement for long-term insurers is R10 million or an amount as high as the operating expenses if these are higher than the R10 million. The Registrar has however the power to lower these restrictions in exceptional cases for a specific insurer and for a period that the Registrar deems necessary. For short-term insurers the minimum capital requirement is R5 million. The actual capital, however, depends on the type and volume of business to be conducted, as set out in the five-year projections submitted with the application. Paid-up capital needs to be confirmed by auditors before registration and the Registrar must be satisfied that the proposed shareholders are able to provide the minimum start-up capital and additional capital should this be required.[5]

Repatriation of earnings

With regard to repatriation of earnings, the Insurance Acts and sources reviewed do not suggest any restrictions.

Cessation requirements to domestic reinsurers

Similarly, there are no cessation requirements to domestic reinsurers by law.

Cross-border purchase of insurance services

In all three insurance subsectors South African residents are allowed to purchase insurance policies from companies located outside the country. Foreign insurers are, however, not permitted to solicit business in South Africa. In the case of reinsurers, the South African legislation normally prescribes that they are registered in South Africa to be allowed to conduct business. In practice however, many insurers cede insurance business to foreign insurers. In order to comply with capital adequacy requirements, these foreign reinsurers must provide security in the form of a monetary deposit with the South African primary insurer. Alternatively, they must provide an irrevocable guarantee or a letter of credit issued by a South African bank as a security measure.[6]

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5 WTO Trade Policy Review South Africa 2009

6 Ibid.

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (World Bank 2008)	None (World Bank 2008)	None (World Bank 2008)
2)	Limitations on total value of services transactions or assets	None (no restrictions found)	None (no restrictions found)	None (no restrictions found)
3)	Limitations on total number of services operations/ quantity of service output	None (no restrictions found)	None (no restrictions found)	None (no restrictions found)
4)	Limitations on number of natural persons			
	• for employees	None (World Bank 2008)	None (World Bank 2008)	None (World Bank 2008)
	• for board of directors	None, but head office and public officer must be South African residents; (Norton Rose Group 2012) Potential restriction by Black Economic Empowerment (BEE) Policy (World Bank 2008)	None, but head office and public officer must be South African residents; (Norton Rose Group 2012) Potential restriction by Black Economic Empowerment (BEE) Policy (World Bank 2008)	None, but head office and public officer must be South African residents; (Norton Rose Group 2012) Potential restriction by Black Economic Empowerment (BEE) Policy (World Bank 2008)
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (Short-term Insurance Act 1998, Section 9(3))	Not allowed (Long-term Insurance Act 1998, Section 9(3))	Not allowed (Long-term Insurance Act 1998, Section 9(3) and Short-term Insurance Act 1998, Section 9(3))
	• Establishment of a • subsidiary	Allowed, No foreign ownership restrictions (World Bank 2008)	Allowed, No foreign ownership restrictions (World Bank 2008)	Allowed, No foreign ownership restrictions (World Bank 2008)
	• Establishment of a joint venture	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Short-term Insurance Act, Section 25); Minimum of 25% black ownership according to BEE programme	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Long-term Insurance Act, Section 26); Minimum of 25% black ownership according to BEE programme	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Long-term Insurance Act, Section 26); Minimum of 25% black ownership according to BEE programme

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
		(World Bank 2008)	(World Bank 2008)	(World Bank 2008)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Not allowed (World Bank 2008)	Not allowed (World Bank 2008)	Not allowed (World Bank 2008)
	• Acquisition of domestic private entity	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Short-term Insurance Act, Section 25); Minimum of 25% black ownership according to BEE programme (World Bank 2008)	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Long-term Insurance Act, Section 26); Minimum of 25% black ownership according to BEE programme (World Bank 2008)	Allowed, but acquisition of 25% or more of the value of the shares in a registered insurer requires written approval of the Registrar (Long-term Insurance Act, Section 26); Minimum of 25% black ownership according to BEE programme (World Bank 2008)
	• Minimum capital requirements	Minimum of paid-up share capital of R 5 million (WTO Trade Policy Review 2009)	Minimum of paid-up share capital of R 10 million or an amount equal to the operating costs; The Registrar may however lower the minimum capital adequacy requirement (WTO Trade Policy Review 2009)	Minimum of paid-up share capital of R 10 million for life reinsurer and R5 million for short-term reinsurer (WTO Trade Policy Review 2009)
	National Treatment			
7)	Discrimimatory measures in licensing	***None*** ***(World Bank 2008)***	***None*** ***(World Bank 2008)***	***None*** ***(World Bank 2008)***
8)	Any other discriminatory measures	***None*** ***(World Bank 2008)***	***None*** ***(World Bank 2008)***	***None*** ***(World Bank 2008)***
	Specific restrictions			
9)	Licensing procedures			
	• discretion in issuance by regulating authority	No (World Bank 2008)	No (World Bank 2008)	No (World Bank 2008)
	• length of license	No information (World Bank 2008)	No information (World Bank 2008)	No information (World Bank 2008)
10)	Limitations on repatriations of earnings	None (World Bank 2008)	None (World Bank 2008)	None (World Bank 2008)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
11)	Mandatory cessation requirements to domestic reinsurers	None (World Bank 2008)	None (World Bank 2008)	None (World Bank 2008)
12)	Purchase of insurance from suppliers located outside South Africa	Allowed, but foreign insurers are not allowed to solicit business in South Africa (WTO Trade Policy Review 2009)	Allowed, but foreign insurers are not allowed to solicit business in South Africa (WTO Trade Policy Review 2009)	Allowed, but foreign reinsurers must provide security in the form of a monetary deposit with the South African primary insurer or an irrevocable guarantee or a letter of credit issued by a South African Bank (WTO Trade Policy Review 2009)

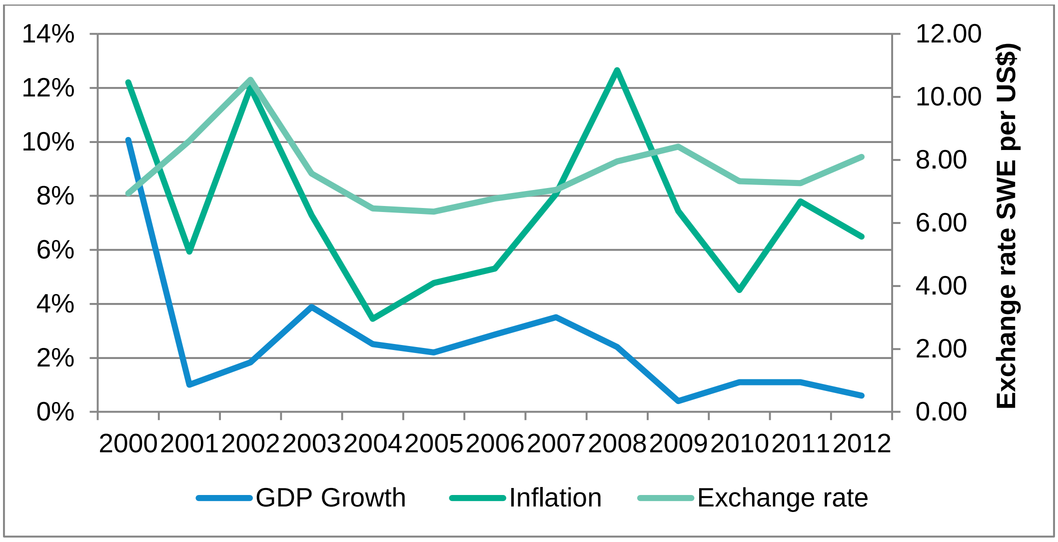
12 SWAZILAND

12.1 Swaziland's economy

Swaziland has a total population of 1.1 million (World Bank, 2011 est.) and 75% of the population live in rural areas. Most of the rural population is engaged in subsistence farming activities Swazi Nation Land. This is land that is held in trust for the nation by the king and is administered by the chiefs. Swazi Nation Land makes up about 75% of the country's total land area.

Swaziland's economy is fairly diversified with manufacturing and services accounting for 42.3% and 50% of GDP respectively, larger than the shares of output in most sub-Saharan African countries. The challenge that remains however is for the Swazi economy to transition to higher value-added activities. Along with being a member of the SADC, Swaziland is also a member of the Common Monetary Area (CMA), Southern African Customs Union (SACU) and Common Market for Southern and Eastern Africa (COMESA). Swaziland's fiscal policy is heavily dependent on SACU revenue. Between 2008/9 and 2010/11, SACU revenues declined by 60% and the budget deficit reached 14% of GDP. In 2011, a sharp decline in SACU revenues resulted in constrained GDP growth. Although SACU revenues are expected to recover in 2012, the lagged effects of the fiscal crisis continued to constrain growth which declined to further to 0.6%.

Figure 26: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

12.2 Swaziland's Financial Sector

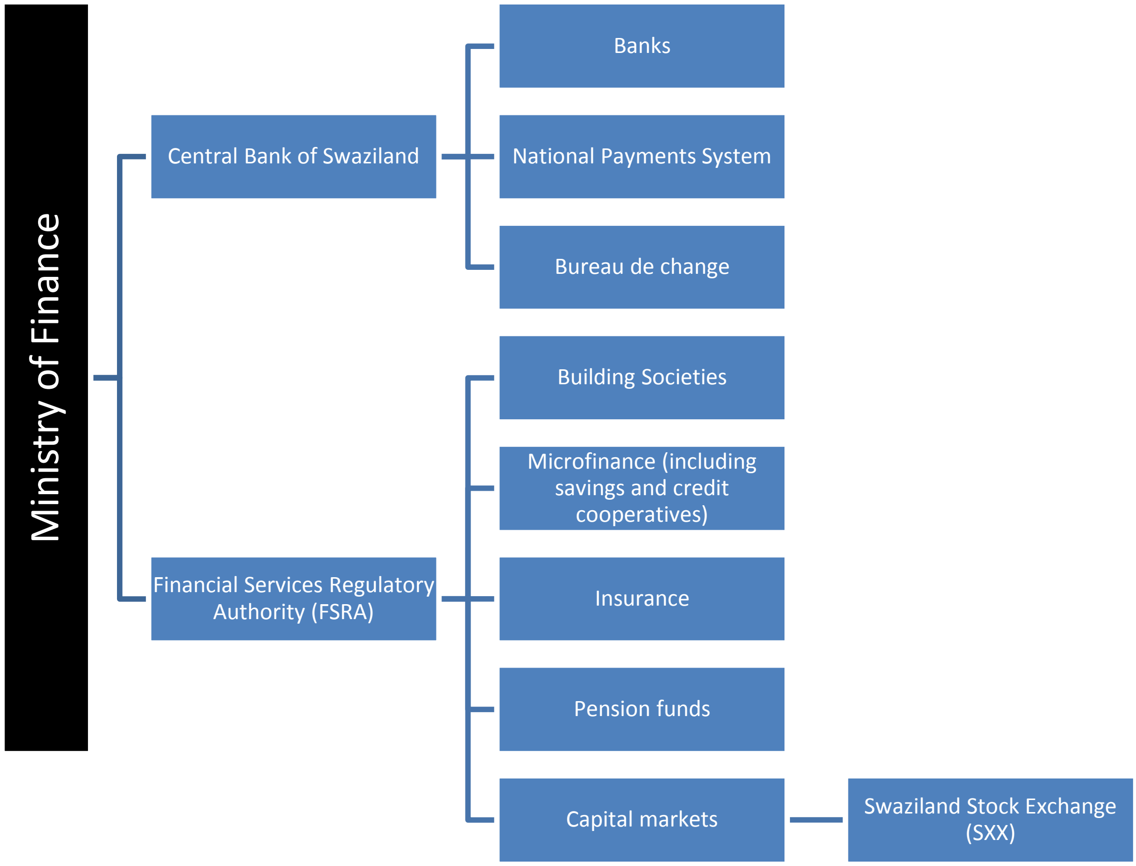
12.2.1 Financial sector regulation

The 2010 Financial Services Regulatory Authority (FSRA) Act provides the regulatory framework for the regulation of the nonbank financial services sector. This includes capital markets, insurance, retirement, building societies, micro-finance institutions, and savings and credit co-operatives (SACCOs). The Financial Institutions Act, 2005 (FIA), provides the legal framework for the regulation and supervision of banks and other deposit taking financial institutions. The FIA empowers the Central Bank with the authority to banks and credit institutions. The two key regulatory authorities are as follows:

a) *Financial Services Regulatory Authority (FSRA).* The FSRA is a relatively new institution and the Board was only appointed by the Minister of Finance in December 2010. The Office of the Registrar of Insurance and Retirement funds (RIRF) which was established by the Insurance Act of 2005 and the Retirement Fund's Act of 2005 to license, regulate and supervise the activities of the Insurance and Retirement Funds Industries will be integrated into the FSRA.

b) *Central Bank of Swaziland (CBS).* The CBS is responsible for supervising the activities of all licensed financial institutions in the country. The CBS was established in 1974 as the Monetary Authority of Swaziland, through The Monetary Authority of Swaziland Order of 1974. In 1979, the Order-in-Council was amended, replacing The Monetary Authority of Swaziland with The Central Bank of Swaziland. The Central Bank's mission is to promote monetary stability and foster a stable and sound financial system.

Figure 27: The organisational structure of the Swazi financial sector's regulators



12.2.2 Financial depth and performance

Overall, the financial system is relatively shallow and undiversified, though non-bank financial institutions have recently been taking advantage of the market gaps left by commercial banks. This expansion may increase market vulnerabilities as the financial institutions have expanded into new financial sectors without pre-existing expertise while the regulatory and supervisory regime is relatively thin. The government has recently enacted the Financial Services Regulatory Authority Bill but this has yet to be fully implemented.

In terms of banking infrastructure, there were 21.43 ATMs and 5.7 commercial bank branches per 100,000 adults in 2010. During the same period, domestic credit provided by the banking sector as a percentage of GDP was 26.5%.

12.3 Swaziland's banking and non-bank financial services – sector overview

12.3.1 Banking industry

The banking sector dominates the Swazi financial system, with South African banks accounting for the lion's share of the market. There are four licensed commercial banks in Swaziland: one is domestic (Swazi Bank) while the remaining three are South African. At the end of December 2010, total bank assets amounted to E10,738 million with the total assets of South Africa bank subsidiaries accounting for 72.9% of total banking assets.

Table 77: Summary of banking institutions in Swaziland

Type of operator	Ownership	Assets	Branches
Banks			
Swazi Bank	Local		12
Nedbank Swaziland	South Africa		
Standard Bank Swaziland	South Africa		
First National Bank Swaziland	South Africa		
Building societies			
Swaziland Building Society	Local		7

Source: Central Bank of Swaziland Annual Report 2011

12.3.2 Microfinance industry

There were three credit institutions licensed by the Central Bank in 2010, bringing the total number of licensed credit institutions to four, including Blue Financial Services that had been licensed in 2008[301].

Table 78: Summary of licensed credit institutions in Swaziland

Type of operator	Ownership	Assets	Branches
Credit institutions			
Letshego Financial Services	Botswana		
First Finance (Pty(Ltd			
Relief Financial Services			
Blue Financial Services	Botswana		

Source: Central Bank of Swaziland Annual Report 2011

The high cost of accessing commercial banking services and weak regulation of non-banking financial institutions has resulted in the growth of the non-banking financial sector. Savings and credit cooperatives (SACCOs) and other microfinance institutions are becoming increasingly popular, but their market share of the financial sector remains small. There are currently 50 cooperatives registered with the Commissioner of Savings and Credit Cooperatives. These cooperatives have over 40,000 members and control over E400 million in savings, whilst issuing over E300 million in loans[302].

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301 (Central Bank of Swaziland, 2011)

302 (Central Bank of Swaziland, 2012)

12.3.3 Collective investment schemes

In 2010, the licencing of Old Mutual Swaziland brought the number of licensed management companies to three. Although Old Mutual had not yet introduced a scheme, the two existing management companies were already managing nine collective investment schemes between them. During 2010, the value of the assets under their management rose to just over E7billion[303].

Table 79: Summary of licensed management companies in Swaziland

Type of operator	Ownership	Assets	Branches
Credit institutions			
Old Mutual Swaziland			
Could not be determined			
Could not be determined			

Source: Central Bank of Swaziland Annual Report 2011

12.3.4 Bureau de change

The Exchange Control Division of the CBS administers exchange controls on behalf of the Minister of Finance. Authorised dealers in foreign exchange (banks, bureau de changes etc) conduct the daily administration of exchange controls in their dealings with the public.

12.3.5 Capital markets

The Swazi Stock Exchange remains relatively small (market capitalisation as of 31 December 2010 was US$234.98 million); even though its history can be traced back to 1990 when there was trading in Standard Chartered Bank (now Nedbank (Swaziland) Ltd) shares. Prior to the formalisation of the market, trading was conducted on an over-the-counter basis with all trades going through a single broker, Swaziland Stockbrokers[304]. The Central Bank of Swaziland provides oversight to the exchange and regulates trading activity on the bourse.

Table 80: Stockbrokers and companies listed on the Swazi Stock Exchange (SSX)

Listed company	
Licensed stockbrokers	**Ownership**
Swaziland Stockbrokers	
African Alliance of Swaziland Securities Ltd	
Interneuron Swaziland	
Listed company	**Primary listing**
Greystone Partners Ltd	
Masterfridge Ltd	
Nedbank Swaziland Ltd	
Royal Swaziland Sugar Corporation Ltd	
Swaziland Empowerment Ltd	
Swaziland Growth Properties Ltd	
Swaziland Property Investments Ltd	
Swazispa Holdings Ltd	

Source: Swazi Stock Exchange website

303 (Central Bank of Swaziland, 2011)

304 (Hearn, B. & Piesse, J., 2010)

Swaziland's fixed incomes market, while slowly developing, remains relatively shallow. The central bank issues treasury bills on a weekly basis and has recently released long-term bonds. As of April 2011, Swaziland still received no sovereign rating from any of the three major credit rating agencies. Although primary dealers in government bonds were introduced in 2010 with the hope if improving liquidity, the secondary market trading in government and corporate bonds remain relatively inactive[305].

12.3.6 National Payment System

Central Bank of Swaziland owns and operates the Swaziland Interbank Payment and Settlement System (SWIPSS). Participants in the SWIPSS must be approved by the Central Ban. The eligibility criteria for financial institutions include holding a settlement account with the Central Bank, and meeting the SWIFT connectivity requirements for Real Time Gross Settlement

The regulatory framework for Swaziland's NPS is not well developed and the operations of payment systems and settlements are largely based on multilateral Service Level Agreements and Rules and Procedures between participants, operators and the Central Bank. In 2010, the Central Bank introduced minimum standards for electronic payments in order to provide guidance to financial and non-financial institutions. It is hoped that the enactment of the National Clearing and Settlements System Bill of 2009 would address much of the regulatory uncertainty[306].

The settlement and clearing of ATM and POS transactions is currently conducted in South Africa on behalf of the Central Bank. The *NPS Vision and Strategic Framework 2016* highlighted the desire of the Swazi authorities to conduct these activities internally in order to manage the risks associated with the NPS. This is in line with the recommendations of the Bank of International Settlements[307].

12.3.7 Foreign ownership

Table 81shows the trend in the market shares of foreign owned versus locally owned banks segmented by public and private ownership. In 1998 and 2004, approximately one quarter of the market was controlled by the Swazi government. In 2008, much of the privatised shareholdings had been taken up by foreign banks.

Table 81: Shareholding of foreign versus local (private and public) banks in Swaziland

	% of total assets				% of total deposits			
	Private foreign banks	Domestic public banks	Foreign public banks	Domestic private banks	Private foreign banks	Domestic public banks	Foreign public banks	Domestic private banks
1998	65.0	25.3	3.4	6.3	66.0	25.6	2.2	6.2
2004	66.6	19.7	6.0	8.0	62.4	23.6	6.6	6.1
2008	74.6	-	15.9	9.5	67.0	-	24.3	8.7

Source: (Mwenda, A. & Mutoti, N., 2011)

305 (Central Bank of Swaziland, 2011)
306 (SADC Bankers, 2011)
307 (SADC Bankers, 2011)

12.4 Trade openness in banking services

Evidence needed to populate this section was scant as the World Bank database did not cover Swaziland and our online review of the central bank and other official sources revealed that most of the legislation was not available online.

Market access

Number of foreign suppliers

No information was available.

Total value of services transactions or assets

No information was available.

Total number of services operations/quantity of service output

No information was available.

Number of natural persons

All foreign nationals working in Swaziland are required to have a valid work permit. The issue of such permits is however a source of contention between the expatriate business community and the government. Employers should apply to the Immigration Office on behalf of the foreign employees for a work permit. In their application they must show that no Swazi was available to fill the position. Issued permits are valid for two years upon which they must be renewed, and they almost always are. However, even those expatriates that have lived in Swaziland for decades have limited job security as their permits are subjected to periodic review[308].

Domestic residency requirement

No information was available.

Type of legal entity

No information was available.

Participation of foreign capital

No information was available.

National treatment

Discriminatory measures in licensing

No information was available.

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[308] (International Finance Corporation, 2012)

Table 82: Limitations in trade in financial services in Swaziland

	Limitation/Restriction	Banks and deposit taking institutions	Micro-finance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers						
2)	Limitations on the total value of services transactions or assets						
3)	Limitations on the total number of branches/quantity of services output						
4)	Limitations on the number of natural persons						
	a) For employees	Work permits are subject to periodic review	Work permits are subject to periodic review	Work permits are subject to periodic review	Work permits are subject to periodic review	Work permits are subject to periodic review	Work permits are subject to periodic review
	b) For directors						
5)	Domestic residency requirement						
6)	Restrictions on the type of legal entities						
	a. Establishment of an agency						
	b. Establishment of a representative office						
	c. Establishment of a subsidiary/branch						
	d. Establishment of a joint venture						
7)	Limitations on the participation of foreign capital						
	Acquisition of domestic public entity						
	Acquisition of a domestic private entity						
8)	Limitations on the interest rates for lending and accepting deposits across borders						

	Limitation/Restriction	Banks and deposit taking institutions	Micro-finance	Bureau de change	Stock and commodity brokers	Collective in-vestment schemes	Payment ser-vices
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing						
	Specific restrictions						
12)	Limits on local businesses exporting their services						
13)	Limits on repatriation of funds						

12.5 Swaziland's insurance services – sector overview

12.5.1 Structure of the sector

As at 31 March 2011, Swaziland's insurance sector consisted of six long-term and four short-term insurers, including one composite insurer. The sector was officially liberalised in November 2006 with the enactment of the insurance Act of 2005. Before 2006, the state-mandated monopoly insurance company, the Swaziland Royal Insurance Corporation (SRIC), was the only service provider in the market for both long-term and short-term insurance. It had been operating since the nationalisation of insurance in 1973 and until today remains the only composite insurer in the market. All other operators are now by law required to be either long-term or short-term insurers. Table XX shows the number of insurance service providers in the Swazi insurance market by type of operator.

Table 83: Insurance operators in Swaziland by type of operator

Type of operator	Quantity
Short-term insurers	4
Long-term insurers	6
Reinsurers	0
Insurance brokers	32
Insurance corporate and individual agents	108

Source: Office of the Registrar of Insurance and retirement Funds (RIRF) Annual report 2011

Foreign ownership

The Swazi insurance industry has close links to South Africa and is characterised by a high degree of foreign involvement. All active insurers in the market are majority foreign-owned. Nine of the ten companies have parent companies or shareholders in South Africa, i.e. Liberty Life Swaziland, Metropolitan Swaziland, Momentum Life Swaziland, Old Mutual, GetMed, Orchard, PFM Swaziland and SRIC). The remaining company, Lidwala Insurance, is owned by Zimbabwean shareholders. SRIC is majority owned by South Africans but also has local shareholders.[309]

Insurance industry performance

At the end of March 2011, total gross premiums written (GPW) for the entire insurance industry stood at E[310] 616,012,801. The short-term segment accounts for the bigger share with 54% of total industry GPW, compared to 46% for the long-term segment. In 2008, the relative dominance of the short-term segment was still more pronounced with a short-term premium share of 67% and 33% for long-term insurance premiums. This suggests that long-term insurance has been making ground on the back of short-term insurance. In fact, the long-term segment experienced a 15% premium growth from 2010 to 2011, whilst long-term insurance only grew by 5% in the same time.[311] The insurance penetration ratio (GPW contribution to GDP) in 2010 was 2.12%, which represents a middle rank in comparison with insurance penetration ratios in the SADC region. The insurance density in Swaziland stood at 83 US Dollar units, also representing a middle rank in comparison with other SADC countries.[312] A 2011 FinScope survey found that formal insurance usage in Swaziland was 17% of the adult population, compared to 2.7% in Zambia and 40% in South Africa.[313]

309 Cenfri 2011

310 E = Emalangeni

311 RIRF Annual report 2011 and Cenfri 2011

312 Mwiru 2011

313 Cenfri 2011

Product landscape

With regard to available insurance products in Swaziland, the sector offers a diverse range of products on the long-term side. There are six main product lines with individual sub product categories each. Whole-life insurance is the biggest premium earner, contributing 45% of total long-term premiums in 2009/2010. Other product groups in the long-term segment include group life insurance, term assurance, pension and annuity schemes group funeral, health insurance, capital and income disability. According to Cenfri 2011, there seem to be at least 30 individual products in total on the long-term side. It is further noteworthy, that insurers seem to concentrate on selling certain product groups, e.g. Old Mutual's focus is on whole life as well as savings and investment products, whereas PFM concentrates almost exclusively on funeral policies.

On the short-term side, insurance policies can be broadly categorised in domestic short-term and commercial short-term products. Domestic short-term products include motor vehicle, homeowners' insurance, household contents, personal liability and personal accident insurance. Commercial products include fire, office contents, money, public liability and group personal accident insurance. Unfortunately, no detailed information with regard to market share of each product could be obtained.[314]

12.5.2 Competition in the sector

Before liberalisation of the insurance sector in 2006, the Swaziland Royal Insurance Corporation held a monopoly for close to 30 years in both the long-term and short-term insurance market. However, in the long-term segment SRIC was not the only company providing insurance policies during that time. A few South African long-term insurers sold policies in Swaziland across the border, without formally operating as insurers in Swaziland. With the enactment of the Insurance Act of 2005, the South African insurance providers were forced to choose whether to set up a subsidiary in Swaziland or lose their business in the country. This led to a wave of new entrants into the market, resulting in five new players in the long-term market and three new providers in the short-term market.

Competition in the long-term insurance market

Despite the entrance of new players into the market, the long-term insurance industry in Swaziland today still remains rather concentrated. As table XX shows, the two biggest companies, namely SRIC and Old Mutual, together hold 70% of the market. Until 2010, SRIC was the biggest long-term insurer, but has lost market shares continuously over the last years. Old Mutual's premiums increased by 590% from 2010 to 2011, whereas SRIC's premiums declined by 15% over the same period.

Table 84: Market shares of long-term insurers in Swaziland in 2010/2011

Company[315]	Market Share	Gross Premiums (Emalangeni)		
		31 March 2011	31 March 2010	% Change
SRIC	35%	98,188,932	115,517,780	-15%
Old Mutual	35%	99,577,052	14,439,722	+590%
Metropolitan	12%	35,003,000	72,198,612	-52%
Liberty Life	12%	34,317,000	26,472,825	+30%
Momentum	6%	16,650,779	12,033,102	+38%
Total	100%	283,736,763	240,662,041	

Source: RIRF Annual Report 2011

314 Ibid.

315 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1.

Competition in the short-term insurance market

The situation in the short-term sector is different. During the monopoly period, SRIC was effectively the only provider of short-term insurance as none of the South African companies were offering short-term policies across the border. Since liberalization three new players have entered the market but have not yet made large inroads into the dominant market position of SRIC (99% market share in 2011). This is partly due to the fact that at least two of the three new players have only set-up their operations in the last two years. However, the new entrants are partly offering new products to Swazi customers and are increasing competition on existing ones, which may lead to changing market shares in the future. Table XX shows market shares of short-term insurance providers in Swaziland for the years 2010 and 2011.

Table 85: Market shares of short-term insurers in Swaziland in 2010/2011

Company[316]	Market Share	Gross Premiums (Emalangeni)		
		31 March 2011	31 March 2010	% Change
SRIC	99%	329,509,657	333,377,229	-1%
Lidwala Insurance	1%	2,766,381	-	100%
Orchard Insurance	-	-	-	0%
GetMed Swaziland	-	-	-	0%
Total	100%	332,276,038	333,377,229	

Source: RIRF Annual Report 2011

As table XX shows, there are currently no reinsurers based in Swaziland.

12.6 Insurance sector regulatory framework and trade openness

The Registrar of Insurance and Retirement Funds (RIRF) is the supervisory authority for the insurance and retirement funds sectors in Swaziland. It was established in November 2006 through the Insurance Act of 2005 and the Retirement Act of 2005. Its task is to develop guidance to the industry and to supervise compliance with all aspects of insurance and retirement funds regulation.[317] RIRF is committed to establishing relations with other regulatory authorities in the SADC region. In May 2010 it strengthened its ties to the Namibian Financial Institutions Supervisory Authority (NAMFISA) by entering into a memorandum of understanding (MoU) with them. This is supposed to enhance mutual cooperation and information sharing.[318]

The establishment, licensing and operation of long-term and short-term insurers in Swaziland is governed by the Insurance Act of 2005 and further subordinate legislation and guidance to the Act. This includes the Insurance Regulations of 2008, the Insurance Directives of 2008, Licensing policy and procedures and the Brokers Code of Conduct. A further important piece of legislation is the Financial Services Regulatory Authority (FSRA) Act 2010. The FSRA will be the new umbrella regulator for all institutions providing financial services outside of the banking sector. It aims at harmonising regulation in the financial sector, thereby creating a level playingfield and bringing entities into the financial sector regulatory fold that have previously not been supervised (e.g. Savings and Credit Co-operatives (SACCOs) and medical aid).[319]

The following regulations for the Swazi insurance sector are based on the Acts and legislation documents presented above as well as secondary sources. The regulations concentrate on the three sub

316 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1.
317 Cenfri 2011
318 RIRF Annual Report 2011
319 Cenfri 2011

sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

The Insurance Act and sources reviewed do not indicate that there are limitations on the number of insurance suppliers allowed to operate in Swaziland. There is no fixed number of licenses stipulated by law.

Value of services transactions

Furthermore, no evidence could be found that services transactions of registered insurance providers, domestic and foreign, are restricted through quotas by regulations in Swaziland.

Number of services operations

Similarly, no information was found indicating that total number of services operations or the quantity of output of insurance suppliers is limited in Swaziland. Thus, once suppliers are licensed to operate in Botswana and comply with the regulations, they are in theory allowed to set up an unlimited number of branches in the country.

Number of natural persons

Swaziland's legislation does not foresee any limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

The Swazi legislation only allows public companies to register as an insurer in the country (Section 7(1) of the Insurance Act). Foreign insurers are not allowed to supply the market from abroad through a branch. Section 7(5c) indicates that mutuals and cooperatives similarly are only able to underwrite insurance by setting up a company.

Establishment of Joint ventures

From the sources reviewed it is not clear whether foreign insurers are allowed to enter into joint ventures with local providers. If so, it seems they are not allowed obtain a controlling stake in the domestic firm, as the following paragraph suggests.

Participation of foreign capital

With regard to foreign ownership, the Insurance Act under Section 7(5a) foresees that at least 25% of the issued shares of the company, in the case of a natural person, have to be held by a Citizen of Swaziland. In the case of a juristic person, Section 7(b) further stipulates that at least 51% of the issued voting share or 51% of the interest of that person is owned by Citizens of Swaziland. In the case of a mutual or cooperative (an association of persons established for the mutual benefit of its members only) at least 80% of its members must be Citizens of Swaziland and these members must have a claim to at least 51% of the association assets.

Once established, insurance companies are required to invest 30% of their assets domestically. According to consultations with the industry done by Cenfri, the local investment requirement was seen as the single biggest regulatory concern.[320]

National Treatment

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Szwazi insurance market do not distinguish between domestic and foreign applicants. In general, no evidence could be found that with regard to the establishment, licensing and operation of insurance companies differences in treatment between foreign and domestic operators exist.

Nationality requirements

Section 7(6) of the Insurance Act states that 25% of the directors of the company have to be Citizens of Swaziland. Section 8(1) further states that every insurer shall maintain a principal office and appoint a principal representative in Swaziland.

Specific restrictions

Licensing procedures

RIRF provides a detailed guideline on licencing policy and guidelines on their website. In issuing a license to insurers RIRF holds discretion over the final approval. Once the regulating authority is convinced that all requirements are fullfilled and has granted the license, it does not seem to be limited to a certain period of time.

Minimum capital requirements

The current minimum capital requirement for insurers applying for registration is E2 million in the form of paid up share capital (Section 7(2) of the Insurance Act). As the current minimum capital requirement is relatively low by international standards, it is planned to increase this value to E12 million in the proposed amendments of the Insurance Act.[321]

Insurers who focus exclusively on issuing assistance policy contracts only are only required to have a share capital of not less than E400,000. Should such an insurer then desire to issue policy contracts of another class of insurance, the shareholders are required to register another insurer and then proceed to amalgamate the two insurers according to stipulations of the Insurance Act (Section 7(3)).

Repatriation of earnings

With regard to the repatriation of earnings by foreign operators, the sources reviewed do not indicate any restrictions in this regard.

Cessation requirements

As there are no domestic reinsurers in Swaziland, there are no cessation requirements to domestic insurers.

Cross-border purchase of insurance services

Since 2006, insurance providers are not allowed to supply the Swazi market across the border, as this has been done by South African providers in the long-term segment. From the review of sources

320 Cenfri 2011

321 Ibid.

for this study, it became however not clear, whether cross-border purchase would still be possible in the case of policies or insurance products that are not available in Swaziland.

Table 86: Limitations in trade in insurance services in Swaziland by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None	None	None
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (Insurance Act 2005, Section 7(1))	Not allowed (Insurance Act 2005, Section 7(1))	Not allowed (Insurance Act 2005, Section 7(1))
	• Establishment of a subsidiary	Only public companies allowed (Insurance Act 2005, Section 7(1))	Only public companies allowed (Insurance Act 2005, Section 7(1))	Only public companies allowed (Insurance Act 2005, Section 7(1))
	• Establishment of a joint venture	No information	No information	No information
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	No information	No information	No information
	• Acquisition of domestic private entity	25% of the issued shares have to be held by a Citizen of Swaziland in the case of a natural person; In the case of juristic person, 51% of the issued voting shares or the interest have to be owned by Citizens of Swaziland; In the case of an association of persons established for the mutual benefit of its members only, 80% of its members must be Citizens of Swaziland and have to hold 51% of the assets.	25% of the issued shares have to be held by a Citizen of Swaziland in the case of a natural person; In the case of juristic person, 51% of the issued voting shares or the interest have to be owned by Citizens of Swaziland; In the case of an association of persons established for the mutual benefit of its members only, 80% of its members must be Citizens of Swaziland and have to hold 51% of the assets.	25% of the issued shares have to be held by a Citizen of Swaziland in the case of a natural person; In the case of juristic person, 51% of the issued voting shares or the interest have to be owned by Citizens of Swaziland; In the case of an association of persons established for the mutual benefit of its members only, 80% of its members must be Citizens of Swaziland and have to hold 51% of the assets.

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
		(Insurance Act 2005, Section 7(5a,b,c))	(Insurance Act 2005, Section 7(5a,b,c))	(Insurance Act 2005, Section 7(5a,b,c))
	• Minimum investment requirements	Minimum local investment requirement of 30% (Insurance Regulations 2008, Schedule 3)	Minimum local investment requirement of 30% (Insurance Regulations 2008, Schedule 3)	No information
	National Treatment			
7)	Discriminatory measures in licensing	None	None	None
8)	Nationality requirements for employees	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))
9)	Nationality requirements for board of directors	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))	25% of the directors of the company have to be Citizens of Swaziland (Insurance Act 2005, Section 7(6))
10)	Any other discriminatory measures	None	None	None
	Specific restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	License allocation at discretion of regulatory authority (RIRF Licensing policy and procedures)	License allocation at discretion of regulatory authority (RIRF Licensing policy and procedures)	License allocation at discretion of regulatory authority (RIRF Licensing policy and procedures)
	• length of license	No information found	No information found	No information found
12)	Minimum capital requirements	Minimum of paid-up share capital of E 2 million (planned in the future: E12 million) (Insurance Act 2005, Section 7(2)); Minimum paid-up share capital for insurers exclusively issuing assistance policy contracts: E400,000 (Insurance Act 2005, Section 7(3))	Minimum of paid-up share capital of E 2 million (planned in the future: E12 million) (Insurance Act 2005, Section 7(2)); Minimum paid-up share capital for insurers exclusively issuing assistance policy contracts: E400,000 (Insurance Act 2005, Section 7(3))	Minimum of paid-up share capital of E 2 million (planned in the future: E12 million) (Insurance Act 2005, Section 7(2)); Minimum paid-up share capital for insurers exclusively issuing assistance policy contracts: E400,000 (Insurance Act 2005, Section 7(3))
13)	Limitations on repatriations of earnings	No information found	No information found	No information found

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
14)	Mandatory cessation requirements to domestic reinsurers	No domestic cessation requirements found	No domestic cessation requirements found	No domestic cessation requirements found
15)	Purchase of insurance from suppli-ers located outside Mauritius	Not allowed	Not allowed	Allowed

13 TANZANIA

13.1 Tanzania's economy

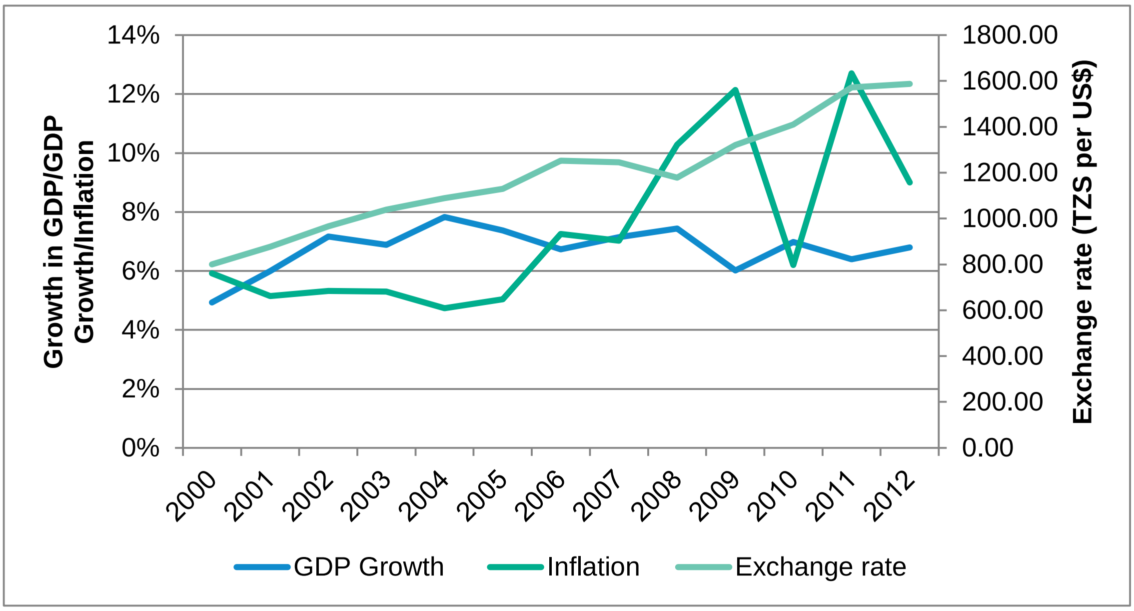
Tanzania has a population of 44.9 million, of which 1.3 million live in Zanzibar and 43.6 on the mainland[322] (2012, est). Approximately 26.4% of the population lives in urban areas.

Since 1986, the government has embarked on an adjustment programme to liberalise the Tanzanian economy. Policies were adopted to reduce budget deficits, improve monetary control, reduce barriers to trade, remove the controls on prices and interest rates, depreciate the overvalued exchange rate and restructure the financial sector,

In 2012, Tanzania's GDP stood at US$27.98 billion and a per capita GDP adjusted for purchasing power parity of US$1,700. The Tanzanian economy is currently highly dependent on the agriculture sector which contributes 28.1% to GDP, and accounts for 85% of all exports whilst employing 65% of the labour force. The main export crops include coffee, tea, cotton, cashews, sisal, and cloves. Tourism is also a significant contributor to the economy with wholesale and retail trade, hotels and restaurants accounting for 15.9% of GDP in 2010. Mining and construction are likely to become more significant contributors to national output as the US$1 billion gas pipeline is built and the US$3 billion Sichuan Hongda iron and coal project begins.

Even though Tanzania faces power supply shortages, the economy is performing strongly. Estimates suggest that the economy grew 6.4% in 2011 driven by growth in the services sector, industry and construction, and agriculture.

Figure 28: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

[322] Tanzania Population and Housing Census

13.2 Tanzania's Financial Sector

13.2.1 Financial sector policy

The Tanzanian banking authorities introduced a plan for financial liberalization in 1992. This culminated in the enactment of the BFIA in 2006. Compared to the previous legislation, the BFIA of 2006 and its associated regulations granted the Bank of Tanzania greater independence in its role as the central bank.

The liberalization of the Tanzanian economy in 1993 has led to the emergence of both local and international banks and financial institutions. In January 2000, the Bank of Tanzania issued guidelines for the introduction and operation of card based e-money products and schemes. These guidelines facilitated the introduction of innovative products including the e-wallet scheme used by mobile networks, such as Vodacom's M-PESA.

The Capital Markets and Securities Act of 1994 is currently under review in order to harmonise its provisions with international best practice as established by the International Organisation of Securities Commissions (IOSCO)[323].

13.2.2 The regulatory framework

The Tanzanian financial sector is dominated by commercial banks in terms of total assets held. This remains true despite recent rapid growth in the pension fund and insurance industries. The national payments system has also grown strongly, driven by innovations and developments in mobile payment systems. Registered users of mobile payment services reached 10.4 million in December 2010 compared to the 4.08 million reported a year earlier[324].

The regulation of Tanzania's financial sector is conducted by four regulatory bodies that all report to the Ministry of Finance. The roles and responsibilities of each of these agencies is briefly outlined below:

- *Tanzania Insurance Regulatory Authority (TIRA).* The Insurance Act of 2009 established the TIRA as the primary regulator for the Tanzanian insurance and reinsurance industry. The Authority is tasked with ensuring the financial and prudential soundness of insurance companies in order to minimise systemic risk. The Authority also promotes consumer education and consumer protection[325].
- *Social Security Regulatory Authority (SSRA).* The Social Security (regulatory Authority) Act of 2008 established the SSRA as the regulatory authority of the social security sector. The SSRA's mandate is to protect and safeguard the interest of pension fund members. The Authority therefore registers all vetted managers, custodians and schemes.
- *The Bank of Tanzania.* The Bank of Tanzania Act of 2006 establishes the central bank's various roles as: the bank of last resort; the government's bank; the government's financial advisor; guardian of the nation's financial reserves; and the supervisor primary regulator of all banks and deposit taking institutions. The Banking and Financial Institutions Act ("BFIA") of 2006 created the regulatory framework for the regulation of banks, financial institutions (including microfinance companies) and the

323 (Capital Markets & Securities Authority)

324 See - (Bank of Tanzania, 2009)

325 (Tanzania Insurance Regulatory Authority, 2013)

national payments system. In 2005, the Bank of Tanzania promulgated the Banking and Financial Institutions (Microfinance) Regulations for the regulation of deposit taking microfinance institutions by the Bank[326]. These Regulations were supplemented in 2008 by the Banking and Financial Institutions Regulations[327]. For non-bank financial institutions, the Bank has also produced regulations for non-bank deposit taking institutions such as community banks and microfinance institutions.

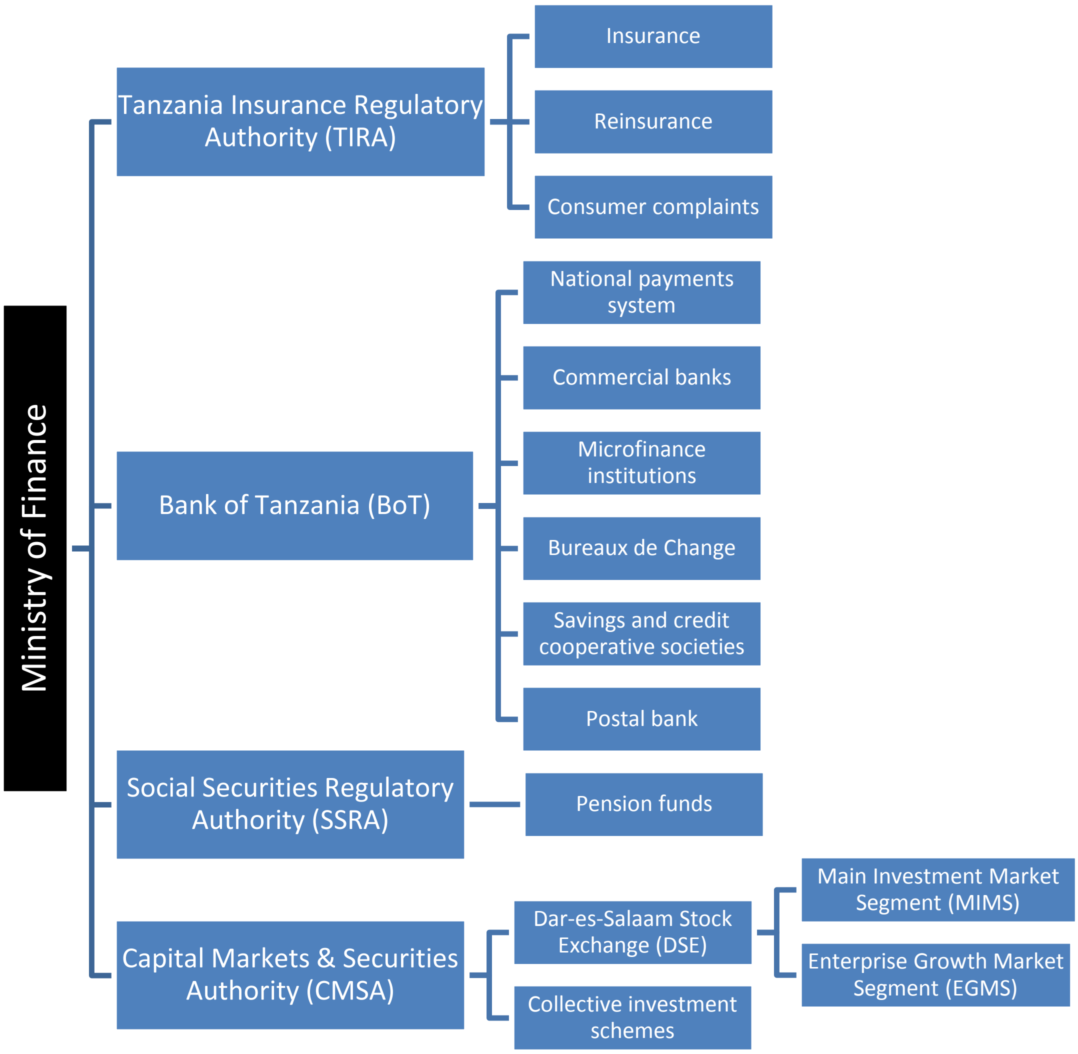
- *Capital Markets and Securities Authority (CMSA).* The CMSA was created by the Capital Markets and Securities Act of 1994 as the government agency responsible for regulating and promoting the development of the securities industry in Tanzania. The Act is supplemented by various subsidiary regulations promulgated by the Finance Minister. The CMSA regulates the stock exchange, and oversees the activities of securities dealers, investment advisors and their agents. The Authority is responsible for monitoring all securities, and sets the minimum capital requirements for all service providers. The CMSA also issues licenses to accredited service providers and monitors the solvency of these licensed entities. The regulation of takeovers, mergers and acquisitions; and all forms of business combinations also falls under the ambit the CMSA[328]. Two years after the establishment of the CMSA, the Dar es Salaam Stock Exchange (DSE) was launched. The DSE has two market segments, the first is the Main Investment Market Segment (MIMS) that caters for big companies, and the second one is the Enterprise Growth Market Segment (EGMS) that caters for medium growth oriented companies. The two segments differ slightly in terms of entry requirements[329].

- To support its work in regulating Tanzania's capital markets, the CMSA has entered into various partnerships such as the East African Member States Securities and Regulatory Authorities (EASRA) group, the Capital Markets Development Committee (CMDC) of the East African Community (EAC), and the International Organization of Securities Commissions (IOSCO)[330]. The EASRA was created in 1997 with the objective of facilitating the development of securities markets in the region as well as harmonising the laws that governed the securities markets. In addition to the CMSA, its other members include the Capital Markets Authority Kenya (CMAK) and the Capital Markets Authority Uganda (CMAU)[331].

Figure 28 below illustrates how the regulatory responsibilities are allocated across Tanzania's four financial sector regulators.

326 (Bank of Tanzania, 2010)
327 E.g. the Concentration of Credit and Other Exposure Limits; and the Management of Risk Assets
328 (Capital Markets and Securities Authority)
329 (Dar es Salaam Stock Exchange, 2012)
330 There are approximately 140 members of the IOSCO worldwide
331 (Capital Markets and Securities Authority)

Figure 29: The organisational structure of the Tanzanian financial sector's regulators



13.2.3 Financial depth and performance

Following years of financial reforms, Tanzania's financial system is relatively stable. From 2005 until 2010, domestic credit to the private sector averaged 14.2% of GDP. This however increased from 17% in 2010 to 30% in 2011. Financial deepening as measured by the ratio of broad money supply (M3) to GDP, increased from 32% to 34% in 2011[332].

The World Bank reports that in 2009, there were 3.30 ATMs and 1.8 commercial bank branches per 100,000 adults in Tanzania. This level of penetration for banking infrastructure is relatively low compared to South Africa which had 56.46 ATMs and 9.4 bank branches per 100,000 during the same period. There has however been an aggressive roll out of bank infrastructure in Tanzania, and at the end of 2010, there were a total of 473 operating bank branches/agencies, with 995 ATMs, and 1 304 POS devices operating in Tanzania compared to just 430 branches reported in 2009. The majority of the branches are still located in the major cities of Dar es Salaam, Mwanza and Arusha[333].As at 31 December 2011 the banking sector alone controlled TZS 14,537 billion (approximately US$9.2 billion) in assets, up 15.65%

332 (AfDB, OECD, UNDP, UNECA, 2012)
333 (Bank of Tanzania, 2010)

from TZS 12,570billion (approximately US$8 billion) the previous year[334]. At that time the banking sector also employed approximately 11,930 people[335].

13.3 Tanzania's banking and non-bank financial services – sector overview

13.3.1 Banking and microfinance industries

Prior to 1991, the Tanzanian financial sector consisted of a number of government owned banks, namely: the National Bank of Commerce (NBC)[336], the Corporative and Rural Development Bank[337], the Peoples Bank of Zanzibar, Tanzania Investment Bank and the former Tanzania Housing Bank (THB), which has since collapsed. Since the liberalisation of the banking sector in 1991, a large number of local and foreign banks and financial institutions have established themselves in the country. There are currently 32 banks (deposit-taking institutions), and non-bank financial institutions (including microfinance institutions[338]) licensed with the Bank of Tanzania.

According to the BFIA of 2006, the Bank of Tanzania may suspend and revoke licenses to financial institutions engaged in banking in Tanzania. Although the definition of financial institutions in this Act refers to entities engaged in banking, the Bank has the power and authority to order that the provisions of the Act apply to any entity in financial intermediation, even if the business is not engaged in banking. For example, the Bank may suspend a financial institution's license if it determines that the financial institution has not met the prudential limits as prescribed by the Bank; or that activities conducted by the financial institution were not in the interests of depositors. There is no evidence to suggest that these powers have been used.

Microfinance in Tanzania was begun by donor agencies, non-governmental organisations and Savings and Credit Cooperative Organisations (SACCOs). A number of microfinance institutions (e.g. Access Bank and Akiba Commercial Bank) have evolved into licensed deposit taking institutions or banks. Similarly, some established commercial banks have also entered the microfinance industry. An additional and unique feature of the Tanzanian financial sector has been the emergence of community banks. These are typically locally owned and operated banks that service segments of the community that have historically been shunned by the mainstream banking industry.

Table 87: Summary of banking institutions in Tanzania, 2011

Type of operator	Ownership	Assets (US$ million)	Branches
Registered Commercial Banks			
FBME Bank Ltd	Local	2,359.7	5
CRDB Bank Plc		1,731.9	73
National Microfinance Bank (NMB) Plc	Local	1371.3	140
National Bank of Commerce (NBC) Bank Ltd	South Africa	940.9	53
Standard Chartered Bank Tanzania Ltd	UK	788.8	7

334 (Bank of Tanzania, 2011)
335 (Ernst & Young, 2012)
336 Which later split into two banks i.e. NMB and NBC where the latter has been taken over by the ABSA bank of South Africa
337 Which later restructured and was renamed the CRDB Bank
338 The Bank of Tanzania is also mandated to license all microfinance institutions

Type of operator	Ownership	Assets (US$ mil-lion)	Branch es
Exim Bank Tanzania Ltd	Local	519.1	22
Stanbic Bank Tanzania Ltd	South Africa	501.6	10
Citibank Tanzania Ltd	USA	474.6	1
Barclays Bank Tanzania Ltd	UK	391.9	32
Bank M Tanzania Ltd		253.3	3
Diamond Trust Tanzania Bank	Kenya	204.6	14
Bank of Africa (BOA) Bank Limited	Kenya/Luxembourg	181	16
African Banking Corporation Tanzania Ltd	Zimbabwe	169	4
Commercial Bank of Africa Ltd	Kenya	150.5	6
KCB Bank Tanzania Ltd	Kenya	131.8	11
I & M Bank Tanzania Ltd	Kenya	127.1	5
Azania Bank Ltd	Government	120.1	8
Peoples' Bank of Zanzibar Ltd	Government	108.6	9
NIC Bank Tanzania Ltd	Kenya	85.4	4
Habib African Bank Ltd	India	70.3	2
Bank of Baroda Tanzania Ltd	India	67.9	2
Akiba Commercial Bank Ltd [339]		65.6	15
International Commercial Bank (T) Ltd	Switzerland	51.1	6
Ecobank Tanzania Ltd	Togo	43.3	3
Access Bank Tanzania Ltd[340]	Germany	32.7	6
Bank of India Tanzania Ltd	India	32.7	1
United Bank for Africa Tanzania Ltd	Nigeria	29.5	3
Mkombozi Commercial Bank Plc	Local	21.3	1
First National Bank Tanzania Ltd	South Africa	19.8	3
Amana Bank Ltd	Local	16.6	1
Advans Bank Tanzania Ltd[341]	France/EU	4.1	2
Equity Bank Tanzania limited	Kenya		
Community Banks and other Financial Institutions			
Tanzania Investment Bank Ltd	Unknown**	193.1	4
Tanzania Postal Bank Ltd	Unknown**	86.3	27
Dar-es-Salaam Community Bank Ltd	Local	62.9	4
Twiga Bancorp Ltd	Unknown**	42.7	4
Tanzania Women's Bank Plc	Unknown**	11.9	1
Uchumi Commercial Bank Ltd	Unknown**	7.3	1
Efatha Bank Ltd	Local	5.6	1
Mufindi Community Bank Ltd	Unknown**	5.3	1
Kilimanjaro Cooperative Bank Ltd	Unknown**	4.8	1
Mbinga Community Bank Ltd	Unknown**	4.4	1
Mwanga Rural Community Bank Ltd	Unknown**	4	1
Kagera Farmers Cooperative Bank Ltd	Unknown**	3.7	1
Njombe Community Bank Ltd	Unknown**	1.4	1

339 (Akiba Commercial Bank, 2011)
340 (Access Bank Factsheet, 2011)
341 (Access Bank Factsheet, 2011)

Type of operator	Ownership	Assets (US$ mil-lion)	Branch es
Tandahimba Community Bank Ltd	Unknown**	0.7	1
Entrepreneurs Financial Centre (EFC)*	Unknown**		
Meru Community Bank	Unknown**		
Tanzania Mortgage Refinance Company	Unknown (various banks)		

Source: Bank of Tanzania website; Serengeti Advisors (2012); Bank of Tanzania
**Microfinance institution*
***The initial investment for these institutions is usually from local governments, international not-for-profit organi-sations and*
development finance institutions, but it is envisioned that over time the bank's customers shall become its share-holders.

Table 88 shows four measures of market share in the banking industry for the largest bank, three, five and ten largest banks in Tanzania from 2007 to 2009. The table illustrates that whilst the industry has a single large bank that accounts for nearly a fifth of all market shares; this large incumbent is by no means a dominant firm[342].

Table 88: Market concentration ratios for the banking sector, 2007 to 2009

	Assets as % of total			Loans as % of total			Deposits as % of total			Capital as % of total		
	2007	2008	2009	2007	2008	2009	2007	2008	2009	2007	2008	2009
Largest Bank	17	17	18	20	19	20	18	19	19	14	14	16
3 Largest Banks	47	47	48	48	48	49	50	50	50	39	41	44
5 Largest Banks	64	63	62	67	65	61	66	66	64	55	56	56
10 Largest Banks	86	83	80	85	83	79	86	84	81	82	81	77

Source: Bank of Tanzania, Bank Supervision Annual Report 2009

13.3.2 Collective investment schemes

Collective investment schemes (also called mutual funds) allow individual investors to pool their money together and participate in capital markets by buying into a diversified, profession-ally managed portfolio. The Government of Tanzania set up the Unit Trust of Tanzania (UTT) in 2003 to invest in Treasury bills and bonds. The UTT then established the first collective investment scheme in the country, the Umoja Fund, with seed money from the government. A further three funds have since been established through the UTT. As far as we were able to establish, as of January 2013 there were no non-UTT collective investment schemes avail-able in Tanzania even though the Capital Markets and Securities Act and its associated reg-ulations do not appear to prohibit the private sector from establishing such funds.

Table 89: Net asset values for UTT Funds on 30 December 2011

Type of operator	Ownership	Assets (US$ mil-lion)
Funds		

342 Most literature on competition economics requires a minimum market share of at least 40% for firm to be defined as being dominant, that is able to price and act appreciably independent of how its competitors in the market will react.

Umoja Fund	UTT/Government	56.8
Jikimu Income Fund	UTT/Government	4.6
Watoto Fund	UTT/Government	0.6
Wekeza Maisha Scheme	UTT/Government	1.3

Source: www.utt-tz.org

13.3.3 Bureau de change

As at 31st December 2010, there were 180 licensed bureaux de change operators operating in Tanzania (i.e. 153 in mainland Tanzania and 27 in Zanzibar). The market is characterised by high levels of churn as 13 operators entered the market whilst 9 operators left the market in 2010 alone.

13.3.4 Capital markets

The Dar es Salaam Stock Exchange (DSE) was opened up to foreign investors through several new regulations in 2003. The DSE has 17 listed companies[343] and also trades in government bonds (i.e. 2, 5, 7 and 10 year). Corporate bonds traded on the DSE include the East African Development Bank (EADB), Eastern, Central and Southern African Trade Development Bank (PTA), Barclays Bank (various tranches), Aluminium Africa (ALAF) Limited[344], and Standard Chartered Bank[345].

Table 90: Stockbrokers in Tanzania

Type of operator	Ownership	Branches
Stockbrokers & Dealers		
Core Securities Ltd	-	1
Tanzania Securities Ltd	-	1
Solomon Securities Company Ltd	-	1
Rasilimali Ltd	-	1
Orbit Securities Company Ltd	-	1
Vertex International Securities	-	1
Zan Securities Ltd	-	2

Source: CMSA website

13.3.5 National Payments System (NPS)

The Tanzanian National Payments System (NPS) involves banks, financial institutions, the Government, the Capital and Securities Market Authority (CSMA), the Stock Exchange, infrastructure providers (e.g. Telecommunications, Post, Power, etc), private corporations, and major users of payment services such as pension funds, and insurance companies. The apex body of the Tanzanian NPS is the National Payment System Council (NPSC). The NPSC is chaired by the Governor of the Central Bank, and its members include the chief executives officers of major payment system stakeholders such as banks and other financial institutions.

Various Tanzanian banks make use of the VISA, American Express and MasterCard international networks for card transactions[346] and this aids the interoperability of the payments system. A number of innovations have also been introduced in the east African payments markets

343 (Capital Markets & Securities Authority)

344 The shareholding of ALAF is such that 76% of the shares are held by SAFAL Investments of Mauritius and 24% are held by the Government of Tanzania. See – www.aluminiumafrica.com/company_profile.html

345 (Capital Markets & Securities Authority)

346 (Bank of Tanzania, 2000)

such as electronic wallets. Mobile telephony providers offer mobile payment services that allow cellphone users to send money, make withdrawals, buy airtime, pay bills and make local and international transfer payments. Online payment facilities are also available from PayPal[347].

In Tanzania, cross-border transactions are effected through international money orders, banker's drafts, traveller's cheques, and services offered by global networks such as MoneyGram and Western Union. Both networks have established a sizeable footprint in Tanzania through strategic partnerships local banks[348].

Table 91: Participants in Tanzania's NPS

Type of operator	Ownership	Volume/Value of transactions	Branches/agents
Mobile Payment Services			
Vodacom Tanzania Ltd (M-PESA)	South Africa	-	N/A
Airtel Tanzania Ltd (ZAP)	India	-	N/A
Zantel (Z-PESA)	UAE	-	N/A
MIC Tanzania LTD (Tigo PESA)	Luxembourg	-	N/A
Western Union	USA	-	N/A
MoneyGram	USA	-	N/A
MasterCard	USA	-	N/A
VISA	USA	-	N/A
American Express	USA	-	N/A
PayPal	USA	-	N/A

13.3.6 Foreign ownership

For the NPS, the ownership of individual participants could be established, but market shares based on volumes or values could not be ascertained. For the stockbroking houses the nationality of ownership could not be established from the public sources that were reviewed.

In terms of foreign ownership in banking, as at 31 December 2011, 25 of the licensed financial institutions were locally owned and 23 were foreign owned[349]. Table 92 shows the overall trend in the market shares of foreign owned and locally owned banks in terms of total assets. In 2006, the share of total bank assets owned by local banks stood at 44.28%. As shown in the table, the market share of foreign owned banks decreased by nearly 6% between 2006 and 2010.

Table 92: Market share of banking assets

	2007	2008	2009	2010	2012
Foreign banks	53.82	50.66	49.85	50.00	50.50
Local banks	46.18	49.34	50.15	50.00	49.50

Source: Banking Supervision Annual Report 2011

In line with macroeconomic and financial sector reforms of the time, in 2003 the DSE was opened up to foreign investors. Foreign participation in the DSE is however highly variable. For example, in the fourth quarter of 2010, foreign investors accounted for approximately 77%

347 (PayPal)
348 (Bank of Tanzania, 2000)
349 (Bank of Tanzania, 2011)

of the DSE's total turnover. However, for the year to December 2010, transactions by foreign investors only accounted for 22.1% of total turnover. This was however still substantially higher than the 3.4% recorded for the previous year[350]. Foreign investor participation in the private sector bonds market could not be determined, whilst foreign investors (with the exception of foreign financial institutions), are prohibited from participating in the trading of government bonds[351]. In the public finance literature two possible reasons may be put forward in support of imposing such a restriction. First, the government may be wary of incurring debt in foreign currency as this exposes the government to exchange rate risk. Second, there could be concerns that in the event of a default, public infrastructure could end up controlled by foreign entities.

13.4 Trade openness in banking services

Market access

Number of foreign suppliers

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit or quota on the number of licenses that may be allocated to foreign and domestic operators in the banking and financial sector.

Total value of services transactions or assets

A licensed institution may not open a representative office, subsidiary, branch agency or additional office in or outside Tanzania without the Central Bank's approval[352].

The Banking and Financial Institutions Act of 2006, defines "core capital" or "tier 1 capital" as the "shareholders' equity in the form of issued and fully paid ordinary shares, and perpetual non-cumulative preference shares, capital grants and disclosed reserves less year to date losses, goodwill organisation, pre-operating expenses, pre-paid expenses, deferred charges, leasehold rights and any other intangible assets". As such Section 17 of the Act requires that every bank that commences operations shall at all times maintain a minimum of core capital of not less than five billion shillings (approximately US$3.2 million) or such higher amount as the central bank may prescribe. Licensed institutions shall at all times also maintain core capital and total asset levels not lower than 10% and 12% respectively of their total risk-weighted assets and off balance sheet exposure. Under Section 17(2) however, these limits may be reduced within reason, in order to encourage the provision of banking services to under serviced communities in both rural and urban areas. Section 17(2) therefore further encourages the entry of microfinance institutions and mobile network providers in the national payments system.

Total number of services operations/quantity of service output

Our review of publically available information sources did not reveal any evidence to suggest that there is a limit on services operations.

Number of natural persons

For certain key positions, permits are required from the Tanzania Investment Centre and immigration officials. Immigration Act No. 6 of 1995, Tanzania Investment Act No 26 of 1997, and National Employment Promotion Service Act No. 9 of 1999 regulate the entry of foreign workers to Tanzania, but the Immigration Department (under the Ministry of Home Affairs), has the final say on who can stay in the country. For foreigners wishing to establish a business in Tanzania, the Tanzania Investment Centre will be responsible for obtaining the necessary

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350 (The Dar es Salaam Stock Exchange, 2010)

351 (Capital Markets & Securities Authority, 2003)

352 See – Section 29 of the Banking and financial institutions (licensing) regulations, 2008

residence/work permits and visas for them. Since 2002, a tripartite committee comprising inter-ministerial departments and social partners meets three times per month in Dar es Salaam to discuss applications for work permits from foreign workers and make recommendations[353].

The Bank of Tanzania's licensing regulations stipulate that a licensed institution must seek and obtain the approval of the Bank before employing a non-Tanzanian. Furthermore, the number of non-Tanzanians in such institutions may not exceed five at any time[354].

According to the Bank of Tanzania's guidelines, all banks and financial institutions regulated by the Bank should appoint a minimum of five board members, of which at least two must be Tanzanian[355].

Domestic residency requirement

The majority of the board members must reside in Tanzania[356].

[Drafting note: Although I have not found written evidence of it, it is equally likely that for managing collective investments and stockbroking there may be a residency requirement]

Type of legal entity

No person may accept deposits from the general public unless that person has a license issued by the Bank of Tanzania. All applicants for a license under the BFIA (2006) must however be entities established in accordance with the Tanzanian Companies Act, Companies Decree, Cooperative Societies Act (1996), or the Cooperative Societies (2003). Licensing is subject to approval from the home regulator.

Under section 63 of the BFIA (2006), foreign entities may also establish a representative office subject to approval by the Bank of Tanzania.

In terms of entities supervised by the CMSA, applications to operate a collective investment scheme must be made by a manager or trustee/custodian. Trustees/custodians must however be a statutory body or a company incorporated in Tanzania[357]. Although no evidence was found of a restriction but it appears that only state run collective investment schemes currently exist.

Participation of foreign capital

Foreign banks are allowed, but not required, to enter into a joint venture and may even have a controlling stake; however the maximum ownership that is allowed for a single entity or group is 99%[358]. For the banking sector, foreign banks are allowed to acquire domestic private and public entities. The maximum ownership allowed by a single entity or group in a public entity is however capped at 50%[359]. Section 15(6) of the BFIA (2006) also requires that foreign acquiring banks be in good standing in their home countries, where they are supervised by a competent authority on a consolidated basis. Section 35 also states that no licensed institution may establish a relationship with any correspondent bank or financial institution

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353 (Ndimbo, E, 2009)

354 See – Section 27 of the Banking and financial institutions (licensing) regulations, 2008

355 See – Section 3.1(i) and 3.1(iii) of the Guidelines Boards of Directors of Banks and Financial Institutions, 2008

356 Banking and financial institutions (licensing) regulations, 2008

357 See – sections 118 & 119 of the Capital Markets and Securities Act.

358 World Bank Database

359 World Bank Database

without the Bank of Tanzania's approval. In addition to this, a local bank that seeks to establish a branch or subsidiary abroad must have core capital of not less than 150 billion shillings (approximately US$32 million).

The CMSA published the Capital Markets and Securities (Foreign Investors) Regulations which provide a guideline for foreign investor participation. In terms of these guidelines, foreign investors are allowed to purchase up to a maximum of 60% of the shares floated on the DSE[360]. Section 3(6) limits the securities purchased by a single individual foreign investor or by two or more foreign investors jointly to less than 1% of the total number of the issued securities of an issuer. Furthermore, section 3(7) limits the shares purchased by a single institutional foreign investor or by two or more institutional investors jointly to a maximum of 5% of the total issued securities. Only in the event of under subscription by Tanzanians and the prescribed territories (i.e. Kenya and Uganda) may an issuer apply to the CMSA for approval to issue the excess securities to other foreign investors above the stated limits[361].

The Capital Markets and Securities (Foreign Investors) Regulations 2003 contain a provision that prohibits foreign investors, with the exception of foreign financial institutions, from participating in the selling, and purchasing of government bonds[362].

National treatment

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the banking, microfinance, stockbroking, money changing and collective investment schemes industries do not appear to explicitly distinguish between foreign and domestic applicants.

Under section 11(4) of the BFIA (2006), the branch or subsidiary of a foreign bank or financial institution shall have its license suspended or revoked if the license of such bank or financial institution granted by the supervisory authority in the home country is suspended or revoked.

For collective investments schemes the CMSA requires that any person designated by a foreign-incorporated fund management company should be licensed/registered/approved/authorised to carry on the activity of fund management by the relevant regulator in their home jurisdiction[363]. The CMSA also requires that no management company may delegate or outsource its functions to a foreign entity unless the fund has invested in real estate outside Tanzania.

Discriminatory measures on the disposal of shareholding

A foreign investor who prior to the commencement of the Capital Markets and Securities (Foreign Investors) Regulations in 2003 held securities in excess of the prescribed limits was not required to dispose of them, but would have to notify the CMSA should they decide to do dispose of their interests post 2003. Furthermore, the sale of securities in excess of the prescribed limits would require that first preference be granted to Tanzanian investors, followed by residents of Uganda and Kenya, and then other foreign investors.

Specific restrictions

Limits on local businesses exporting their services

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360 The 40% minimum Tanzanian ownership will ONLY apply to companies that are traded on the DSE.

361 See – Section 3(8) of the Capital Markets and Securities (Foreign Investors) Regulations 2003

362 Capital Markets & Securities Authority, 2003)

363 See - (Capital Markets and Securities Authority, 2011), Section 10(4)

Tanzanian financial institutions that wish to conduct their business outside Tanzania may do so subject to the terms and conditions set by the Bank of Tanzania.

Repatriation of earnings

Repatriation payments may generally be made in any currency, subject to the need to demonstrate reasons for payment before a transfer in foreign currency may be made[364].

364 (Deloitte, 2012)

Table 93: Limitations in trade in financial services in Tanzania

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)	None (WB database)				
2)	Limitations on the total value of services transactions or assets	BoT approval to open additional local branches or offices	BoT approval to open additional local branches or offices				
3)	Limitations on the total number of branches/quantity of services output	None (WB database) but BoT application includes a section on how the applicant will benefit under serviced areas	None (WB database) but BoT application includes a section on how the applicant will benefit under serviced areas				
4)	Limitations on the number of natural persons	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)	For certain key positions permits are required from the Tanzanian Investment Centre and immigration officials (WB database)
	a) For employees	Max. of 5 foreigners (BoT regulations)	Max. of 5 foreigners (BoT regulations)	Max. of 5 foreigners (BoT regulations)			
	b) For directors	At least two must be Tanzanian	At least two must be Tanzanian	At least two must be Tanzanian			
5)	Domestic residency requirement	Majority of board reside in Tanzania (BoT regulations)	Majority of board reside in Tanzania (BoT regulations)	Majority of board reside in Tanzania (BoT regulations)			
6)	Restrictions on the type of legal entities	Must be licensed and incorporated in Tanzania	Must be licensed and incorporated in Tanzania	Must be licensed and incorporated in Tanzania		Must be licensed and incorporated in Tanzania	
	a) Establishment of an agency						
	b) Establishment of a representative office	Allowed but require a BoT approval	Allowed but require a BoT approval	Allowed but require a BoT approval			
	c) Establishment of a subsidiary/branch	Allowed (WB database) but Incorporated in Tanzania and Require a licence	Allowed (WB database) but Incorporated in Tanzania and Require a licence	Allowed (WB database) but Incorporated in Tanzania and Require a licence		No evidence was found of a restriction but it appears that	

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
		from BoT and approval of the home regulator	from BoT and approval of the home regulator	from BoT and approval of the home regulator		only state run collective investment schemes currently exist]	
	d) Establishment of a joint venture	Allowed, with a controlling stake but maximum ownership for a single entity or group is 99% (WB database)					
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	Allowed but capped at 50% (WB database)					
	b) Acquisition of a domestic private entity	Allowed (WB database)			For each listed counter, 40% of the available shares are reserved for Tanzanian citizens	Only Tanzanian citizens may invest (CMSA regulations)	
8)	Limitations on the interest rates for lending and accepting deposits across borders	None (WB Database)					
9)	Discriminatory measures based on nationality requirements	None (WB Database)					
	National Treatment						
10)	Discriminatory measures in licensing	Foreign entity must be licensed in home country (BoT regulations)	Foreign entity must be licensed in home country (BoT regulations)			Foreign manager or scheme must be licensed in home country (CMSA regulations)	
11)	Discriminatory measures in disposal of shareholding					Preference may be given to Tanzanians, then Ugandans and Kenyans	
	Specific restrictions						
12)	Limits on local businesses exporting their services	BoT approval required (BoT regulations)	BoT approval required (BoT regulations)	BoT approval required (BoT regulations)			

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
13)	Limits on repatriation of funds	Need to demonstrate reasons for payment before a transfer in foreign currency may be made	Need to demonstrate reasons for payment before a transfer in foreign currency may be made	Need to demonstrate reasons for payment before a transfer in foreign currency may be made	Need to demonstrate reasons for payment before a transfer in foreign currency may be made	Need to demonstrate reasons for payment before a transfer in foreign currency may be made	Need to demonstrate reasons for payment before a transfer in foreign currency may be made

13.5 Tanzania's insurance services - sector overview

13.5.1 Structure of the sector

At the end of 2010, in total 27 insurance companies were licensed to operate in Tanzania. The insurance sector is divided into the two main classes General Insurance Business and Long Term Assurance Business. General Insurance business comprises, amongst others, the following classes: accident , sickness, land vehicles, railway rolling, aircraft, ships, goods in transit, fire and natural forces and damages of property[365]. Long Term Assurance business includes life and annuity business, marriage and birth business, linked long term business, and permanent health insurance business.[366] Table XX shows the number of operators in the Tanzanian insurance market by type of operator, as at the end of 2010.

Table 94: Insurance operators in Tanzania by type of operator

Type of operator	Quantity
General insurers	20
Long Term insurer	2
Composites (both, General and Long Term Insurer)	4
Reinsurers	1
Insurance brokers	75
Insurance agents	222

Source: TIRA Annual Insurance Market Performance Report 2010.

Ownership structure

Out of the 27 insurance companies, 22 are privately owned with at least one third owned by Tanzanian citizens. Two companies are 100% state owned by the Governments of Tanzania and Zanzibar, and three companies are 100% privately owned by Tanzanian citizens. Table XX provides a summary of ownership structures in the Tanzanian insurance market by type of operator.[367]

Table 95: Ownership structure of insurers in Tanzania

Type of operator	100% local ownership	Mixed local & foreign ownership
Long Term insurers	-	2
General insurers	3	17
Composites	2	2
Reinsurers	-	1
Total	5	22

Source: TIRA Annual Insurance Market Performance Report 2010.

Performance of the insurance industry

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365 Further classes in the General Insurance Business as per Part B of the Second Schedule of the Insurance Act 2009 include motor vehicle liability, aircraft liability, liability for ships, general liability, credit, suretyship, miscellaneous, legal expenses, and assistance.

366 Tanzania Insurance Regulatory Authority (TIRA), Annual Insurance Market Performance Report 2010.

367 Ibid.

The total volume of business measured by Gross Premiums Written (GPW) for both General and Life Assurance was TZS 287 billion in 2010. General insurance with total GPW of TZS 256 billion accounted for the lionshare of the insurance industry, whereas total GPW in life insurance only made up TZS 31 billion in 2010. Out of the total insurance premiums written during 2010 in respect of both long term and general insurance businesses, 62% of this amount was transacted through brokers.

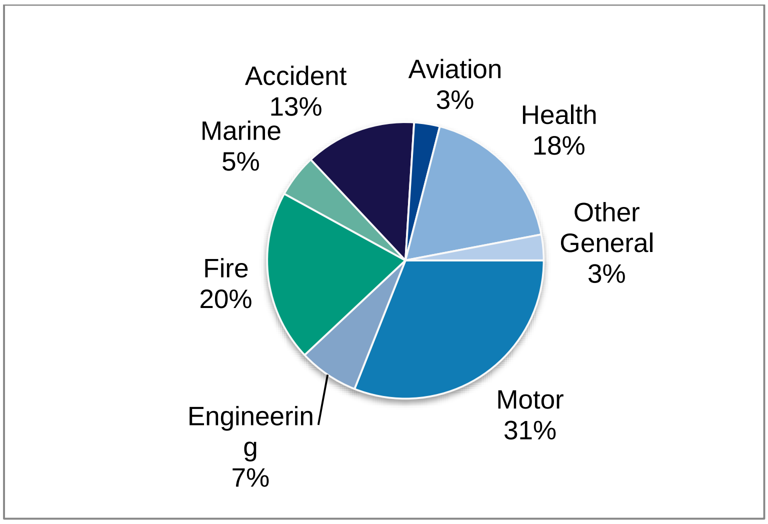
The insurance sector in Tanzania has strongly grown in recent years with annual growth rates in GPW of around 20%. Despite high growth rates, insurance penetration (premiums as a percentage of GDP) in Tanzania stood only at 0.86% in 2010.[368] This value is one of the lowest in the SADC region.[369]

In 2010, the industry recorded an underwriting loss of TZS 2.0 billion compared to an underwriting income of TZS 1.3 billion in 2009. Nevertheless, the industry achieved a positive net income after tax totalling TZS 6,962 million in 2010, but having decreased by 31.6% compared to a total sector net income after tax of TZS 10,173 million in 2009. In total, 12 insurance companies suffered from underwriting losses, with major losses incurred by Momentum Tanzania Insurance Company Ltd. (TZS 1.5 billion), NIKO Insurance Tanzania Ltd. (TZS 1.5 billion), and National Insurance Corporation (T) Ltd. (TZS 1.4 billion). Companies with highest underwriting profits included Momentum (TZS 1,104 million), Alliance (TZS 741 million) and Heritage (TZS 684 million).[370]

Insurance services portfolio mix

In terms of product portfolio mix, the main services offered by general insurers are motor insurance with 31% of total general insurance GPW, followed by fire insurance (20%) and health insurance (18%). Further insurance services provided include accident, engineering, marine and aviation insurance. Figure XX shows markest shares for these types of products for 2010 as measured by the share of GPW of the total general insurance sector.

Figure 30: Market shares of general insurance products in Tanzania in 2010



Source: TIRA Annual Insurance Performance Report 2010.

368 TIRA Annual Insurance Performance Report 2010.

369 CISNA SDAC Insurance Harmonisation Report 2012 (Draft).

370 TIRA Annual Insurnace Performance Report 2010.

In the long term assurance sector, the main service offered is group life insurance, which accounted for 55.92% of total GPW in the subsctor in 2010. Individual life insurance made up 32.45% of GPW and other life insurance accounted for the rest.

13.5.2 Competition in the sector

Competition in general insurance

The general insurance sector in 2010 consisted of 24 general insurance companies, of which four companies were composites, offering both general and life insurance products. The largest six general insurers made up more than 54% of total gross premiums written in the subsector. Heritage Insurance company is the largest general insurer with total GPW of TZS 33,507 million and a market share of 13.10% in 2010, followed by Jubilee insurance company with total GPW of TZS 26,714 million and a market share of 10.45%. Market shares of the remaining 22 companies ranged from 0.31% to 9.32% Table XX lists the six largest general insurers in Tanzania and their market share. Among the top six insurers, three are composites, namely Jubilee, Alliance and NIC.

Table 96: Market shares of general insurers in Tanzania

	Name of Insurer	Total GPW in TZS (2010)	Market share - % of total GPW
1	Heritage	33,507	13.10%
2	Jubilee	26,714	10.45%
3	Alliance	23,830	9.32%
4	Strategis	23,387	9.14%
5	Phoenix	17,017	6.65%
6	NIC	14,607	5.71%

Source: TIRA Annual Insurance Performance Report 2010.

Disaggregating total market shares into business by class shows that the market for fire insurance is dominated by Heritage insurance company, who hold more than one third of total GPW in fire insurance (34.17%). Jubilee insurance company holds the highest market share for motor insurance (10.98%), but is closely followed by Alliance (10.67%) and NIC (9.35%). In the market for accident insurance, Heritage is the market leader with 19.81%, while it is Alliance in the marine insurance market (22.72%). In aviation insurance Phoenix and NIC together control almost 72% of the market, with Phoenix accounting for 33.98% and NIC for 37.96% of total GPW. In the health insurance market, Strategis is by far the largest supplier accounting for 51.90% of the market. Strategis exclusively markets health insurance and provides none of the other insurance services.[371]

Competition in long term assurance

The long term assurance sector at the end of 2010 composed of six insurance companies, of which four were composite firms. The market is rather concentrated with the two leading companies, African Life and NIC, accounting for more than 83% of total GPW in the sector. From 2009 to 2010 the whole sector has grown by 44%, which is largely attributed to a significant expansion of business protfolio of African Life Assurance Ltd., whose premium volume grew by 79.2% in 2010. Table XX shows total GPW and market shares for the six long term assurance companies in Tanzania as at the end of 2010.

371 TIRA Annual Insurance Performance Report 2010.

Table 97: Market shares of long-term insurers in Tanzania

	Name of Insurer	Total GPW in TZS million (2010)	Market share (% of total GPW)
1	African Life	14,586	46.74%
2	NIC	11,390	36.50%
3	Alliance Life	2.348	7.52%
4	Alliance	1,783	5.72%
5	Jubilee	965	3.09%
6	ZIC	134	0.43%

Source: TIRA Annual Insurance Performance Report 2010.

Analysing submarkets in the life assurance sector shows that NIC is by far the largest supplier of individual life insurance policies. NIC holds a 76.42% market share, whereas African Life only wrote 19.65% of gross premiums in 2010. In the submarkets for group life and other life insurance products, African Life clearly is the market leader accounting for 57.37% of GPW in group life and 71.23% in other life insurance. NIC only accounts for 20.92% of GPW in group life insurance and is not active in the market for other life insurance products.[372]

Reinsurance

The Tanzania National Reinsurance Corporation Ltd (Tan-Re) is the only reinsurer in Tanzania. The company is locally and foreign held. Gross Premiums Written for Tan-Re were TZS 42,726 million in 2010.

General and long term insurance broking

In 2010, a total of 67 broker were active in transacting general insurance business. The top three brokers accounted for 59.3% of the entire general insurance broking industry business. Alexander Forbes (T) Ltd. held the largest share of insurance business (25.8%), followed by AON Tanzania Ltd. (18.0%) and MIC Global (15.5%).

In the long term assurance submarket, in total 19 brokers transacted insurance business in 2010. The largest four brokers combined made up more than 85% of the total submarket. These were Intertrade (37.93%), Alexander Forbes (23.78%), AON Tanzania Ltd. (11.88%), and Busara (11.61%). Interestingly, the four brokers wrote their entire gross premiums in the group life submarket. All four brokers were not transacting individual life insurance policies. The latter submarket is dominated by Micro Ensure who wrote TZS 222.9 million of gross premium in this submarket in 2010.

13.6 Insurance sector regulatory framework and trade openness

The following regulations for the Tanzanian insurance sector are based on the Acts presented above as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2008)[373], as well as other sources. Data from the World Bank Database for Tanzania is from the year 2008. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from this database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described

372 TIRA Annual Insurance Performance Report 2010.

373 World Bank 2008

refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

In the Tanzanian insurance industry the regulatory authority foresees no limitations on the number of licenses available for domestic or foreign service suppliers. This means that insurance services suppliers can enter the Tanzanian market, provided that they fulfill the applicable licensing requirements.

Value of services transactions

In terms of limitations on total value of services transactions of a registered supplier, there is currently no limit set. However, according to Section 31(1) of the Insurance Act of 2009, the Commissioner may set limits within which an insurer may accept insurances of all or any class by either restricting the gross premium received by an insurer to a specific maximum, or by restricting the gross premium less gross reinsurance payable by an insurer to a specific maximum.

No information was found indicating that the total number of services operations is limited in Tanzania. In theory, services suppliers established in Tanzania are thus allowed to set up an unlimited number of branches.

Legal form of commercial presence

In the Tanzanian market, foreign insurance companies are not permitted to supply their services through a branch. According to Section 16 (1) of the Insurance Act of 2009, "an insurer shall not be registered as an insurer within the United Republic unless it is a body corporate incorporated under the Companies Act or any other law in the United Republic and is deemed to be resident in Tanzania [ ]". However, according to the WB Services Trade Restrictions Database, reinsurers are exempted from this regulation and can enter the market through a branch.

Foreign insurance companies are re quired to establish a locally incorporated subsidiary, but the ownership in this case is restricted to a maximum of two thirds of the shareholding. Section 16 (1) of the Insurance Act, 2009 states that an insurer shall not be registered unless "[ ] at least one third of the controlling interest, whether in terms of shares, paid up capital or voting rights are held by citizens of Tanzania and at least one third of the members of the board of that company are citizens of Tanzania." With the new Insurance Act of 2009, this limitation on ownership is now also valid for insurance brokers, which was not the case before[374].

Establishment of Joint ventures

The establishment of a joint venture with a local partner is allowed for single providers and a group of providers, but again one third of the controlling interest has to be held by the citizens of Tanzania. This regulation allows foreign suppliers to obtain a controlling stake in the local firm within the joint venture.

Participation of foreign capital

Foreign insurance providers are not permitted to enter the local market by investing in and acquiring a domestic public entity or a controlling stake of that entity. However, as set out in Section 16(1) of

374 Insurance Act, 2009, Section 67(b) and Salient features of new insurance regulations, 2009.

the Insurance Act 2009, the acquisition of a private firm in the domestic market by a single foreign supplier or a group of suppliers is allowed with a maximum ownership of 66.7%.

According to Section 32(1) of the Insurance Act, 2009, the transfer of ownership in an insurer involving 10% of the voting shares, amalgamation, merger, or other similar arrangements is subject to prior written approval of the Commissioner.

National Treatment

Nationality requirements

The current legislation foresees nationality requirements for the board of directors of foreign suppliers. Section 16(1) of the Insurance Act, 2009, stipulates that at least one third of the members of the board of the company have to be citizens of Tanzania. According to Tanzanian labour legislation, up to five employees of any company can be foreign nationals. No specific ratios exist for the insurance sector.

Discriminatory measures in licensing

The requirements for obtaining a license to operate in the Tanzanian insurance market do not distinguish between domestic and foreign applicants. Once licenses are approved, they are valid for 1 year for both, local and foreign suppliers. The approval of the license is subject to renewal every year for local and foreign suppliers.

Other restrictions

Licensing procedures

With regard to licensing procedures, the WB Services Trade Database indicates that the fulfillment of the licensing requirements by a firm automatically leads to the issuance of the license.

Repatriation of earnings

In terms of repatriation of earnings of foreign suppliers, there are no restrictions in the current legislation.

Cessation requirement to domestic reinsurer

The Tanzanian legislation requires all insurers operating in Tanzania to cede a certain percentage of insurance to prescribed reinsurance firms. Section 79(1) of the Insurance Act stipulates that every insurer has to place at least 5% of its reinsurance sessions with the African Reinsurance Corporation (Africa-Re), in accordance with Article 27 of the Agreement that established Africa-Re. Furthermore, Section 79(1) also states that every insurer is required to cede a minimum of 10% of its reinsurance cessions to the Preferential Trade Area Reinsurance Company (ZEP-RE), in accordance with Articles 20 and 21 of the Agreement establishing ZEP-RE. The Commissioner has the right to change these minimum reinsurance cessations, subject to any amendment of the Agreement establishing Africa-Re and ZEP-RE[375].

The information provided by the WB Services Trade Database in this respect, however, differs from the cessation requirements described above. According to this information, insurers operating in Tanzania have to cede 20% of their insurance to the domestic reinsurer for the years 2008 to 2010, 15% in 2013, 10% in 2014, and 0% from 2015 on.

Cross-border purchase of insurance services

375 Insurance Act, 2009, Section 79(2).

In Tanzania, domestic companies and individuals are allowed to obtain automobile, life and reinsurance from firms located outside the country. In reinsurance it is then required to demonstrate domestic unavailability of the service desired (and adhere to mandatory reinsurance cessation requirements), whereas in automobile and life insurance this is not the case. However, in all three subsectors, the purchase of insurance from firms located outside of Tanzania is subject to approval by the regulating authority.

Table 98: Limitations in trade in insurance services in Tanzania by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	Currently no limit, but the Commissioner has discretionary power to set limits (Insurance Act, 2009, Sec. 31(1))	Currently no limit, but the Commissioner has discretionary power to set limits (Insurance Act, 2009, Sec. 31(1))	Currently no limit, but the Commissioner has discretionary power to set limits (Insurance Act, 2009, Sec. 31(1))
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (Insurance Act, 2009, Sec. 16(1))	Not allowed (Insurance Act, 2009, Sec. 16(1))	Allowed (WB database)
	• Establishment of a subsidiary	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))
	• Establishment of a joint venture	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Acquisition of domestic private entity	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))	Allowed, but maximum foreign ownership 66.7%; 33.3% must be held by Tanzanian Citizens (Insurance Act, 2009, Sec. 16(1))

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	National Treatment			
7)	Discriminatory measures in licensing	None	None	None
8)	Nationality requirements for employees	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)	Maximum of five foreign employees (WB database, not confirmed by Insurance Act, 2009)
9)	Nationality requirements for board of directors	One third of the members of the Board must be national Citizens (Insurance Act, 2009, Sec. 16(1))	One third of the members of the Board must be national Citizens (Insurance Act, 2009, Sec. 16(1))	One third of the members of the Board must be national Citizens (Insurance Act, 2009, Sec. 16(1))
10)	Any other discriminatory measure	None	None	None
	Other restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	No (WB database)	No (WB database)	No (WB database)
	• length of license	One year, subject to renewal each year (WB database)	One year, subject to renewal each year (WB database)	One year, subject to renewal each year (WB database)
12)	Restrictions on repatriations of earnings	None	None	None
13)	Mandatory cessation requirements to domestic reinsurers	5% with Africa-Re[1]; 10% with ZEP-RE[2] (Insurance Act, 2009, Sec. 79(1)); Different info in WB database: 20% with domestic reinsurer in 2008 – 2010; 15% in 2013, 10% in 2014, 0% from 2015 on (WB database)	5% with Africa-Re; 10% with ZEP-RE (Insurance Act, 2009, Sec. 79(1)); Different info in WB database: 20% with domestic reinsurer in 2008 – 2010; 15% in 2013, 10% in 2014, 0% from 2015 on (WB database)	5% with Africa-Re; 10% with ZEP-RE (Insurance Act, 2009, Sec. 79(1)); Different info in WB database: 20% with domestic reinsurer in 2008 – 2010; 15% in 2013, 10% in 2014, 0% from 2015 on (WB database)

1 Africa-Re: Africa Reinsurance Corporation

2 ZEP-RE: Preferential Trade Area Reinsurance Company

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
14)	Purchase of insurance from suppli-ers located outside Tanzania	Allowed, but subject to approval by regulating authority (WB database)	Allowed, but subject to approval by regulating authority (WB database)	Allowed, but demonstration of domes-tic unavailability required and subject to approval by regulating authority (WB database)

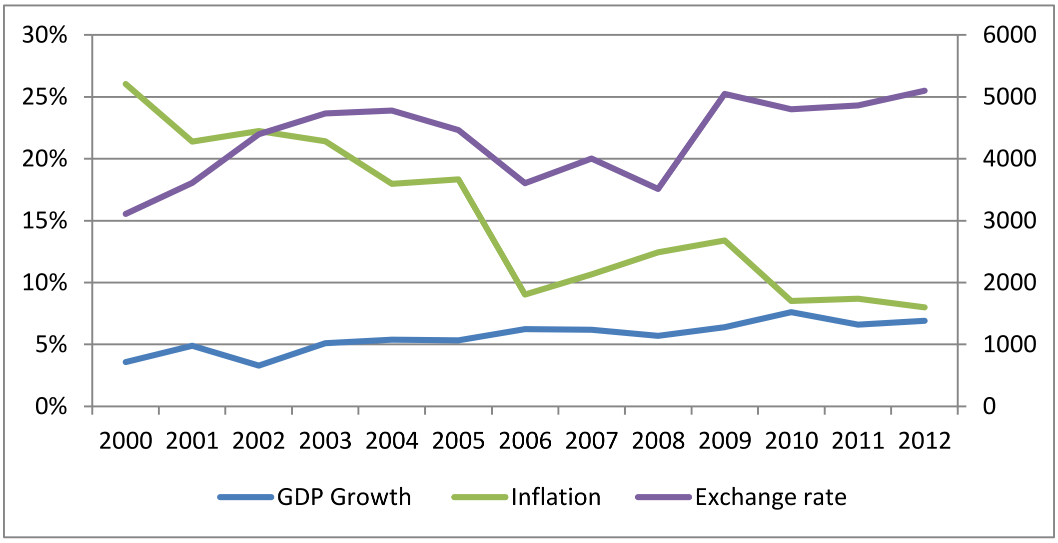
14 ZAMBIA

14.1 The Zambian Economy

Zambia has a population of approximately 13.8 million, with 44% of this population located in urban areas along the major transport routes. The rural areas on the other tend to be sparsely populated.

One of the main drivers of the Zambian economy is the mining sector. In the last decade the country's economic momentum has been led by the strong performance of mining exports, especially in copper. These favourable factors encouraged greater investment into the economy and with it created favourable conditions for the banking sector.

Figure 31: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections

14.2 Zambia's financial sector

14.2.1 Financial sector policy

Zambia's financial sector is relatively small and is dominated by banking. The government of Zambia has consequently launched the Financial Sector Development Plan (FSDP) in an attempt to address the current weaknesses in the Zambian financial system, and its limited role in the economy.

Zambia's financial policy is largely driven by the desire to meet the objectives set out in the Financial Sector Development Plan (FSDP). In the original 2004 report, it was noted that there was a need to enhance the regulatory capacity of the PIA and SEC. In order to reduce the cost of regulation, the regulators would where possible, explore the potential for establishing self-regulatory bodies alongside their independent regulatory authority[378].

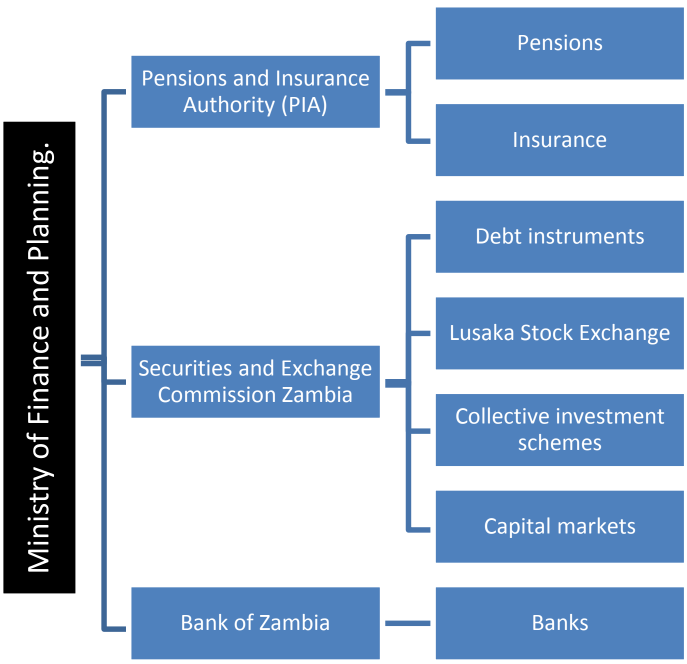
378 (Bank of Zambia, 2004)

14.2.2 Financial sector regulation

The FSDP aims to build a stable, sound and market-based financial system that would support efficient resource mobilisation necessary for economic diversification and sustainable growth. Key to these plans are the three financial sector regulators:

- *Pensions and Insurance Authority (PIA).* The PIA is the authority responsible for regulating and supervising the Zambian pensions and insurance industries. The Authority was established under the Pension Scheme Regulation Act of 1996 and the Insurance Act of 1997. Before the enactment of a new Insurance Act in 2005, the PIA had existed as Office of the Registrar of Pensions and Insurance under the Ministry of Finance and National Planning.
- *Securities and Exchange Commission (SEC) Zambia*. The SEC was established in 1993 by the Securities Act of Zambia. Under the Act, all financial intermediaries conducting securities business such as dealing in securities (i.e. issuers of debt and equity instruments and collective investment schemes) and/or providing investment advisory services in Zambia must be licensed by the SEC.
- *Bank of Zambia*. The Bank of Zambia was established to take over from the Bank of Northern Rhodesia in 1964, with the Bank Zambia Act was passed in 1965. The Act and its subsequent amendments charge the institution with the usual central bank responsibilities which include maintaining the stability of prices and the financial system. Non-bank financial institutions that the Bank supervises include leasing companies, bureaux de change, microfinance institutions, building societies, money transfer services, the Development Bank of Zambia, and the National Savings and Credit Bank. The licensing requirements for each of these sub-sectors vary marginally depending on the category of financial institution.

Figure 32: The organisational structure of Zambia's financial sector regulators



14.2.3 Financial depth and performance

Domestic credit to the private sector (i.e. financial resources provided to the private sector, e.g. loans, purchases of non-equity securities and other accounts receivable) as a percentage of GDP has declined steadily from 15% in 2008 to 12.3% in 2011. The level itself is also relatively low compared to other regional countries such as South Africa 135% (2011) and Mauritius 91.4% (2011).

14.3 Zambia's banking and non-banking financial services – sector overview

14.3.1 Banking industry

The Banking and Financial Services Act (BFSA) of 1994 gives the Bank of Zambia the authority to license, regulate and supervise banks and other financial institutions specified in the Act. The duty of the Bank of Zambia in this regard is primarily to ensure that the financial system functions smoothly and efficiently for the benefit of Zambian consumers.

The Zambian banking sector, like many of the other sectors in the economy, was liberalised in the 1990s. The result of these reforms was an increase in non-price competition (i.e. banks competed by becoming more innovative in their product offerings and areas of coverage by establishing mobile banking). One of the pioneers of mobile banking in Zambia was the Zambia National Commercial Bank (ZNCB), now rebranded Zanaco, a joint venture between the Government and the Rabobank Group of the Netherlands. Zanaco's Xapit account is an entry level account that offers electronic and mobile banking with no maintenance fee. In 2009, Standard Chartered teamed up with one of the largest mobile phone service providers in the country, MTN Zambia (a divisions of the South African MTN Group), to offer an account with mobile banking functionality. One of the new entrants into the sector from West Africa, Ecobank, offers SMS Banking[379].

There are currently 19 banks, 8 leasing companies and 4 building societies licensed by the Bank of Zambia. Despite these developments 62.7% of the Zambian population remains financially excluded[380].

Table 99: Summary of banking institutions in Zambia, 2011

Type of operator	Ownership	Assets (US$ million)	Branches
Banks			
AB Bank Zambia Ltd	Germany	-	3
Access Bank Zambia Ltd	Nigeria	82.3[381]	5
BancABC Zambia Ltd	Zimbabwe	125.7[382]	19
Bank of China Zambia Ltd	China	-	2
Barclays Bank Zambia Plc	UK	-	48
Cavmont Capital Bank Ltd	Local	65.7	16
Citibank Zambia Ltd	USA	-	2
Ecobank Zambia Ltd	Togo	44.2[383]	5
Finance Bank Zambia Ltd	Mixed	269.4	46
First Alliance Bank Zambia Ltd	Local	-	5
First National Bank Zambia Ltd	South Africa	-	9
Indo-Zambia Bank Ltd	India	228.9	15

379 (Mutumweno. N, 2011)

380 (FinScope, 2009)

381 (Access Bank)

382 Using an exchange rate of 1 pula = 691.0808 ZMK

383 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Ecobank Zambia 2010 Annual Report

Type of operator	Ownership	Assets (US$ million)	Branches
Intermarket Banking Corporation Ltd	Cameroon	-	7
International Commercial Bank Zambia Ltd	Switzerland	-	2
Investrust Bank Plc	Local	132.8[384]	20
Stanbic Bank Zambia Ltd	South Africa	-	20
Standard Chartered Bank PLC	UK	943.4	20
United Bank for Africa: Zambia Ltd	Nigeria	-	4
Zambia National Commercial Bank Plc	Netherlands/Zambia	970.6	59

Source: Bank of Zambia website, bank annual reports, bank websites
Note: missing data reflects that either no information is available from public source or where available was not reported in a sufficiently disaggregated format

The total assets held by Building Societies in 2011 stood at KW364,984 million (approximately US$71.6 million), the bulk of which was held as mortgage advances, whilst the total assets held by leasing companies for the same period was reported at KW156,019 million (approximately US$30.6 million).

Although the number of banks in Zambia has increased by 60% from 12 licensed banks in 2000 to 19 licensed banks in 2011, the Zambian competition authorities are still of the opinion that anti-competitive practices are prevalent in the sector. After years of wide spread concern over the high interest rates charged by commercial banks on loans to customers in Zambia, the Zambian Competition and Consumer Protection Commission commenced an investigation into the possibility of cartels in the banking industry. The investigation is still on-going[385].

14.3.2 Microfinance industry

Licenses for microfinance institutions (MFIs) are only issued by the central bank to entities that can provide a certificate of incorporation and articles of association for the company. The minimum capital requirements are K250million (approximately US$49,019.6) for deposit taking MFIs, and K25 million (approximately US$4,902.0) for non-deposit taking MFIs. A security vetting fee for the proposed directors of the MFI must also be paid upon application. This fee varies substantially based on the nationality and residence of the individual. Non-Zambians abroad must pay K716,000 (approximately USD140.40) whilst non-Zambians in Zambia pay R477,000 (approximately US$93.5). Zambian directors based abroad are charged K477,000 whilst locally based Zambians are only charged K100,000 (US$19.6). Once licensed, the MFI would then be expected to submit monthly prudential returns[386].

In addition to the licensing requirements outlined above, there are additional BFSA provisions that all MFIs must satisfy, such as sections 23 and 24 that prohibit multiple shareholder control in financial institutions, and limit the maximum voting rights of an individual to 25%.

The Bank of Zambia reports that the total assets held by MFIs in June 2011 stood at KW594,446 million (approximately US$122.3million). No disaggregated data was available.

Table 100: Summary of microfinance institutions in Zambia, 2011

Type of operator	Ownership	Assets (US$'000)	Branches
Microfinance institutions			
Bayport Financial Services Limited			40

384 Unlike the other reported figures that are from 2011 annual reports, these figures are for December 2010 based on the Investrust Bank Zambia 2010 Annual Report

385 (Kamayoyo, K, 2012)

386 (Bank of Zambia)

Type of operator	Ownership	Assets (US$'000)	Branches
Blue Financial Services Zambia Limited			
Blue Cash Xpress Limited			
Izwe Loans Zambia Limited			
Elpe Finance Limited			
Royal Microfinance of Zambia Limited			
Letshego Financial Services Limited			
Unity Finance Limited			
FINCA Zambia Limited			
Bomach Finance Limited			
Meanwood Finance Corporation Limited			
CETZAM Financial Services Limited			
Prime Circle Microfinance Limited			
Pulse Financial Services Limited			
Yakabutala Musa Limited			
Genesis Finance Limited			
Micro Bankers Trust			
Microcredit Foundation Limited			
Metropolitan Finance Corporation Limited			
Wide and Deep Services Limited			
Kungoma Financial Services Limited			
Madison Finance Company Limited			
Agora Microfinance Zambia Limited			
Sigma Financial Solutions Limited			
Kwacha Finsupport Limited			
Christian Empowerment Microfinance Zambia Limited			
Chibuyu Financing Company Limited			
VisionFund Zanmbia Limited			
Graypages Financial Solutions Limited			
Nu-Bridge Financial Services Limited			
Faroncredit Limited			
Microfinance Zambia Limited			
D-Finance Africa Limited			

Source: Bank of Zambia website, operator websites

14.3.3 Collective investment schemes

Collective investment schemes are regulated by the Securities and Exchange Commission of Zambia. The SEC defines these as including arrangements with respect to money and property under which participants receive profits of income arising from the acquisition, holding, management or disposal of a property. The interests of participants in a CIS are represented by shares or other securities of the body corporate or, in the case of a unit trust, by units. Authorised dealers do not own the investments but hold investments in trust under independent Trustees and in the safe custody of a bank (independent custodian).

Table 101: Collective investment schemes in Zambia

Type of operator	Ownership	Branches
CIS dealers		
ABC Investment Services Ltd		
Cavmont Life Asset Management Company Ltd		
Equity capital Resources Plc		
Intermarket Unit Trust		
J. M. Busha		
Laurence Paul Investments		
Madison Asset Management		

Source: Lusaka Stock Exchange website

14.3.4 Bureaux de change

There are currently 56 licensed bureaux de changes in Zambia, but no further details could be obtained regarding the structure of the market.

14.3.5 National Payments System (NPS)

The Bank of Zambia is responsible for overseeing the NPS under the National Systems Act of 2007. The Bank manages and operates a real time gross settlement system called the Zambia Interbank Payment and Settlement System (ZIPSS) which is an electronic payment system that processes transactions for settlement. The ZIPSS facility can be directly connected to large corporations and government departments so that large volumes of payments may be processed quicker. Linked to the ZIPSS is the Zambia Electronic Clearing House Ltd, an electronic clearing system run by participating commercial banks as a non-profit joint venture.

Table 102: Designated payment system participants in Zambia, 2011

Type of operator	Ownership	NPS designated to participate in:
Designated payment systems participants		
Access Bank	Nigeria	Clearing & settlement
African Banking Corporation	Zimbabwe	Clearing & settlement
Bank of China	China	Clearing & settlement
Barclays Bank	UK	Clearing & settlement
Cavmont Capital	Local	Clearing & settlement
Citibank	USA	Clearing & settlement
Ecobank	Togo	Clearing & settlement
Finance Bank	Mixed	Clearing & settlement
First Alliance Bank	Local	Clearing & settlement
First National Bank	South Africa	Clearing & settlement
Indo Zambia Bank	India	Clearing & settlement
Intermarket Banking Corp.	Cameroon	Clearing & settlement
Investrust Bank	Local	Clearing & settlement
Stanbic Bank	South Africa	Clearing & settlement
Standard Chartered Bank	UK	Clearing & settlement
United Bank for Africa	Nigeria	Clearing & settlement
ZANACO	Local	Clearing & settlement
International Commercial Bank	Switzerland	Clearing & settlement

Source: (Bank of Zambia, 2011)

Like all other NPSs, Zambia's NPS is segmented into various payment systems: namely mobile payments, transfer services, card based transactions and electronic value distribution. These platforms allow all the operators within that system to have a say in the development of a safe and interoperable system.

Table 103: Designated payment systems business in Zambia, 2011

Type of operator	Ownership	Type of business designated to operate
a. Designated to operate mobile payments		
Celpay Zambia Ltd		Proprietary mobile payments
Mobile Payment Solutions		Proprietary mobile payments
ZMP Ltd		Proprietary mobile payments
Mobile Transactions Zambia Ltd		Proprietary mobile payments
b. Money transfer services		
Mobile Transactions Zambia Ltd		Proprietary mobile payments
Celpay Zambia Ltd		Proprietary mobile payments
National Savings and Credit Bank Ltd		Proprietary mobile payments
Money Express Ltd		Cash4Africa local money transfer
ZamPost	Local	Cash4Africa local money transfer
NECOR Transtech		Cash4Africa local money transfer
Runnymede Money Transfer		Coinster international money transfer
Bayport		Mobile payments solutions local money transfers
United Bank for Africa	Nigeria	MoneyGram international money transfer
Finance Bank Zambia	Mixed	MoneyGram international money transfer
Stanbic Bank	South Africa	MoneyGram international money transfer
Zanaco	Local	MoneyGram international money transfer
Investrust Bank	Local	MoneyGram international money transfer
CFB Money Transfer Ltd		MoneyGram international money transfer
Money Link Zambia Ltd		MoneyLineUK international money transfer
Ecobank	Togo	Western Union international money transfer
PostDotNet		Western Union international money transfer
Fredex		Western Union international money transfer
Cactus Financial Services		Western Union international money transfer
ZamPost		Western Union international money transfer
Standard Chartered Bank	UK	Western Union international money transfer
Access Bank	Nigeria	Western Union international money transfer
Brookfield Ltd T/A Genesis Global Finance		Western Union international money transfer
c. Card based solutions		
FX Africa Bureau de Change		Pre-paid Payment Card
Calltrol/Pan African Building Society		Debit card transaction switching
d. Electronic value distribution		
Zamswitch Zambia Ltd		Electronic value distribution

Source: (Bank of Zambia, 2011)

14.3.6 Capital markets

The Lusaka Stock Exchange is the equities exchange in Zambia. The exchange is designed to operate along current best practice with many of Listing Rules harmonised with those of the JSE. A subsidiary of the exchange is the Central Securities Depository (CSD) which provides the clearing, settlement and depository capabilities for processing transaction. The regulation of the exchange, CSD and licensing of all brokers and firms operating on the exchange is conducted by the Securities and Exchange Commission of Zambia under the Securities Act.

Zambians living abroad and foreign investors are encouraged to invest on the exchange by either setting up a trading account with a broker or with a custodian bank such as Barclays Bank Zambia Ltd or Stanbic Zambia Ltd.

In December 2010, the LuSE had a market capitalisation level of K 30,911 billion or US$ 6.3 billion. There are 22 counters listed on the LuSE and 6 licensed stock brokerage companies.

Table 104:Stockbrokers in Zambia

Type of operator	Ownership	Branches
Stockbrokers & Dealers		
Equity Capital Resources PLC	Local	1
Madison Asset Management Company Ltd	Local	1
Pangaea Renaissance Securities Limited	-	1
Intermarket Securities Ltd	-	1
Stockbrokers Zambia Ltd	-	1
African Alliance Securities	Swaziland	1

Source: Lusaka Stock Exchange website

14.4 Trade openness in banking services

Market access

Number of foreign suppliers

No evidence was uncovered to suggest that there is a limit on the number of foreign suppliers that may provide financial services.

Number of services operations/quantity of service output

There was no evidence uncovered to suggest that the Zambian financial sector has limits on the number of services or operations that may be supplied by a foreign institution. Specifically, the World Bank data base notes that for lending and accepting banks there are no limits placed by authorities the period or magnitude of a loan.

Institutions licensed by the Bank of Zambia must apply to the Bank for permission to open or close a new branch or representative office[387].

Number of natural persons

Zambian employers must apply to the Chief Immigration Officer to employ a foreign worker and must demonstrate that there are no Zambians suitably qualified by training or experience available to perform the job. Work permits are however unlikely to be renewed as the condition

387 (Bank of Zambia)

of the initial permit being issued is that there should be a Zambian understudy for the purposes of transferring skills by the end of the period[388].

Domestic residency requirement

Part III Section A of the Securities Act requires that non-Zambian collective investment schemes should appoint a Zambian representative who is in turn licensed under section 82 of the Securities Act.

The World Bank database (2009) notes that the minimum percentage of domestic residents that should be appointed onto the board of directors is 51%.

Type of legal entity

Foreign banking institutions may establish subsidiaries, and representative offices in Zambia subject to approval by the Bank of Zambia.

Participation of foreign capital

Foreign participation is allowed subject to the Licensing Requirements published by the Bank of Zambia that for prudential reasons limit the maximum ownership for a single investor to 25%. This limitation does not apply to banks that are listed on a securities exchange in a jurisdiction outside of Zambia[389].

Repatriation of funds

Following the economic reforms conducted in the 1990s, the Zambian government decided to allow 100% repatriation of profits by foreign investors[390].

National treatment

Discriminatory measures in licensing

Section 4(8) of the Banking and Financial Services Act requires that for a banking license to be issued to a subsidiary of a foreign company, the foreign company must be an authorised bank in the country where its head office is located and the bank of Zambia needs to be satisfied as to the adequacy of the supervision in that country. In Section 12A, a license from the Bank of Zambia is also required for a bank to establish a representative office in Zambia.

In January 2012, the Bank of Zambia announced that they would be tightening its prudential regulations by increasing the Minimum Statutory Capital (MSC) structure for commercial banks. It was proposed that the MSC would introduce a tiered MSC for “foreign” banks (i.e. banks where local shareholders have less than 49%) and another for “local” banks. The MSC would therefore increase from ZMK12 billion (approximately US$2.5 million) to ZMK104 billion (approximately US$21.4) for locally owned banks, and K520 billion (approximately US$107.0) for foreign owned banks[391]. Although the Bank gave the commercial banks until the 31st of December 2012 to comply, a study by the Zambian stockbroking firm Imara revealed that as of the 30th of September 2011, only 6 Zambian banks had more than ZMK104 billion in capital

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388 (Ministry of Labour and Social Security, Zambia)

389 World Bank database (2009)

390 (Ministry of Commerce, Trade and Industry of the Republic of Zambia, 2011)

391 (Ng'andu, B, 2012)

and reserves. Of these 6 banks (i.e. Zanaco, Citi, Barclays, Standard Chartered, Stanbic, Indo Zambia bank), 4 are either subsidiaries of foreign banks or majority owned by foreigners[392].

The security vetting fee that is payable upon application for a microfinance operators licenses is substantially higher for international applicants compared to local applicants. It is not clear if this may be explained fully by the presumably higher costs of vetting an international applicant. Whilst the application requirements list the residence and citizenship of the institution's senior management as compulsory items that must be supplied with each application, it is not clear whether or not this is for prudential purposes or if citizenship and residency alone are a criteria in the awarding of a license.

Specific restrictions

Limitations on the repatriation of capital

The World Bank database (2009) reports that the repatriation of earnings is restricted.

392 (Imara Securities, 2012)

Table 105: Limitations in trade in financial services in Zambia

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)					
2)	Limitations on the total value of services transactions or assets	BoZ approval required	BoZ approval required	BoZ approval required			BoZ approval required
3)	Limitations on the total number of services operations/quantity of services output	None (WB database)					
4)	Limitations on the number of natural persons						
	a) For employees	None (WB database) Work permit required but this is unlikely to be renewed	Work permit required but this is unlikely to be renewed	Work permit required but this is unlikely to be renewed	Work permit required but this is unlikely to be renewed	Work permit required but this is unlikely to be renewed	Work permit required but this is unlikely to be renewed
	b) For directors	None (WB database)					
5)	Domestic residency requirement	51% of the Board mu reside in Zambia (WB database)				Non-Zambian CIS must have a resident representative	
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						
	b) Establishment of a representative office	Allowed but BoZ approval required	Allowed but BoZ approval required	Allowed but BoZ approval required			Allowed but BoZ approval required

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	c) Establishment of a subsidiary/branch	Allowed but BoZ approval required	Allowed but BoZ approval required	Allowed but BoZ approval required			Allowed but BoZ approval required
	d) Establishment of a joint venture	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual			Allowed subject to prudential shareholding limits for an individual
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual			Allowed subject to prudential shareholding limits for an individual
	b) Acquisition of a domestic private entity	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual	Allowed subject to prudential shareholding limits for an individual			Allowed subject to prudential shareholding limits for an individual
8)	Limitations on the interest rates for lending and accepting deposits across borders	None (WB database)	None, i.e. 100% repatriation of profits	None, i.e. 100% repatriation of profits	None, i.e. 100% repatriation of profits	None, i.e. 100% repatriation of profits	None, i.e. 100% repatriation of profits
	National Treatment						
9)	Discriminatory measures in licensing	Higher MSC requirements for foreign banks	Higher MSC requirements for foreign banks	Higher MSC requirements for foreign banks			Higher MSC requirements for foreign banks
	Specific restrictions						
11)	Limits on repatriation of funds						

14.5 Zambia's insurance services - sector overview

14.5.1 Structure of the sector

To be included.

14.5.2 Competition in the sector

To be included.

14.6 Insurance sector regulatory framework and trade openness

The insurance sector in Zambia is regulated by the Pensions and Insurance Authority (PIA). The PIA was established in 1997 as regulator and supervisory authority for both the pensions and insurance industry. It draws its authority from the Pension Scheme Regulation Act No. 28 of 1996 and the Insurance Act No. 27 of 1997. Prior to the enactment of the Act No. 27 of 2005, PIA existed as Office of the Registrar of Pensions and Insurance under the Ministry of Finance and National Planning.[393] The PIA is now an independant organisation and is run by a Registrar and two Deputy-Registrars for insurance and pensions respectively and it is governed by a Board. [394]

The PIA's mission is "to regulate the conduct of the Pensions and Insurance industry through prudential supervision in order to protect the interest of pension scheme members and insurance policyholders and to foster the industry's growth". It licenses and supervises all insurers. It further issues guidelines, policies and regulations and is responsible for drafting suggested amendments to the insurance Act itself.[395]

The insurance Act No. 27 of 1997, as amended by Act No. 26 of 2005 (henceforth referred to simply as the Insurance Act in this section), is the basis for insurance regulation in Zambia. It is supplemented by the Insurance Regulations issued by the Minister. The regulations are currently being revised by the PIA and new regulations are still in the process of finalisation.[396] Regulations in trade in insurance services for Zambia presented below are based on the Acts presented above as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2009)[397], as well as other sources. Data from the World Bank Database for Botswana is from the year 2008. Wherever there are no specific references to the relevant Acts or other sources, the information presented is based on the data from this Database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

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393 Zambia Pensions and Insurance Authority (PIA) Website: www.pia.org.zm
394 Hougaard, C. et al., 2009 (Cenfri)
395 Hougaard, C. et al., 2009 (Cenfri)
396 Hougaard, C. et al., 2009 (Cenfri)
397 World Bank 2009

Number of foreign suppliers

The number of foreign suppliers of insurance services allowed to operate in Zambia is not restricted. The Insurance Act foresees no limitations on the number of licenses issued for both foreign and domestic operators, as long as they fulfill resgistration requirements. This stands for all three sub-sectors, long-term insurance, short-term insurance and reinsurance.

Value of services transactions

No evidence could be found that the value of services transactions carried out by insurance providers is restricted in any of the subsectors. This is equally valid for both foreign and domestic suppliers.

Number of services operations

Similarly, information sources analysed do not indicate that the total number of services operations or the quantity of output of insurance suppliers is limited in Zambia. Registered insurance service providers are consequently allowed to establish an unlimited number of branches in the country.

Number of natural persons

According to the current legislation, there are no limitations on the total number of natural persons that can be employed in the sector or by a supplier. However, the World Bank database indicates that the Citizens "Economic Empowerment Commission" may recommend in the future that a certain number of targeted citizens be employed by foreign-owned insurance companies.

Legal form of commercial presence

The Zambian insurance legislation through section 10 (3) of the Insurance Act requires foreign suppliers to locally incorporate and establish an office in Zambia. Service provision from abroad through a branch is not allowed. However, setting up a locally incorporated subsidiary is allowed and foreign companies do not face any ownership restrictions in this case. Commercial presence through the establishment of a joint venture with domestic companies is allowed in Zambia. Foreign firms can obtain a controlling stake of the domestic partner and are not obliged to limit their ownership.

Participation of foreign capital

In all three subsectors, foreign insurance providers can enter the Zambian market by acquiring up to 100% of a domestic private entity. Similarly, there are no restrictions with regard to the acquisition of a domestic public entity in the insurance sector by a foreign company. Foreign suppliers are thus allowed to hold a controlling stake in both private and public domestic companies.

National Treatment

Discriminatory measures in licensing

Insurance companies in Zambia, both domestic and foreign, face the same requirements in obtaining a license to operate their business in Zambia. No evidence could be found that discriminatory measures against foreign suppliers with regard to the establishment, licensing and operation of insurance businesses exist.

Nationality requirements

With regard to nationality requirements for members of the board of directors, Section 26 (4) of the Insurance Act states that the Chief Executive of an insurance company has to be resident in Zambia, but does not have to be a national citizen. Furthermore, more than half of the board of directors must be resident in Zambia, but not necessarily Zambian citizens.

Other restrictions

Licensing procedures

License criteria in Zambia are publicly available and applicants that comply with the criteria are granted a license. This license is valid for one year and subject to renewal each year.

Minimum capital requirements

According to Section 41 (1) of the Insurance Act, the Minister, on recommendation of the PIA Board, may prescribe the minimum paid-up share to be maintained by a licensed insurer. Section 41 (2) further gives the minister the authority to prescribe different amounts for different classes of insurance business. However, PIA currently uniformly requires minimum paid-up capital by insurers of K1bn ($185,000), being a relatively low requirement.[398]

Repatriation of earnings

The current legislation foresees no restrictions with regard to the repatriation of earnings by foreign operators.

Cessation requirement to domestic reinsurer

Domestic or foreign operators are not obliged to cede a certain percentage of their insurances to one of the two domestic reinsurers. This regulation is valid for all three subsectors under review.

Cross-border purchase of insurance services

The regulation in Zambia with regard to cross-border supply of insurance under Mode 1 differs between the three subsectors under review. Reinsurance can be obtained from suppliers located outside the country without restriction, whereas Zambian companies or consumers wanting to purchase foreign located insurance have to demonstrate local unavailability of the respective service.

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398 Hougaard, C. et al., 2009 (Cenfri)

Table 106: Limitations in trade in insurance services in Zambia by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None	None	None
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None, but the Citizens "Economic Empowerment Commission" may recommend in the future that a certain number of targeted citizens be employed by foreign-owned insurance companies. (WB database)	None, but the Citizens "Economic Empowerment Commission" may recommend in the future that a certain number of targeted citizens be employed by foreign-owned insurance companies. (WB database)	None, but the Citizens "Economic Empowerment Commission" may recommend in the future that a certain number of targeted citizens be employed by foreign-owned insurance companies. (WB database)
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed, Insurance company has to be incorporated in Zambia. (Insurance Act 1997 (2005), Sec. 10)	Not allowed, Insurance company has to be incorporated in Zambia. (Insurance Act 1997 (2005), Sec. 10)	Not allowed, Insurance company has to be incorporated in Zambia. (Insurance Act 1997 (2005), Sec. 10)
	• Establishment of a subsidiary	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	• Establishment of a joint venture	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
6)	Limitations on participation of foreign capital			
	• Acquisition of domestic public entity	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	• Acquisition of domestic private entity	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)	Allowed, No foreign ownership restrictions (WB database)
	National Treatment			
7)	Discriminatory measures in licensing	None (WB database)	None (WB database)	None (WB database)
8)	Nationality requirements for employees	None	None	None
9)	Nationality requirements for board of directors	None, but the Chief Executive officer and at least 50% of the board of directors have to be resident in Zambia. (Insurance Act 1997 (2005), Sec. 26 and WB database)	None, but the Chief Executive officer and at least 50% of the board of directors have to be resident in Zambia. (Insurance Act 1997 (2005), Sec. 26 and WB database)	None, but the Chief Executive officer and at least 50% of the board of directors have to be resident in Zambia. (Insurance Act 1997 (2005), Sec. 26 and WB database)
10)	Any other discriminatory measures	None	None	None
	Specific restrictions			
11)	Licensing procedures			
	• discretion in issuance by regulating authority	No information (WB database)	No information (WB database)	No information (WB database)
	• length of license	One year, subject to renewal every year (WB database)	One year, subject to renewal every year (WB database)	One year, subject to renewal every year (WB database)
12)	Minimum capital requirements	K1 billion ($185,000) (Hougaard, C. et al., 2009[399]); $208,300 in 2010 (Mwiru, S., 2011)	K1 billion ($185,000) (Hougaard, C. et al., 2009); $208,300 in 2010 (Mwiru, S., 2011)	K1 billion ($185,000) (Hougaard, C. et al., 2009); $208,300 in 2010 (Mwiru, S., 2011)
13)	Limitations on repatriations of earnings	None (WB database)	None (WB database)	None (WB database)
14)	Mandatory cessation requirements to domestic reinsurers	None (WB database)	None (WB database)	None (WB database)
15)	Purchase of insurance from suppliers located outside Botswana	Allowed, but demonstration of domestic unavailability necessary	Allowed, but demonstration of domestic unavailability necessary	Allowed (WB database)

399 Corresponding information could not be found in the Insurance Act.

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
		(WB database)	(WB database)	

15 ZIMBABWE

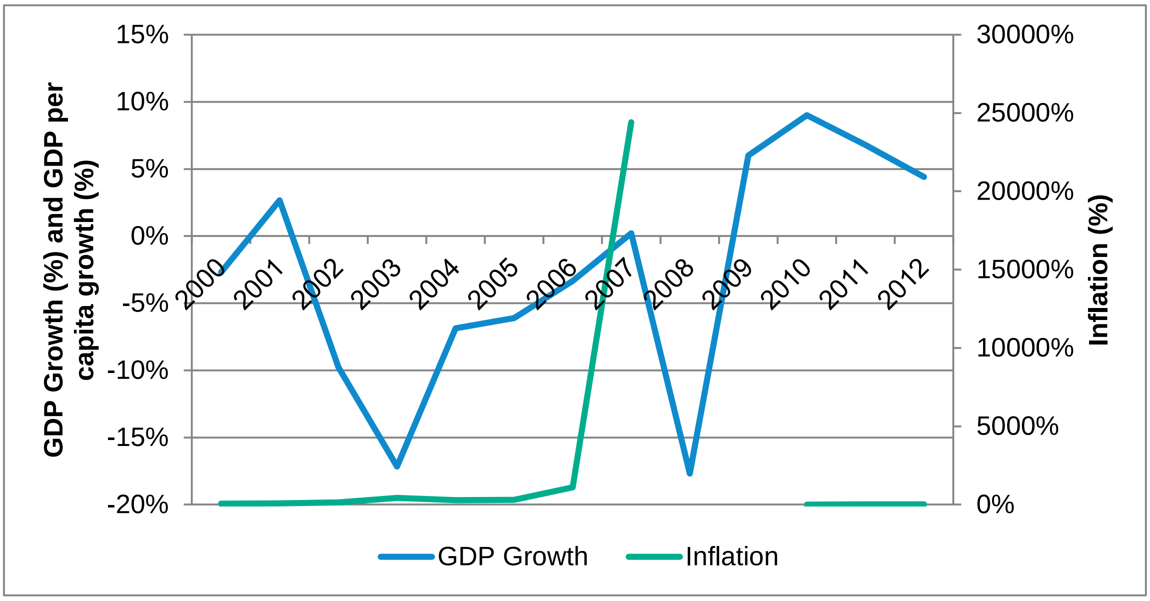
15.1 The Zimbabwean Economy

According to census results released by the Zimbabwe National Statistical Agency (ZimStat), in 2012 Zimbabwe had a population of 12.9 million. Approximately 16% of the total population lives in the nation's capital city of Harare

The country has significant reserves in chrome, diamonds, platinum, gold, coal and iron ore. Historically the country had farming and tourism as its other main industries but agrarian reforms, food shortages and unfavourable media coverage have resulted in a decline in these two sectors. Real GDP was reported as US$10.8 billion in2012, whilst Real GDP per capita adjusted for purchasing power was US$500.

Between 200 and 2008, the Zimbabwean economy shrank substantially resulting in widespread poverty and unemployment levels as high as 80%. From 2003 until 2009 when Zimbabwe suspended its own currency, the inflation rate was on an upward trajectory reaching an estimated 231 million per cent at its peak hyperinflation 2008.

Figure 33: Basic macroeconomic indicators



Source: World Bank Development Indicators for 2000-2010 and African Economic Outlook 2012 for 2011-2012
Figures for 2011 and later are projections
N.B.: The foreign exchange rate has not been included as it was artificially fixed until 2008 at which point the country switched to using the US Dollar, South African Rand, and Botswana Pula.

15.2 Zimbabwe's financial sector

15.2.1 Financial sector policy

A condition that all foreign investments into Zimbabwe, including those in the financial sector must comply with is the Indigenisation and Economic Empowerment Act of 2007. The Act was passed in the ZANU PF dominated parliament in 2007 and was signed into law in 2008. This was prior to the formation of the Unity Government between ZANU PF and the Movement for Democratic Change (MDC), which vehemently opposes the Act. The Parliamentary Legal Committee (PLC) had also issued an adverse report on the regulations and General

Notice 114/2011. The PLC has a constitutional mandate to assess the constitutionality of Bills before they are passed into law. The PLC concluded the General Notice 280/2012 violates the Bill of Rights, namely, sections 16 (protection of private property) and 21 (freedom of association) of the Constitution of Zimbabwe (hereafter, "the Constitution").

The Act contains provisions that require that all companies operating in Zimbabwe must have 51% of their shares or interests therein owned by indigenous Zimbabweans. In early 2010, the Zimbabwe Government published regulations with respect to the Act that requested that all companies operating in Zimbabwe should provide specified information to the Minister of Youth Development, Indigenisation and Empowerment, including an indigenisation implementation plan within 3 months of the publication of the regulations. That information submitted by the companies, together with responses from all stakeholders in the various sectors of the economy, would be used as a basis for determining whether an amount less than 51% would be applied to any sector or subsector and the maximum period for achieving indigenization.

In July 2012, the Reserve Bank of Zimbabwe announced its support for the Indigenisation programme but insisted that it preferred that the process was conducted within the context of the existing financial laws and regulations by the existing financial sector regulators[400]. These developments have resulted in a generally unclear policy environment for both the financial sector and business in general.

Since the adoption of the US dollar and the formation of the Government of National Unity in 2008, Zimbabwe's Exchange Control Regulations have been relaxed. Currently investments by foreigners using funds from abroad may be remitted abroad. Despite this change policy uncertainty remains.

15.2.2 Financial sector regulation

Despite on-going economic and political challenges Zimbabwe's financial sector remains relatively sophisticated. It consists of the Reserve Bank, discount houses, commercial banks, merchant banks, finance houses, building societies, the Post Office Savings Bank, numerous insurance companies and pension funds and a stock exchange.

The financial services sector is currently regulated by three regulatory agencies that all report to the Minister of Finance.

- *Securities and Exchange Commission of Zimbabwe (SECZ).* The SECZ's main regulatory roles are to regulate the trading and dealing in securities, license traders, regulate securities exchanges and advise the government on policies affecting the securities and capital markets. The SECZ regulates the Zimbabwe Stock Exchange through the administration of the Securities Act, which repealed the Zimbabwe Stock Exchange Act.
- *Reserve Bank of Zimbabwe (RBZ), w*hich is responsible for the regulation of banking institutions.
- The Insurance and Pension Funds Commission (IPEC), which is responsible for the regulation of insurance and pension funds.

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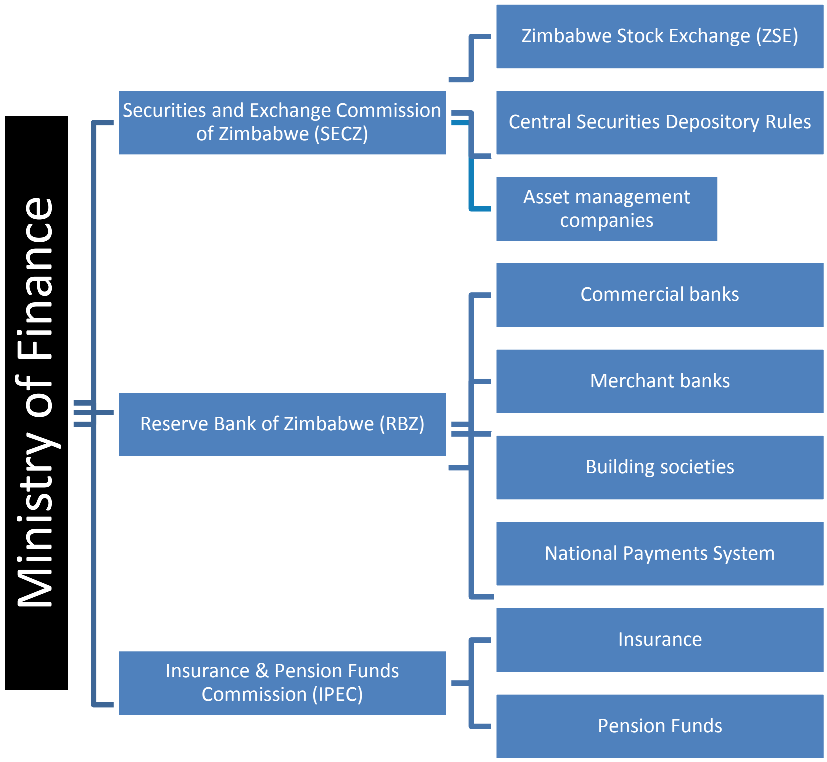
400 (Reserve Bank of Zimbabwe, 2012)

Figure 34: The organisational structure of Zimbabwe's financial sector regulators



15.2.3 Financial depth and performance

Given the socio-economic challenges that have characterised Zimbabwe in recent years it is unlikely that there would be any obvious observable trends and there is little data available for the last five years from either the RBZ or World Bank database. What is worth noting however is the large number of Zimbabwean banks that are under administration. Numerous explanations for these failures have been put forward, including suggestions that Zimbabwe is over-banked, a poor regulatory framework, regulatory capacity constraints.

Furthermore, since the adoption of the US Dollar as the official currency, commercial banks have come under increasing pressure, as the Reserve Bank is no longer able to fulfil its function as a lender of last resort. Commercial banks have therefore changed their loan structure such that they now generally only offer short term loans. Short term loans are costly, coming with relatively high interest rates, and cannot be used for sustainable investment in capital which needs to be matched with long term loans.

15.3 Zimbabwe's banking and non-banking financial services – sector overview

15.3.1 Banking industry

Zimbabwe's legislation recognises only two broad categories of banking institutions. According to the Banking Act of 2001, foreign banks either establish a locally incorporated subsidiary or open a representative office. In order to operate a representative office, the foreign institution must apply to the bank registrar in the Reserve Bank of Zimbabwe. No banking business may be conducted by the representative office[401]. If the applicant bank's head office is situated outside Zimbabwe the bank license will only be issued if the applicant is licensed to conduct banking business in their home country, they are adequately supervised and have the authorisation of their home regulator to extend their business into Zimbabwe[402].

No person or institution may engage in banking activity without a license[403]. The Reserve Bank[404] and the Act define various classes of banking businesses, namely:

- Commercial banks
- Merchant banks
- Building societies
- Accepting houses (This is recognised in the Act but not included in any of the regulations or publications on the minimum capital)
- Discount houses
- Finance houses
- Microfinance banks
- Money lending institutions
- Asset management companies

In July 2012, the Reserve Bank Governor published a revised set of minimum capital requirements for financial institutions operating in Zimbabwe. These new minimum requirements were substantially higher than they had been previously, and hence a phased plan for enforcement of the requirements was also proposed in the same document. By 31 December 2012, the expected compliance would be 25%, then 50% by 30 June 2013, 75% by 31 December 2013, and full compliance by 30 June 2014.

Table 107: Dramatic changes in the minimum capital requirements for financial institutions

	Previous Minimum Capital Required	New Minimum Capital Required
Commercial Banks	US$12.5 million	US$100 million
Merchant Banks	US$10 million	US$100 million
Building Societies	US$10 million	US$80 million
Finance Houses	US$7.5 million	US$60 million
Discount Houses	US$7.5 million	US$60 million
Microfinance Banks	US$1 million	US$5 million
Money lending institutions	US$ 2,500	US$25,000
Asset Management Company	US$500,000	-*

Source: Mid Term Monetary policy Statement, July 2012
**Now under the supervision of the Securities and Exchange Commission*

No banking institution can be registered in more than one class but this is not a significant constraint on businesses as they may establish a separate subsidiary. It is also important to note that the activities that may be conducted under a commercial banking include many of the activities that may be conducted by microfinance banks and money lenders. A number of banking activities (such as receiving deposits, offering credit, buying and selling instruments, money transmission services etc) may be specified separately and included in the bank's license.

401 See - Section 28(5) of the Banking Act of 2001
402 See - Sections 4 & 5 of the Banking Act of 2001
403 See - Section 5(1) of the Banking Act of 2001
404 (Reserve Bank of Zimbabwe, 2009), (SADC Bankers, 2011)

The People's Own Savings Bank (POSB) is a statutory body established by the POSB Act of 2001. The bank is supervised and monitored by the Reserve Bank and its primary objective is to try and encourage Zimbabweans to save more.

Licensing requirements for shareholders stipulate that all shareholders must demonstrate their ability to provide additional funding in case the bank should face financial challenges. In addition, shareholders with more than 5% must demonstrate that they are "fit and proper" persons[405].

Table 108: Summary of banking institutions in Zimbabwe, 2011

Type of operator	Ownership	Assets (USD)	Branches
Banks			
Agricultural Development Bank of Zimbabwe (Agribank)	Government	-	24
BancABC Zimbabwe	Local	348,473,342[406]	19
Barclays Bank Zimbabwe Ltd	UK	260,035,404	36
CBZ Bank Ltd	Local	11,1	24
Ecobank (Premier Banking Corporation)	Togo	-	6
FBC Bank Ltd (First Banking Corporation)	Local	-	14
Interfin Banking Corporation Ltd	Local	Under administration	Under administration
Intermarket Banking Corporation	Local	-	1
Kingdom Bank Ltd	Local		25
MBCA Bank Ltd (a subsidiary of Nedbank)	South Africa	180,700,000	5
Metbank Limited (formerly Metropolitan Bank of Zimbabwe Ltd)	Local	-	-
NMB Zimbabwe	Local	167,287,333	9
Royal Bank	Local	Under administration	Under administration
Stanbic Bank Zimbabwe Ltd	South Africa	361,000,000	18
Standard Chartered Bank Zimbabwe	UK	281,700,000*	24
Steward Bank (formerly TN Bank and Trustfin before that)	Local	-	
Time Bank	Local	-	-
Trust Bank	Local	-	-
ZB Bank Limited (Formerly Zimbank)	Local	-	38
Zimbabwe Allied Banking Group	Local	-	24
Merchant banks			
Genesis Investment Bank Ltd	Local	Liquidated	Liquidated
Capital Bank (formerly Renaissance Merchant Bank)	Local	Under administration	Under administration
Tetrad Investment Bank Ltd	Local	64,983,973	1
Building societies			
CBZ Building Society (Formerly Beverley Building Society)	Local	-	50
Central African building Society (CABS)	South Africa	-	93
FBC Building Society	Local	21,249,921*	14
ZB Building Society (Formerly Intermarket)	Local	-	29

405 (Reserve Bank of Zimbabwe, 2009)

406 Using an exchange rate of 1 pula = USD 0.132863

Type of operator	Ownership	Assets (USD)	Branches
Statutory institution			
People's Own Savings Bank	Local	-	170 ZimPost Office, 29POSB branches

Source: Reserve Bank of Zimbabwe website: and bank websites
**Figures are from the 2010 Annual Reports or else all other data is from the 2011 Annual Reports*

15.3.2 Microfinance institutions

From 2004, the registration of microfinance and money lending institutions came under the ambit of the Reserve Bank of Zimbabwe. In 2011 there were 142 registered microfinance institutions and moneylenders and no microfinance banks. In order to address government concerns over "unethical" practices by microfinance institutions, such as charging excessive interest rates, a Microfinance Bill has been passed by the Zimbabwean parliament[407].

15.3.3 Collective investment schemes

The Collective Investment Schemes Act of 1997 defines internal schemes and external schemes. In section 19, external schemes are defined as any unit trust schemes that are established and managed outside Zimbabwe. Such schemes will only be registered by the Registrar if Zimbabwean residents will be afforded a level protection that is generally comparable to that provided to internal schemes by the Zimbabwean authority. Section 21 also requires that external schemes establish representative offices.

Whilst collective investment schemes are in general are regulated under the Collective Investment Scheme Act of 1997, asset management companies were regulated by the Reserve Bank of Zimbabwe under the Asset Management Act of 2004. The Zimbabwe Parliament has amended the Securities Act [Chapter 24:25] to transfer the regulation of Collective Investment Schemes and Asset management companies from the Reserve Bank of Zimbabwe to the Securities and Exchange Commission of Zimbabwe.

15.3.4 National Payments System (NPS)

The interests of the financial sector in the NPS are represented by the Plastic Card and Electronic Payments Association (PCEPA). This association has only recently expanded its mandate to include electronic payments beyond cards and is currently focused on emerging technologies such as mobile phones and interbank payment infrastructure[408].

As in South Africa, non-bank institutions are not authorised to operate in the Zimbabwean NPS unless they are sponsored by a bank[409]. For this reason a number of technology firms have partnered up with some of the smaller banks to offer mobile banking solutions.

Table 109: Authorised NPS participants in Zimbabwe

Type of operator	Ownership	Branches
NPS participants		
Licensed commercial/merchant banks and building societies		

407 (Daily News Online, 2012)
408 (Dermish, A. Hundermark, B & Sanford, C., 2012)
409 (Dermish, A. Hundermark, B & Sanford, C., 2012)

People's Own Savings Bank (POSB)		
Joint ventures		
Tetrad E-Mali		
MobiKash		
ZimPost/POSB		
EcoCash (Econet/TN Bank)		
ONeWallet (Econet/FBC Bank)		
Interconnect (Telecel/Zimswitch/various financial institutions)		
Telecel/POSB/CBZ		

Source: (Dermish, A. Hundermark, B & Sanford, C., 2012)

Dermish et al (2012) note however that despite the rapid adoption of innovative products in Zimbabwe's NPS regulatory gaps still exist. For example:

- There is no regulatory framework for stored value on electronic products such as cellphones
- There are no rules for the development and management of agent networks i.e. there is little to no regulation governing the establishment of a network of money transfer agencies.
- Reduced know your customer rules as banks rely on a third party to verify identification
- NPS Act does not address electronic payments. The RBZ currently has very limited capacity to develop such legislation.

15.3.5 Capital markets

There are currently 78 companies listed on the Zimbabwe Stock Exchange, and there are 19 members/brokerage firms. The ZSE operates under the Securities Act and is a member of the Committee of SADC Stock Exchanges (CoSSE).

Foreign investors may participate on the exchange provided that their funds were transferred to Zimbabwe through normal banking channels. Likewise the repatriation of income and capital is unencumbered subject to the investor proving that the funds were received through normal banking channels. Share certificates for foreigners are endorsed "non-resident" and for dual listed counters the certificates are also endorsed "for sale within Zimbabwe only"[410]. Shareholdings are limited to 10% for an individual and 40% for a group of investors[411].

Table 110: Summary of Zimbabwe Stock Exchange members, 2012

Type of operator	Ownership	Branches
Stockbrokers		
FBC Securities (Private) Limited	Local	
Inter Horizon Securities (Private) Limited	Local	
Lynton-Edwards Stockbrokers (Private) Limited		
ABC Stockbrokers (Private) Limited	Local	
Mast Stockbrokers (Private) Limited	Local	
Platinum Securities (Private) Limited	Local	
MMC Capital	Local	
Kingdom Stockbrokers (Private) Limited	Local	
Imara Edwards Securities (Private) Limited	South Africa	
Prime Stockbrokers	Local	

410 (Inter Horizon Securities, 2012)
411 (SADC Bankers, 2011)

Type of operator	Ownership	Branches
Remo Investments (Private) Limited	Local	
New Africa Securities (Private) Limited	Local	
bethel.equities (Private) Limited	Local	
ReNaissance Securities (Private) Limited	Local	
Old Mutual Stockbrokers (Private) Limited	South Africa	
ZB Securities (Private) Limited	Local	
Southern Trust Securities		
EFE Securities (Private) Limited		
Interfin Securities (Private) Limited	Local	
Transfer secretaries		
Corpserve Pvt Ltd		
ZB Transfer Secretaries	Local	
First Transfer Secretaries Pvt Ltd		
Regatta Financial Advisory Services		
Apex Management Services		
Barclays Transfer Secretaries	UK	
Innscor Transfer Secretaries	Local	
Custodial services		
Barclays Bank Plc	UK	
Stanbic Bank Ltd	South Africa	
Standard Chartered Bank Plc	UK	

Source: ZSE website

15.4 Trade openness in banking services

Market access

Number of foreign suppliers

The World Bank Database reports that market entry by foreign institutions is allowed for both lending and acceptance of deposits.

Total value of services transactions or assets

RBZ approval required to open a branch in Zimbabwe

Total number of services operations/quantity of service output

The World Bank Database reports that interest rates, loan sizes and period for a loan are restricted for mode 1 in terms of lending. These restrictions were indirectly part of the government's policy to try and slow down the devaluation of the now defunct Zimbabwean dollar, and therefore should presumably no longer apply. Notices on the RBZ website regarding the current policies have not been updated since 2010.

Number of natural persons

The World Bank database notes that in establishing a local presence/ nationality requirements include a labour market test to show that the desired skill is not available locally. At the senior management level, the composition of the Board of Directors must reflect the requirements as set out in the indigenisation and Economic Empowerment Act, i.e. the controlling interest in the company should be in the hands of indigenous Zimbabweans.

Domestic residency requirement

The Collective Investment Act of 1997 states that the managers and trustees of a collective investment scheme should be registered and resident in Zimbabwe[412]. Furthermore the Act

412 See - Section 12(1)(a) of the Collective Investment Act of 1997

requires that for applications to manage or be a trustee for an internal scheme, the applicant must show that the scheme will be managed and controlled from Zimbabwe[413].

The Securities Rules (2010) stipulate that a registered stockbrokers must be Zimbabwean residents with domestic assets that exceed their domestic liabilities by no less than US$10,000.

Type of legal entity of microfinance institutions

[414].The Government has passed a Microfinance Act which provides for the licensing of micro-finance banks that can accept deposits. The Reserve Bank of Zimbabwe has published the following requirements for a microfinance license[415]:

- The licensing requirements for microfinance institutions require that they must all be locally registered as companies. The institution must also have a balance sheet of US$5,000 or more. No partnerships, non-governmental organisations or trusts will be allowed to register as companies.
- Similar to the banking regulations, individual shareholders with a more than 5% shareholding should be persons in "good standing". Corporate shareholders with more than 5% should submit their audited results. As such shareholder limits are 50% for individuals and 100% for institutions. All changes in share-holding must be reported to the Reserve Bank.

Participation of foreign capital

Foreign participation is allowed subject to the Licensing Requirements published by the Reserve Bank of Zimbabwe that for prudential reasons limit the maximum share of voting rights that an individual or group of closely related individuals can control to 25%. Financial entities may however own up to 100% of the voting rights whilst non-financial institutions are restricted to 10%[416]. What is not however clear in these guidelines is what the Bank means by "closely related".

If the indigenisation policies are implemented as proposed this would limit foreign ownership to 49%.

National treatment

Foreign investors must comply with the requirements set out by the Zimbabwe Investment Centre which requires all foreign investors to be registered. The difficulty and cost of this procedure is unknown.

The decision on whether or not to license a foreign institution will take into consideration public interest provisions such as the competitive effects, effects on economic growth, and broader access to financial services[417].

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413 See - Section 13(2)(a) of the Collective Investment Act of 1997
414 (Daily News Online, 2012)
415 (Reserve Bank of Zimbabwe, 2009)
416 (Reserve Bank of Zimbabwe, 2009)
417 See – Section 2.5 of the Licensing Requirements for Banking Institutions of 2009

Table 111: Limitations in trade in financial services in Zimbabwe

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	Market Access						
1)	Limitations on the number of service suppliers	None (WB database)	None	None			None (WB database)
2)	Limitations on the total value of services transactions or assets	Yes (WB database) but these may have been related to exchange controls	Yes (WB database) but these may have been related to exchange controls	Yes (WB database) but these may have been related to exchange controls			Yes (WB database) but these may have been related to exchange controls
3)	Limitations on the total number of services operations/quantity of services output	RBZ approval required	RBZ approval required	RBZ approval required			RBZ approval required
4)	Limitations on the number of natural persons						
	a) For employees	Labour market test to show skills are not available (WB databse)	Labour market test to show skills are not available (WB databse)	Labour market test to show skills are not available (WB databse)			Labour market test to show skills are not available (WB databse)
	b) For directors	51% of the Board should be indigenous Zimbabweans (WB database)	51% of the Board should be indigenous Zimbabweans (WB database)	51% of the Board should be indigenous Zimbabweans (WB database)			51% of the Board should be indigenous Zimbabweans (WB database)
5)	Domestic residency requirement			Managers and trustees must be residents	Stockbroker must be a resident		
6)	Restrictions on the type of legal entities						
	a) Establishment of an agency						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
	b) Establishment of a representative office	Allowed subject to RBZ approval	Allowed subject to RBZ approval	Allowed subject to RBZ approval		Allowed subject to RBZ approval	Allowed subject to RBZ approval
	c) Establishment of a subsidiary/branch	Allowed subject to RBZ approval	Allowed subject to RBZ approval	Allowed subject to RBZ approval		Allowed subject to RBZ approval	Allowed subject to RBZ approval
	d) Establishment of a joint venture	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws
7)	Limitations on the participation of foreign capital						
	a) Acquisition of domestic public entity	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws
	b) Acquisition of a domestic private entity	Allowed subject to prudential caps and possibly indigenisation laws (WB database)	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws	Allowed subject to prudential caps and possibly indigenisation laws
8)	Limitations on the interest rates for lending and accepting deposits across borders	Yes. Lending by banks is capped (WB database)					
9)	Other discriminatory measures base on nationality requirements						
	National Treatment						
10)	Discriminatory measures in licensing	Foreign entity must be licensed in home country (Banking Act 2001)	Foreign entity must be licensed in home country (Banking Act 2001)	Foreign entity must be licensed in home country (Banking Act 2001)	Foreign entity must be licensed in home country (Banking Act 2001)	Foreign entity must be licensed in home country (Banking Act 2001)	Foreign entity must be licensed in home country (Banking Act 2001)
	Specific restrictions						

	Limitation/Restriction	Banks and deposit taking institutions	Microfinance	Bureau de change	Stock and commodity brokers	Collective investment schemes	Payment services
13)	Public interest concerns	Licensing will be dependent on competitive effects, effects on economic growth, and broader access to financial services	Licensing will be dependent on competitive effects, effects on economic growth, and broader access to financial services	Licensing will be dependent on competitive effects, effects on economic growth, and broader access to financial services		Licensing will be dependent on competitive effects, effects on economic growth, and broader access to financial services	Licensing will be dependent on competitive effects, effects on economic growth, and broader access to financial services

15.5 Zimbabwe's insurance services - sector overview

15.5.1 Structure of the sector

Zimbabwe's insurance industry is structured into long-term (mostly life) insurance, short-term insurance and reinsurance. As at the end of 2010, there were a total of 45 insurance companies licensed to operate in Zimbabwe, down from a total of 88 registered companies in 2001. Due to the severe economic conditions from 2000 to 2009, some insurers were unercapitalized and went bankrupt. The regulatory authority for the insurance industry, the Insurance and Pensions Commission (IPEC), has since strengthened supervision and has instructed all companies that have shown signs of financial weakness to take necessary corrective actions. It further de-registered all undercapitalized institutions in 2010.[418] According to the website of IPEC, there are currently the following types and numbers of operators registered in terms of the Insurance Act.

Table 112: Insurance operators by type of operator in Zimbabwe

Type of operator	Quantity
Short-term insurers	27
Life assurers	9
Funeral assurers	11
Short-term reinsurers	10
Life reassurers	2
Insurance brokers	30
Insurance agents[419]	629

Source: Insurance and Pensions Commission (IPEC) Website

Foreign ownership

The biggest insurance groups in Zimbawe are closely related to Zimbabwe's main commercial banks. This includes Old Mutual Life Assurance Company, First Mutual Life Assurance Company, Zimre, ZB Reinsurance Company, FBC Reinsurance Company, CBZ Life Limited, and Altfin Life Assurance Company. Several financial conglomerates have insurance and/or banking subsidiaries: Old Mutual is the owner of CABS building Society, ZB Bank owns ZB insurance companies, CBZ Bank has insurance subsidiaries, Interfin Bank owns Altfin insurance, and Renaissance Holdings and FBC Bank operate in both banking and insurance. The majority of insurance companies in Zimbabwe are owned by Zimbabweans, as this is required by law (see section 10.1.2). The two major exeptions are Old Mutual and Eagle Insurance Company.[420]

Insurance industry performance

Due to the negative economic environment and unstable equity market, the performance of the insurance sector from 2000 to 2009 was weak. From 2009 to 2010, total gross premiums written (GPW) for the whole industry increased by 314.87%, reflecting by far the highest insurance sector growth rate in the SADC region. While total sector GPW stood at $US48.8 million in 2009, this figure had increased to US$202.3 million in 2010. However, in comparison with the rest of the SADC region, Zimbabwe's total sector GPW only made up 0.36% of total SADC GPW in 2010. Disagregated by subsector, the life assurance industry accounted for US$85 million and thus 42% of total sector GPW. Non-life insurance GPW made up US$117.3 and thus 58%. The insurance penetration ratio

418 WTO Trade Policy Review 2011

419 This figure is for 2010. Source: Mwiru, S. 2011

420 WTO Trade Policy Review 2011

(GPW contribution to GDP) stood at 3.01% in 2010, representing a middle to higher rank in the SADC region. The insurance density (GPW per capita in US$ units) was 15.0 in 2010, up from 3.6 in 2009, but still one of the lower densities compared with other SADC Member States.[421]

Insurance services portfolio mix

With regard to the distribution of insurance business by class in Zimbabwe, unfortunately no aggregate data could be found. Long-term insurance mostly consists of life insurance, and short-term insurance includes corporate, general, personal, motor vehicle, fire and transport insurance. Motor third-party, bodily injury, and death cover are compulsory in Zimbabwe. The National Social Security Authority (NSSA) prescribes compulsory workers' compensation, but not for private insurance companies.[422]

15.5.2 Competition in the sector

Competition in the life assurance market

The Life Assurance market in Zimbabwe currently consists of nine registered Life Assurance companies. These nine companies hold combined industry assets to the amount of US$ 870 million and together account for US$ 51 million of GPW[423]. The Life Assurance subsector is dominated by Old Mutual Life Assurance Company, which holds 79% of total industry assets and accounts for almost half of total GPW. The second largest life insurer is FML with 9.2% of total assets, followed by Zimnat with 3.6%. These first three companies together make up 77.6% of total gross premiums written in 2012. Despite the dominance of a few large insurers, smaller providers were able to achieve high growth rates in 2011/2012. As such, CBZ Life Assurance Company grew their total assets and GPW by 170% and 169% respectively from 2011 to 2012. Table XX shows market shares in terms of total assets and gross premiums written by life assurers for 2012.

Table 113: Market shares of Life Assurers in Zimbabwe in 2012

	Total Assets 2012[424]		Gross Premiums 2012	
Company[425]	**USD ('000)**	**%**	**USD ('000)**	**%**
Old Mutual	687,080	78.9%	23,719	46.7%
FML	80,038	9.2%	10,188	20.0%
Zimnat	31,503	3.6%	5,528	10.9%
Fidelity	30,805	3.5%	3,742	7.4%
ZB Life	25,947	3.0%	3,245	6.4%
Altfin	6,092	0.7%	2,356	4.6%
CBZ Life	3,673	0.4%	576	1.1%
Evolution	3,253	0.4%	930	1.9%
IGI	2,410	0.3%	526	1.0%
Total	870,801	100%	50,814	100%

Source: Insurance and Pensions Commission 2012

421 Mwiru, S. 2011

422 WTO Trade Policy Review 2011

423 This figure on GPW differs significantly from the US$ 85 million in Life Assurance GPW stated above. The two figures were obtained from two different reports: The Insurance and Pensions Commission 2012 calculates total life assurance industry GPW as $51 million as at 30 June 2012. According to Mwiru, S. 2011, total life assurance GPW equalled US$ 85 million in 2010. Apart from the different calculation dates, no other reason could be found for this divergence.

424 The data is from 30 June 2012.

425 Table 7 lists abbreviated names of insurance companies. The full company names are as follows: 1. Old Mutual: Old Mutual life Assurance Company; 2. FML: First Mutual Life Assurance Company; 3. Zimnat: Zimnat Life Assurance Company; 4. Fidelity: Fidelity Life Assurance Company; 5. ZB Life: ZB Life Assurance Company; 6. Altfin:

Competition in the short-term insurance market

The short-term insurance market consists of 27 registered insurers, which together accounted for US$ 117.3 million GPW in 2010.[426] The market is characterized by an oligopoly structure, with seven insurers accounting for 72% of total GPW.[427] Unfortunately, no detailed information on market shares of each short-term insurer could be obtained.

Reinsurance

The reinsurance subsector in Zimbabwe is devided into two life reinsurers and nine short-term reinsurers. The two life reinsurers are FMRE Life & Health Company and Baobab Life & Health, while the short-term reinsurers include Baobab Reinsurance, Colonnade Reinsurance, FBC Reinsurance, FMRE Property & Casualty Company, Grand Reinsurance, New reinsurance, Tropical Reinsurance, ZB Reinsurance and Horizon Reinsurance. As at 30 September 2010, three of the then eight registerd short-term reinsurers accounted for 70% of the subsector's GPW. The most important types of reinsurance were fire insurance with 37% and motor insurance with 16% of GPW.

15.6 Insurance sector regulatory framework and trade openness

The regulatory and supervisory authority for the insurance industry in Zimbabwe is the Insurance and Pension Commission (IPEC). IPEC is a non-profit regulatory organisation and was established on the basis of the enactment of the Insurance and Pensions Act of Zimbabwe.[428]

The sector is governed by the regulations stipulated in the Insurance Act (Chapter 24:07) and several Statutory Instruments that complement the Act. The Insurance Act is currently being reviewed in order to update the outdated legal framework. With regard to foreign ownership and controlling of domestic entities, the Indigenisation and Economic Empowerment Act provides further stipulations.

The following regulations for the Zimbabwean insurance sector are based on these Acts as well as information obtained from the World Bank Services Trade Restrictions Database (World Bank 2008)[429], as well as other sources. Data from the World Bank Database for Zimbabwe is from the year 2008. Wherever there are no specific references to the relevant Acts, the information presented in the following part is based on the data from this Database. Furthermore, the following regulations concentrate on the three sub sectors automobile insurance, life insurance and reinsurance, thereby representing regulations in the three sector segments short-term insurance, long-term insurance and reinsurance. In case of differences in regulations between the three segments, they are pointed out. Whenever there is no reference to a specific subsector made, regulations described refer to all three sgements of the insurance sector. Key findings with regard to Market Access, National Treatment and specific trade restrictions are summarised in table XX at the end of this section.

Market Access

Number of foreign suppliers

Altfin Life Assurance Company; 7. CBZ Life: CBZ Life Limited; 8. Evolution: Evolution Health & Life Assurance Company; 9. IGI: IGI Life Assurance Company.

426 Mwiru, S. 2011

427 WTO Trade Policy Review 2011

428 Insurance and Pensions Commission Website at www.ipec.co.zw

429 World Bank 2008

The Zimbabwean legislation does not limit the number of licenses available to insurance companies seeking to operate in the Zimbabwean market. This is generally valid for both domestic and foreign suppliers in all three subsebctors under review.

Value of services transactions

Furthermore, no evidence could be found that services transactions of registered insurance suppliers, domestic and foreign, are restricted through quotas by regulations in Zimbabwe.

Number of services operations

Similarly, no information was found that duly registered and established insurers do face any restrictions on the number of branches they are allowed to open, or on the number of policies they are permitted to sell. However, foreign operators not registered in Zimbabwe seeking to supply the market from abroad (Mode 1) do face restrictions on the terms and the value of insurance policies (see below).

Number of natural persons

According to the current legislation, there are no limitations on the total number of natural persons that can be employed in the sector or by a supplier.

Legal form of commercial presence

Foreign insurance companies are not allowed to operate through a branch without incorporating in Zimbabwe. The establishment of a domestically incorporated subsidiary, on the other hand, is permitted, but subject to restrictions. According to the Indigenization and Economic Empowerment Act, at least 51% of shares in any company should be held by indigenous Zimbabweans. A higher percentage of ownership may temporarily be approved by the Minister of State for Indigenisation and Empowerment.

Establishment of Joint ventures

The establishment of a joint venture in the insurance sector requires at least three shareholders. No single shareholder is allowed to hold more than 40% ownership of the joint venture. The Indigenization and Economic Empowerment Act also applies to the establishment of joint ventures, limiting the maximum ownership of a group of foreign shareholders to a maximum of 49%. Higher percentages of ownership again may temporarily be approved by the Minister of State for Indigenisation and Empowerment.

Participation of foreign capital

Foreign insurance companies can enter the Zimbabwean market through the acquisition of a private or public domestic entity. In this case, similar regulations as with the establishment of a joint venture apply. There must be a minimum of three shareholders with no shareholder owning more than 40%. The foreign supplier or group of suppliers is not allowed to hold a controlling stake of the domestic entity, private or public. Maximum foreign ownership is limited to 49% in accordance with the Indigenisation and Economic Empowerment Act, with discretionary power by the Minister of State for Indigenisation and Empowerment.

National Treatment

Discriminatory measures in licensing

The licensing criteria for obtaining a license to operate in the Zimbabwean insurance market do not distinguish between domestic and foreign applicants. However, as described above, barriers for foreign operators exist with regard to ownership and controlling restrictions.

Nationality requirements

While there are no stipulations in terms of maximum number or maximum percentage of foreign employees allowed to work in insurance companies, the law requires insurers to demonstrate that the desired skills are locally unavailable. Employment of foreign workers in all three subsectors is further subject to a labour market test.

In terms of the composition of the board of directors, Section 18 of the Insurance Act prescribes that the board shall comprise of not fewer than three and not more than 18 persons. At least 51% of the members have to be Zimbabwean nationals. This regulation is based on the Indigenisation and Economic Empowerment Act, which stipulates that in any company the controlling interest should be in the hand of indigenous Zimbabweans.

Other restrictions

Licensing procedures

The Zimbabwean insurance legislation requires insurers to be registered for a specific class or classes of business, i.e. assistance, disability, fund, health, life and/or sinking funds. Once the authorities have decided to allocate a license to a firm it is not subject to renewal every year.

Minimum capital requirements

The minimum capital requirements are US$500,000 for long-term insurers, US$300,000 for short-term insurers and US$400,000 for reinsurers. These levels are rather low by regional and international standards. It is recognized by the authorities that these minimum capital requirements for the insurance industry as a whole are significantly below the level necessary for underwriting the volumes of business that would sustain the insurers' operations on an economic level. It is therefore planned to increase the minimum capital requirement for short-term insurers to between US$1,000,000 and US$1,500,000.[430]

Although reinsurers are required to register in Zimbabwe in order to operate in the country, Zimbabwean insurance companies often enter into reinsurance arrangements with foreign insurers. In order to fulfill capital adequacy requirements in this case, the foreign has to provide security in the form of a monetary deposit with the Zimbabwean primary insurer or an irrevocable guarantee or a letter of credit issued by a Zimbabwean bank.[431]

Repatriation of earnings

Foreign operators in all three subsectors seeking to repatriate their earnings face legal and practical restrictions. The repatriation requires the approval of the Reserve Bank of Zimbabwe and is subject to the availability of foreign currency, which may prove difficult in case of foreign currency shortages.

Cessation requirement to domestic reinsurer

Foreign insurance providers (as well domestic ones) are obligated to cede all their insurance business to a domestic reinsurer. In case the total capacity of domestic reinsurers is not sufficient to absorb all insurance, the Commissioner may allow the excess to be reinsured outside of Zimbabwe.

Cross-border purchase of insurance services

Cross-border purchase of insurance from foreign insurance providers located outside Zimbabwe is allowed, but under rather restrictive conditions. Individuals and companies wanting to buy cross-border insurance have to demonstrate domestic unavailability of the type of insurance desired. They further have to seek approval and registration with the regulating authority. In particular, the term and

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430 Mwiru, S. 2011 and WTO Trade Policy Review 2011.

431 WTO Trade Policy Review 2011

value of the insurance policy and the sector of the firm requesting the service will be taken into consideration by the Commission in determining whether to allow cross-border insurance. Foreign insurers are also not allowed to solicit business in Zimbabwe.[432]

432 WTO Trade Policy Review 2011

Table 114: Limitations in trade in insurance services in Zimbabwe by subsector

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	Market Access			
1)	Limitations on number of service suppliers	None (WB database)	None (WB database)	None (WB database)
2)	Limitations on total value of services transactions or assets	None under Mode 3; but restrictions on the value of insurance policies under Mode 1 (WB database)	None under Mode 3; but restrictions on the value of insurance policies under Mode 1 (WB database)	None under Mode 3; but restrictions on the value of insurance policies under Mode 1 (WB database)
3)	Limitations on total number of services operations/ quantity of service output	None	None	None
4)	Limitations on number of natural persons	None	None	None
5)	Restrictions on types of legal entity or joint venture			
	• Establishment of a branch	Not allowed (WB database)	Not allowed (WB database)	Not allowed (WB database)
	• Establishment of a subsidiary	Allowed, but at least 51% of the shares have to be held by indigenous Zimbabwean (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but at least 51% of the shares have to be held by indigenous Zimbabwean (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but at least 51% of the shares have to be held by indigenous Zimbabwean (WB database and Indigenisation and Economic Empowerment Act)
	• Establishment of a joint venture	Allowed, but there must be at least three shareholders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three shareholders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three shareholders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)
6)	Limitations on participation of foreign capital			

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
	• Acquisition of domestic public entity	Allowed, but there must be at least three share-holders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three share-holders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indige-nous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three sharehold-ers and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (WB database and Indigenisation and Eco-nomic Empowerment Act)
	• Acquisition of domestic private entity	Allowed, but there must be at least three share-holders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (World Bank 2008 and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three share-holders and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indige-nous Zimbabweans (World Bank 2008 and Indigenisation and Economic Empowerment Act)	Allowed, but there must be at least three sharehold-ers and no single shareholder shall hold more than 40%. At least 51% of the shares have to be held by indigenous Zimbabweans (World Bank 2008 and Indigenisation and Economic Empowerment Act)
	National Treatment			
7)	Discriminatory measures in licensing	None (WB database)	None (WB database)	None (WB database)
8)	Nationality requirements for employ-ees	No limitation on number of employees, but local unavailability of desired skills must be demonstrated; Labour market test must be met (WB database)	No limitation on number of employees, but local unavailability of desired skills must be demonstrated; Labour market test must be met (WB database)	No limitation on number of employees, but local unavailability of desired skills must be demonstrated; Labour market test must be met (WB database)
9)	Nationality requirements for board of directors	At least 51% of the members must be Zimbabwean nationals. The controlling in-terest should be in the hands of indige-nous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	At least 51% of the members must be Zimbabwean nationals. The controlling interest should be in the hands of indig-enous Zimbabweans (WB database and Indigenisation and Economic Empowerment Act)	At least 51% of the members must be Zim-babwean nationals. The controlling interest should be in the hands of indigenous Zim-babweans (WB database and Indigenisation and Eco-nomic Empowerment Act)
10)	Any other discriminatory measures	None	None	None
	Specific restrictions			

	Limitation/Restriction	Automobile Insurance	Life Insurance	Reinsurance
11)	Licensing procedures			
	• discretion in issuance by regulating authority	No information (WB database)	No information (WB database)	No information (WB database)
	• length of license	Unlimited (WB database)	Unlimited (WB database)	Unlimited (WB database)
12)	Minimum capital requirements	Minimum of US$300,000 for non-life insurers (Mwiru, S. 2011 and WTO Trade Policy Review 2011)	Minimum of US$300,000 for life insurers; (Mwiru, S. 2011 and WTO Trade Policy Review 2011)	Minimum of US$400,000 for reinsurers; (WTO Trade Policy Review 2011)
13)	Limitations on repatriations of earnings	Approval of the Reserve Bank required; subject to availability of foreign currency (WB database)	Approval of the Reserve Bank required; subject to availability of foreign currency (WB database)	Approval of the Reserve Bank required; subject to availability of foreign currency (WB database)
14)	Mandatory cessation requirements to domestic reinsurers	All insurance must be ceded to a domestic reinsurer. In case of insufficient capacities by domestic insurers, the Insurance Commissioner may allow the excess to be reinsured outside of Zimbabwe. (WB database)	All insurance must be ceded to a domestic reinsurer. In case of insufficient capacities by domestic insurers, the Insurance Commissioner may allow the excess to be reinsured outside of Zimbabwe. (WB database)	All insurance must be ceded to a domestic reinsurer. In case of insufficient capacities by domestic insurers, the Insurance Commissioner may allow the excess to be reinsured outside of Zimbabwe. (WB database)
15)	Purchase of insurance from suppliers located outside Zimbabwe	Allowed, but demonstration of domestic unavailability necessary and restrictions on the value of the insurance policy and the final sector receiving the service. Approval and registration required. (WB database)	Allowed, but demonstration of domestic unavailability necessary and restrictions on the value of the insurance policy and the final sector receiving the service. Approval and registration required. (WB database)	Allowed, but demonstration of domestic unavailability necessary and restrictions on the value of the insurance policy and the final sector receiving the service. Approval and registration required. (WB database)

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