

Caleb M Fundanga: Financial market progress in Zambia

Opening remarks by Dr Caleb M Fundanga, Governor of the Bank of Zambia, at the official launch of the Equity Capital Resources Unit Trust, Lusaka, 21 April 2008.

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Chairperson

Distinguished Ladies and Gentlemen,

Let me at the onset express my gratitude to Equity Capital Resources Plc for inviting me to come and officially launch its collective investment scheme which I understand will be called "Equity Capital Resources Unit Trust" or ECRUT in short. This indeed is gratifying to everyone who is anxious to see our financial markets progress.

As many of you gathered here already know, the Bank of Zambia in consultation with various stakeholders initiated and developed the Financial Sector Development Plan (FSDP) in 2004. The vision of this Plan is to have a stable, sound and market-based financial system that supports an efficient mobilisation and allocation of resources. It is therefore pleasing that the introduction of ECRUT takes us closer to fulfilling the vision of the FSDP.

Ladies and Gentlemen, am sure you will agree with me that collective investment schemes are an indispensable part of market development with several benefits. One of the primary benefits of collective investment schemes is that small investors can have access to professional investment management. Many of our people are not conversant with financial investment matters, yet they are eager to enhance their wealth. Many simply do not have the capacity to identify and manage investments that are appropriate to their risk-return appetite. The people of this country are actually willing to put aside some of their earnings into safe and viable investments. However, safety and viability is only assured with professional investment management which can be offered by people like yourselves.

Ladies and Gentlemen, in March 2008, the Lusaka Stock Exchange in partnership with the Bank of Zambia and the Bond Exchange of South Africa conducted a training and consultative workshop to enhance the Zambian bond market. Among the outcomes of this workshop was that one of the modes of collecting funds from the so called "small investors" in the economy is through Collective Investment Schemes. Collective investment schemes can be beneficial to small investors who may not have enough money to carry out a diversification and proper allocation of their assets. Small investor can benefit from diversification techniques usually available only to wealthy investors.

With these few benefits in mind, I wish to earnestly appeal to you and other collective investment scheme providers that as you go about doing your business think innovatively about ways you can capture Zambia's many small investors. Think about how you can provide them with an opportunity to invest in a broad range of assets at affordable cost. I have little doubt in my mind that as you take up this challenge, you will be able to create financial stability by being a good investment manager to this segment of investors.

I have been informed by the Chairman of Equity Capital Resources (ECR) Plc that the Company intends to list ECRUT on the stock exchange in the near future. When this commendable intention is achieved, ECRUT will be the first collective investment scheme to be publicly traded on the Stock Exchange in Zambia. With the calibre of men and women behind this investment vehicle, I am confident this will be achieved in the required time frame. When that time comes we want to turn back to this day and say "we were part of the birth of ECRUT".

The existence of the ECRUT shall provide means of resource mobilisation, bringing on board a collection of individual participation in the capital and money markets. This vehicle will

facilitate the participation of investors who previously were not capable of participating in highly denominated securities in the financial sector.

Ladies and Gentlemen, before I end my speech, let me quickly touch on an important aspect of collective investment schemes, that is, investor confidence in the managers and the industry itself. I believe by far this is the most important factor in whether a scheme can attract and maintain long-term investors. There must be a strong regulatory framework. Whereas there is a strong regulatory body in the Securities and Exchange Commission that vigorously administers the law to protect investors, fund managers must be committed to strong self-regulation and exercise professional ethics to the best interests of investors. This, Chairperson, is fundamental.

It now gives me great pleasure to officially launch the ECRUT scheme.

Thank you.