

Promising Outlook for the SPSE: CEO

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Latileta Qoro, SPSE CEO



The South Pacific Stock Exchange's CEO, Ms Latileta Qoro has been on the job for over a year now. She succeeded Ms Jinita Prasad in April 2015 prior to which she was part of the Financial Systems Development Group at Reserve Bank of Fiji. Being no stranger to the industry, Latileta has done a great job taking control of the reins at the stock exchange. Below we share her views on how the stock exchange is faring so far and its way forward.

Listings to escalate

How has the change from Reserve Bank of Fiji into the role of SPSE CEO been over the last year?

A little over a year and the experience in the new role has been a good mix of 'challenging' and 'exciting' (probably more inclined towards the latter). I think the most rewarding thing for me is finally being on the implementation side of Fiji's stock market development agenda. At RBF, we had, and it continues to have, a whole list of development and supervisory related items that they have been pushing for the Exchange to address. Now, I'm able to work through some of those more practical initiatives alongside a fantastic Team of professionals and a progressive Board. The network established during the RBF days has also been an asset to the new role.

With the successful listing of Vision Investments earlier this year, what is the feel for more companies coming on board to list in the near future?

[Very] Promising. The listing of Vision Investments Ltd (VIL) was the game-changer. Fiji's stock market has been heavily incentivised in the recent past, including a 10% corporate tax rate relative to 20% for unlisted entities. However, interested entities were somewhat sceptical about the application of those incentives and in particular how long they would be available for. VIL tested and proved effective those incentives and has given much needed assurance to interested companies. The Exchange and Investment Advisors have since the listing registered an influx of interest and firm commitments and we're expectant of at least one more listing this year, and two per year thereafter.

The VIL experience has also fostered a very close working relationship between approving agencies to bring interested parties over the line, which is beneficial for the same reason.

There are a number of benefits associated with listing but what are some of the major reservations that companies continue to have with regards to going public and what is the SPSE doing to address those reservations?

Aside from that which relates to disclosure (particularly financial) obligations, the top three reservations would be loss of control, inconsistent application of tax-related listing incentives and cumbersome listing processes. There are a number of activities geared towards addressing these reservations, including presentations, media presence and one-to-one meetings. However, two key initiatives that have proven extremely effective and will be at the fore of our listing campaign are:

- The establishment of a close working relationship between RBF, SPSE, Investment Advisory firms and FRCA to meet with and clarify pre-listing reservations and questions for companies intending to list – we all know that clarity is critical for effective decision making; and
- Public Listing Forum and pocket meetings for smaller groups wherein presentations from all the executives of all three key approving agencies (RBF, FRCA, SPSE), seasoned Investment Advisors and a panel of listed company executives representing small, medium and large cap companies highlighted valid reservations that they have heard from potential companies and provided practical solutions for the same.

Regional bourse?

Why would listing on SPSE appeal to a regional business in the Pacific?

Well the tax differential (barring of course the tax environment in Vanuatu) is most certainly a lucrative opportunity and business case to be seriously considered. Corporate tax for SPSE listed entities are at a low rate of 10% and this is supplemented by capital gains tax and stamp duty exemptions for trading/transfer related activities. Also, the current environment is ideal for capital-raising by companies with strong fundamentals because of notable excess demand for SPSE listed securities. VIL was only made publicly available for a little over a week before listing, this by the way was right after TC Winston, and yet the shares divested to retail investors was fully subscribed.

On the regulatory front, entities concerned about market manipulation, ill-willed investors etc. can find comfort in the fact that Fiji's stock market has a well-established regulatory framework supported by a Financial Intelligence Unit for AML. Whether a business is listed or unlisted, connectivity and quality of human capital matters and to that end the Exchange is also well supported by efficient technological connectivity, a wide selection of local corporate advisory professionals and shareholder support services (through our subsidiary) that can cater for the needs of a listed entity without company executives being physically present in Fiji. Geographical connectivity to and from Fiji is also a non-issue given the routes and frequency of Fiji Airways flights across the region. We understand that Fiji's ease of doing business ranking has room for improvement, but ease and cost of doing business in Fiji's capital markets are primary focus areas for the Exchange and Capital Markets Development Taskforce.

What is stopping SPSE from becoming a truly regional exchange?

This is a medium term agenda for the Exchange and ground work is currently being done to address pre-requisite conditions to ensure that we successfully assume that regional objective. It most certainly is not something that can be done overnight and the Way Forward tabled by the MSG Secretariat on this agenda a few years ago is testament to that. Due consideration is to be paid to legislative hindrances, particularly in the Companies Act 2015, streamlining of regulatory and legislative requirements amongst partner and participating jurisdictions and ensuring that free flow of capital between regional and international investors is unrestricted but supervised appropriately to avoid money laundering implications. There are also resourcing implications associated with going regional, particularly human capital related, that we are aware of and those are being addressed as we move into the medium term.

How is SPSE working towards increasing the liquidity in the stock market?

It's a two pronged approach for us; institutional and behavioural. For the former our focus is on ensuring that new listings adopt a floatation methodology that ensures availability of scrip in the market over the short term and that this is supplemented by selected market makers who thereafter can address liquidity requirements. A good example of this was/is VIL. We must also commend the brokers for their efforts over the past year in identifying individual market makers for current listed securities. They have done a good job thus far in improving liquidity in the market and the evidence of that is in improvements in our turnover ratio. We are fortunate to have the support of the Capital Markets Development Taskforce for institutionalising market makers.

It's no secret that the more informed and confident an investor is, the greater the likelihood that they will exploit lucrative trading opportunities. So our Investor Education and awareness initiatives in partnership with stockbroking firms (English and vernacular), across a wide selection of mediums including social media has proven quite effective over the past year for the Exchange. Awareness on growth returns relative to income has also led to more activity. There is still a lot of work to be done in this area and we are fortunate to have funding support from the Fijian Government to be able to address this effectively.

We know that close and effective (relationships) matter to you and we offer services that draw on our significant knowledge and our experience.

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