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Stock exchange draws closer

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Angola has been experiencing an economic surge since the end of the civil war in 2002, leading to it becoming one of the greatest economies in the region.

Angola is currently the largest oil producer in sub-Saharan Africa. Although the country's economic growth and performance is largely determined by the oil industry, others such as mining, construction, ports, banking and telecoms are also developing rapidly.

In order to overcome the challenges present for any economy in constant expansion, the Angolan financial system has recently undergone radical changes that mean not only a greater operational capacity but also a greater range of activities for financial institutions. One of these changes was the decision to set up a stock exchange. An official launch date is, however, still to be announced.

The establishment of a stock exchange has been one of the Angolan Government's priorities since the late nineties, a measure with the potential to boost investment in the country.

International stock exchanges consulted

The Angolan Government has invited several representatives from NYSE Euronext, Johannesburg Stock Exchange directors and other international experts in the setting up of exchanges. Their expertise and knowledge will be shared with the local politicians and technicians who make up the task force responsible for setting up the Angolan Stock Exchange.

The first important step was the creation of the Angolan Stock Exchange Commission (CMC) in March 2005. The CMC is a state-owned entity responsible for regulating, supervising, inspecting and promoting the

Angolan financial market in general and the stock exchange in particular.

Following the creation of the CMC, the Angolan Council of Ministers approved the Securities Law (SL). The purposes of the SL are to: (i) regulate trading in securities; (ii) promote an organised and transparent stock market; and (iii) provide adequate protection for investors. The SL contains rules on public offerings, securities registration and trading, brokers and other dealers, stock markets, clearing and settlement procedures, investment funds, issuers, listed companies, and torts. Compliance will be supervised by the CMC.

Draft regulations for the stock exchange have been prepared and are open for public discussion. These regulations cover a significant range of matters such as: (i) real-estate management and investment companies; (ii) investment funds and investment fund management companies; (iii) brokerage companies; (iv) securities intermediation; (v) public offerings; and (vi) public companies.

Once the stock exchange is fully operational, Angola is sure to attract several new market participants. Local and international brokerage companies are certain to be among them.

Incorporation requirements

According to the SL and the Financial Institutions Law, the incorporation of a brokerage requires approval from the CMC. However, if the company to be incorporated is a subsidiary or is under the control of a foreign or non-resident entity, authorisation from the Angolan Council of Ministers is required. This authorisation procedure is subject to consultation with the supervisory authority of the foreign company's home country.

The decision on whether or not to authorise the incorporation of a financial institution is based on its assessment of, but is not limit-

ed to, the company's plan of action, type of planned activities, internal structuring, technical resources, amount of share capital, financial resources available and the appropriate functional experience of the members of the corporate body.

The company to be incorporated must either be organised as a joint-stock or limited-liability company. Its purpose must be brokerage activities and it must have a minimum share capital of NKz15 million (\$200,000).

The draft regulation on brokerage companies covers numerous aspects of the company's activity, such as managers and representatives, fees, record-keeping, secrecy and conflicts of interest. For instance, it states that the financial institution representative and employees must be licensed in accordance with the Angolan regulations, as well as determining that the company's managers must be of adequate legal standing and have the appropriate experience. In addition, the draft regulation states that even though a brokerage company may freely establish its fees, they must be made public. It also sets forth an obligation for the companies to maintain secrecy in their operations and keep and maintain records of their clients. They are also required to keep and maintain a record of all transactions for a five-year period.

Considering the country's recent growth and its undeniable potential, brokerage companies all over the world must be looking forward to becoming participants in Angola's financial market.