

Brave new era as JSE becomes a fully fledged business

Four years ago we set up a number of broad objectives designed to strengthen the JSE Securities Exchange.

The first was to build up its cash reserves. Other exchanges around the world have built up significant cash reserves so that, like any other business, when there is a shock to the system, the cash is there to settle the nerves. In 1996, however, the JSE only had net current assets of R37 000. We now have over R130 million and are the 17th largest stock exchange in the world.

Next we realised the need for a management team. The JSE had been run like a club for 110 years: by the members, for the members. We had to change the culture by building a management team that would buy into the vision and run with it.

Another new idea was to turn the JSE into a business, because the stock exchange is just a service provider. Another

stock exchange could come into South Africa tomorrow, so we wanted to set a serious challenge to any newcomer.

We also wanted to merge the three financial exchanges – the stock, bond and futures exchanges – to achieve economies of scale. The more transactions you pump through the same engine the less you charge for a transaction.

We also saw the benefit of encouraging our neighbours to develop their financial markets. While there is no financial benefit in this for the JSE, I believe we have to look to the future and help grow their markets.

And finally, we recognised the need to strive for operational excellence with a

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GORDON INSTITUTE
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University of Pretoria

service orientated mentality, together with keeping an eye on what the rest of the world is doing.

While we have met some of these objectives and are working towards others, we have encountered some surprises along the way.

Intellectually and emotionally we were very disappointed when merger talks between the three exchanges collapsed, but then we

embarked on the most comprehensive planning exercise ever undertaken by the JSE.

The following statement was the resulting vision for the JSE: To provide world-class primary and secondary

markets and services facilitated by strategic affiliations while integrating southern Africa into global financial markets.

Subsequent to this, the Johannesburg Equities Trading system was re-evaluated and found to be lacking in scalability and flexibility. Casting about for a replacement, we settled on the London Stock Exchange's system as the most suitable, both for its great technology and as leverage to negotiate a business advantage for our financial markets.

If the deal is signed, the technology could be operational by the end of the year, heralding the start of a brave new era at the JSE.

□ *This article is an edited version of a presentation made by Russell Loubser, the chief executive of the JSE Securities Exchange, talking about the future of the JSE. Visit www.gibs.co.za for details on further presentations at the GIBS Forum*