

Delivering World-Class Service

**An Interview with Russell Loubser,
Chief Executive Officer, Johannesburg Stock Exchange**

EDITORS' NOTE *Russell Loubser joined the JSE Securities Exchange South Africa (JSE) as Executive President designate in January 1997 and assumed office as Executive President in February 1997. Loubser became the JSE's CEO in December 2000. Prior to his appointment at the JSE in 1997, he was Executive Director of financial markets at Rand Merchant Bank Limited (RMB). He joined RMB from Finansbank Limited in 1985.*



Russell Loubser

He was Chairman of SAFEX for two years and Deputy Chairman for one year. Prior to his career in merchant banking, Loubser qualified as a Chartered Accountant (South Africa) in 1982 while with Arthur Andersen & Co, and obtained a MCom in Statistics at the University of Pretoria, South Africa. He is an Extraordinary Professor in Mercantile Law at the University of Pretoria.

COMPANY BRIEF *Since the first shares were traded in a gold miner's tent in 1886 during Johannesburg's gold rush, the Johannesburg Stock Exchange (www.jse.co.za) has evolved from a traditional floor-based equities trading market to a modern securities exchange providing fully electronic trading, clearing, and settlement in cash equities, equity and commodity derivatives, interest rate products, and currencies. JSE ranks among the 20 largest stock global exchanges by market capitalization.*

How much of an impact have you seen in South Africa as a result of the economic crisis, and how has it affected the Johannesburg Stock Exchange?

Because our banks weren't in trouble, it was easier for the JSE when the crisis hit to look at things calmly. We also have a very good surveillance system in place in South Africa. So we didn't have to intervene to the same extent as other markets did.

I wish we could have escaped the fall out of the global financial crisis, but that was not possible. We were eventually affected as a country, but it was a lot less severe.

Is there an effective understanding in the market about the leadership role that the JSE has played in bringing technology to the forefront?

Yes. We received a lot of criticism in the early years for taking the position that technology is all important. If you're very small, then technology is not that important. But we've reached that size where, without very good technology, it is hopeless to try and deliver a good service.

Is the make up of your listed companies predominantly the larger players or are there opportunities for the small- to medium-sized market?

Your big players provide you with the majority of the action and make up by far the largest part of your total market gap, but the nature of the make up of the exchange has changed over time. In 1887, when this exchange was founded, it was totally resource-based. Resources and commodities are still very important, but today, they make up around 40 percent.

Within the global exchanges, we've seen a heavy focus on strategic alliances and cross exchange cooperation. How critical has that been for JSE, and can you highlight the longstanding relationship with the London Stock Exchange?

We use exactly the same trading platform as they do, but it extends a bit further. This technology relationship has allowed us both to do more things than purely technology. We share information that probably would not be shared if we did not have a technology relationship.

In terms of demutualization of exchanges where we've seen increased competition, what is JSE's point of view, and how are you positioned in that area?

You don't have to be demutualized in order to deliver a good service. We delivered a very good service for many years as a mutualized entity. We demutualized and effectively became a company when we lost our tax exempt status.

Having demutualized, we're very aware of the conflicts that this can create, but one of the best ways to deal with a conflict situation is to be extremely transparent on the issue. If your only agenda is developed by a good service in the interest of the financial markets of the country, that makes it a lot easier for you to adopt certain strong positions.

In mid-2009, JSE purchased the bond exchange. Why was that important, and are you happy with how the acquisition has evolved?

Immediately within the space of a month or two of the acquisition, we integrated the bond exchange with my interest rate team at the JSE, so the service we now provide is a single service.

I'm not happy currently with the progress that we've made. That market has huge potential and it's essential that it is improved for the sake of South Africa's financial markets.

One of JSE's key initiatives has been to promote the growth of capital markets in Africa. Will you be positioned as that gateway for investors worldwide, and how will you evaluate impact?

There is no logical reason why we should not be a significant player in this area, but there is also no reason why we should be the only player. It's good that every African country makes efforts to modernize its financial markets, and the exchanges in those countries should play a leading role in that exercise. However, many of the exchanges in Africa don't see the need to panic because they're too small. Fifteen years ago, I panicked. I joined the exchange and saw the level of service was average. So we lifted our game.

Our African initiatives are all aimed at providing the best possible service to the listed company and the investor, wherever either may be. Everything we do is centered around that desire to provide service, but not at the expense of the smaller African exchanges.

As a board member of the World Federation of Exchanges (WFE), how does it play a critical role for the exchange industry and have you been happy with WFE's impact?

Those in the WFE have the same central philosophy on financial markets, which is to provide a well regulated and all encompassing service to the issuers and investors in their particular region, or even further abroad.

There are many other operators in the markets who have no desire to provide an all-around or well regulated service – they prefer to cherry pick only the profitable aspects of our business, and that has a segmenting effect on the liquidity and the surveillance capability on any of those markets.

Our membership in the WFE is very valuable to us because of our size, but even the bigger exchanges see continued value in membership. ●