

THE ROLE OF

- ADVISORS
- ARRANGERS
- DEALERS

.....in Debt Markets

Overview

- Where have we come from?
- Managing expectations
 - Know what you want
 - Defining the work/roles
 - Timelines
- Role of Advisors
- Role of Arrangers
- Dealers
- The business case

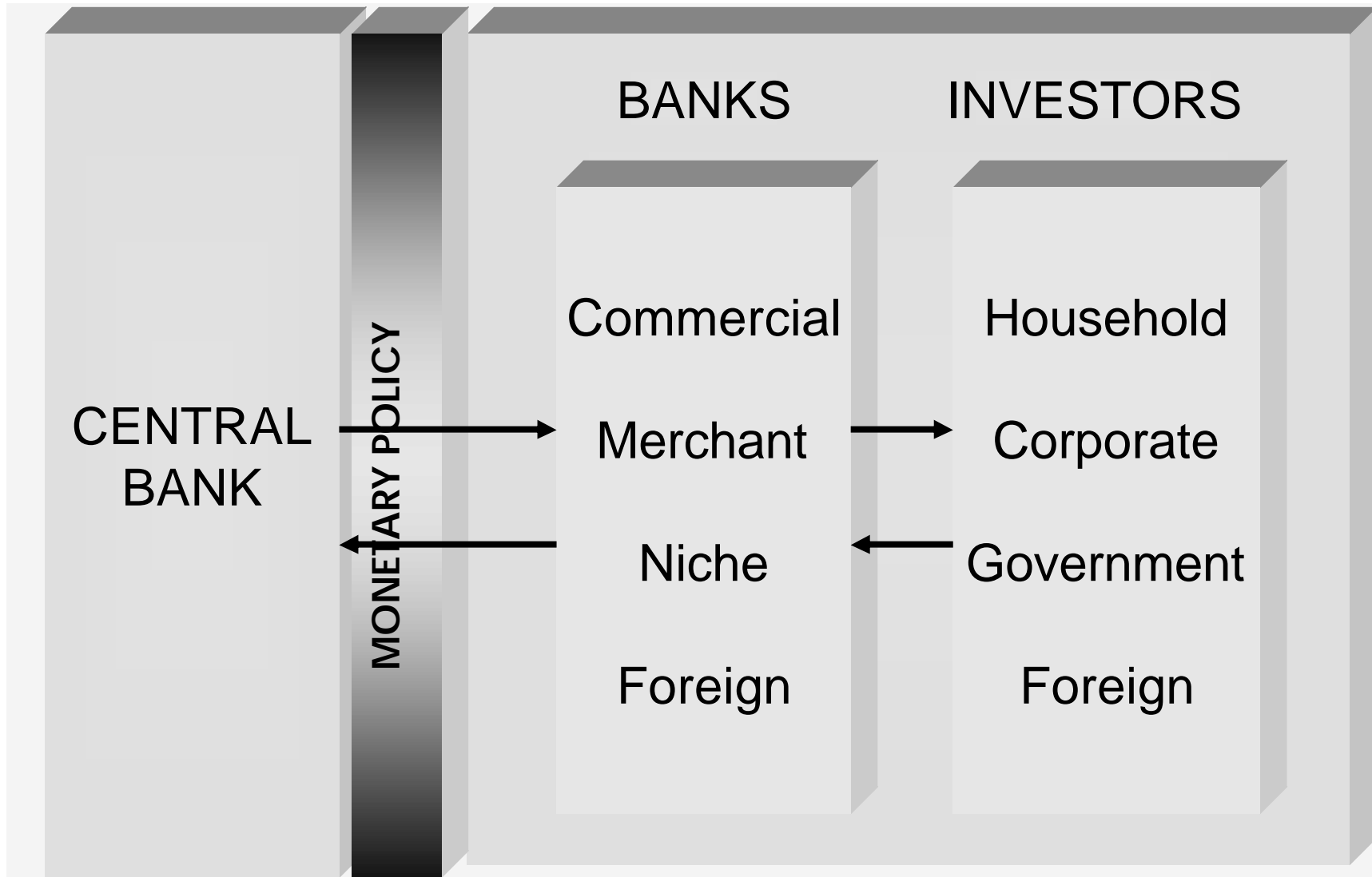
Where have we come from?

- Manual but robust banking sector – Electronic clearing
- Prescribed assets - abolished
- Siege economy - stable
- Distrust between SARB/Government and market – Good consultation and co-operation
- Limited regulation – good framework
- Minimal documentation – complying with the best
- Development by business case – demand driven

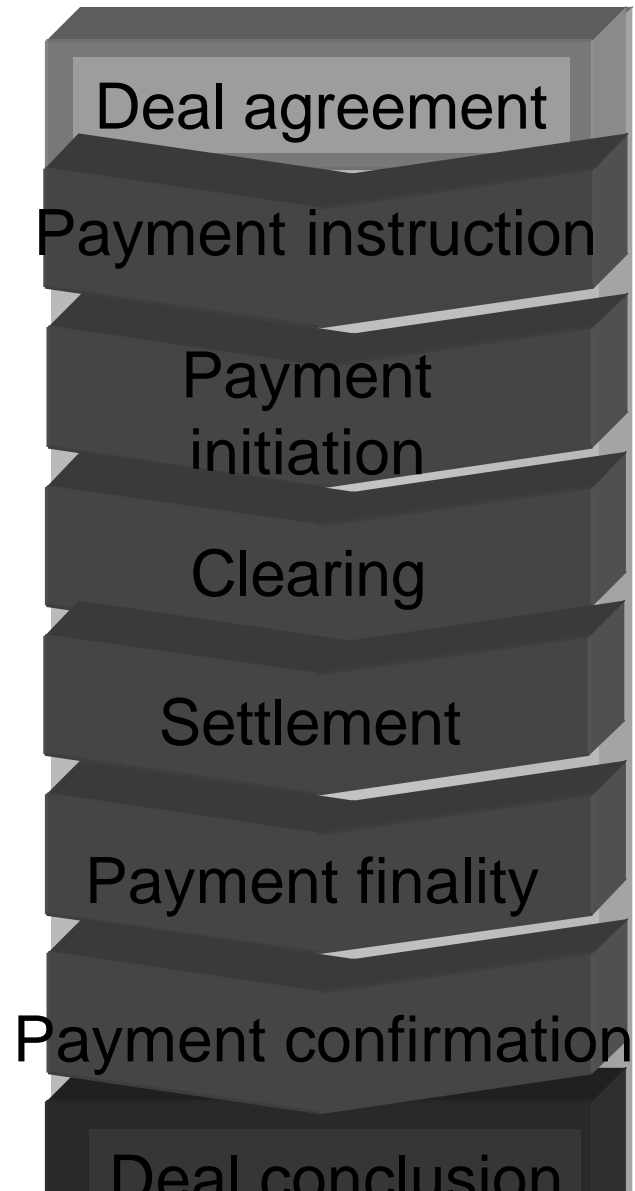
Mixing the cement - foundations

- Have the right ingredients
 - Cement
 - Stone
 - Sand
 - Reinforcing
 - Infrastructure
 - Legislation/regulation
 - Transparency
 - Efficiency
- Getting the quantities right – building blocks
 - Solid Central Bank and Commercial Banking relationship – efficiencies
 - Repo market
 - Meeting minimum requirements - whose
 - The business case

Financial System Model



Payments System



The Role of Advisors

- Who should advise
- Know what you want to achieve

International best practise

vs.

What is “do”able in the country

(.....on the road to best practise)

- Don't confuse the issues
- Conflicts of interest – advisors bona fides
- Sequencing

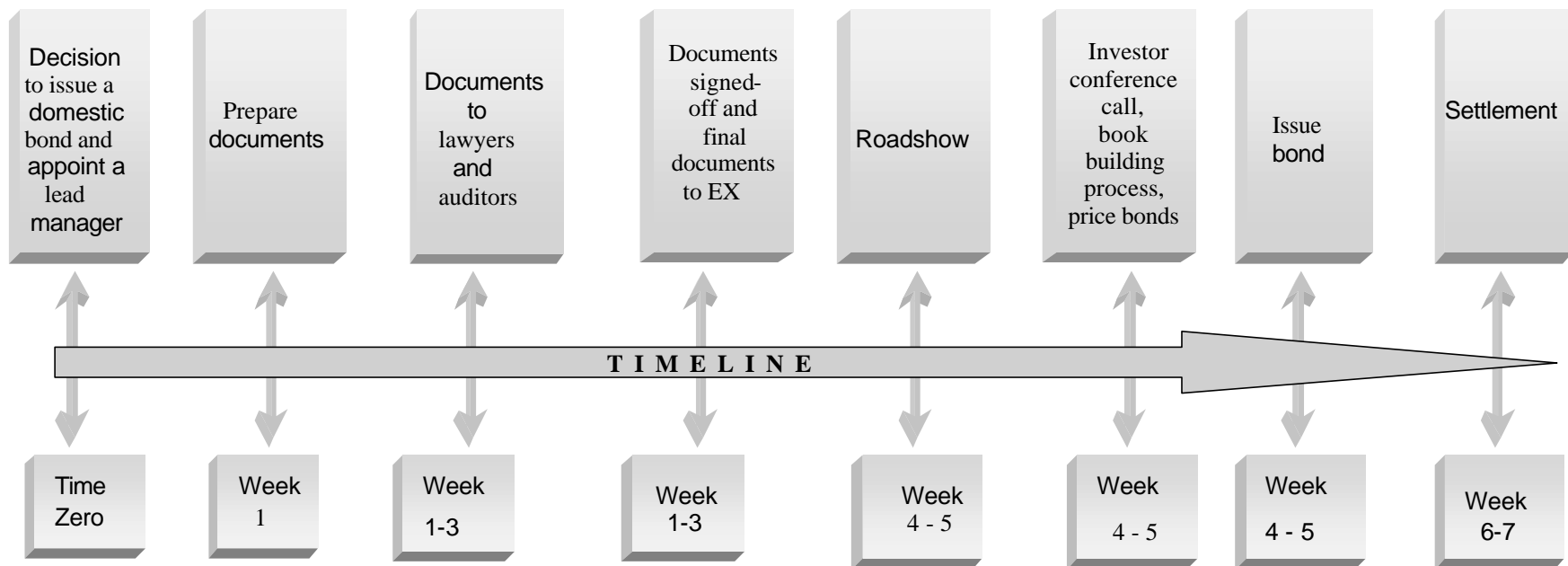
Arrangers/Lead Managers

- What do they do? - Defining the role
 - Authorised dealer/bank
 - Issuers voice - communicates
 - Size/Nominal
 - Term/Maturity
 - Interest/Coupon
 - Issue methodology
 - Pricing
 - Documentation
 - Offering circulars/placing documents
 - Roadshow material – what investors want to know
 - Distribution
 - Local
 - International

Appointment Considerations

- Previous experience in an African context
- Flexibility
- Highly reputable
- Size of balance sheet
- Established respected salesforce – distribution
- Ongoing market facilitation
- Knowledge of debt markets
- Skills transference

Timeline for issuance



Bond programme

Commercial paper programme

6-7 weeks

3-4 weeks

Dealers

- Appointment of primary dealers
 - Pros
 - Gives a wider distribution face to the market
 - Creates transparency
 - Good price discovery
 - Spreads responsibility
 - Reduces risk away from Issuer
 - Cons
 - In a limited issuance calendar – risk
 - Stock in solid hands – fear of lack of supply
 - Under Basle – high holding cost for dealer unless Gov.

Appointment of dealers does not guarantee liquidity

The South African experience

- Lots of Debt
- Consolidations – critical mass
- Repo market
- Market makers – dealers – new concept
- Government/parastatal issuance
- Corporate debt – commercial paper/bonds
- Emergence of lead managers
- More complex documentation – DMTN's
- Bond Exchange Listing requirements – disclosure
- Asset managers mandates required ratings
- Reconstitution of bond indices – total return

Our Deals

- Involved in Bond market issuance since 1986
- Have raised ZAR42 bln in local market since 2000
 - Government/Parastatal/infrastructural
- CDO's
- Securitisations – ZAR14,5bln in 2002/3
- Foreign – US\$1 750bln in 2002/2003

Euromoney “Best Debt House” in South Africa 2002

Euromoney “Securitisation” in Emerging Markets 2002

Our Deals

- Sponsor to the ZAR1bln National Roads Agency bond issue SZ25 in September 2003
- Lead Manager in R120mln tap issue of INCA (IN03) August 2003
- **Advisor on first issue of BWP750mln Botswana Government BW001 in May 2003**
- **Advisor on first issue of BWP500mln Botswana Government BW003 in May 2003**
- **Advisor on first issue of BWP500mln Botswana Government BW002 in March 2003**
- Co-manager in ZAR2bln DBSA bond issue (DV23) in February 2003
- Co-manager in ZAR1bln DaimlerChrysler bond issue (DC02) in March 2003
- Joint lead manager in ZAR300mln tap issue of INCA (IN03) in April 2003
- Lead Arranger of tap issue RMB R153 Index Linked Notes RMBX01 August 2002
- Lead Arranger of RMB R153 Index Linked Notes RMBX01 July 2002
- Lead Arranger of INCA ZAR10bln DMTN Programme incorporating ZAR 500mln IN01, ZAR 1,570bln IN02, ZAR 1,745bln IN03 in July 2002
- Co-manager RSA US\$1000mln 7? % 2012 global bond in April 2002
- Joint lead manager in ZAR100mln tap issue of INCA IN03 in April 2002
- Panel member to TCTA in the issue of ZAR300mln WS05 CPI Linked Bond February 2002
- Lead manager in ZAR200mln tap issue of INCA IN03 in January 2002

The Business Case

- What comes first
 - Sovereigns need to borrow
 - “Back to basics” – sort out the domestic market
 - Private sector in front
 - As long as there is money to be made
 - Educate, educate, educate
 - Privatising state pension funds kick-start markets
 - In South Africa the largest player during prescribed era
- Regulators always play catch-up

Thank you