06 March 2025
Johannesburg, South Africa

ENHANCING CAPITAL MARKET INTEGRATION BETWEEN INDIA AND SOUTH AFRICA THROUGH SECONDAY LISTINGS

Executive Summary

This policy brief proposes that the National Stock Exchange of India (NSE) enter into a formal Memorandum of Understanding (MOU) with the Johannesburg Stock Exchange (JSE) to promote secondary listings for companies across both exchanges.

By enabling companies from India and South Africa to list their shares on both markets, the proposal aims to increase liquidity, broaden investor bases, and facilitate South–South capital flows. This collaboration supports the broader BRICS+ economic integration agenda and reduces emerging markets' dependence on developed market funds by tapping into diversified sources of capital.[1]

Empirical evidence and recent studies indicate that secondary listings can yield measurable improvements in market efficiency and trading volumes.[2]

Introduction

Global capital markets have long been dominated by developed economies such as the United States, the United Kingdom, and Japan. These markets hold a disproportionate share of global market capitalisation relative to their economic size, leaving emerging markets like India and South Africa undercapitalised and overly dependent on external investments.[3]

To address this imbalance, the brief advocates for a strategic alliance between the NSE and JSE. This MOU would facilitate secondary listings, thereby promoting intra-emerging market investments, enhancing financial stability, and advancing the economic integration objectives of not only South Africa and India, but also the BRICS+ nations.[4]

[1] International Monetary Fund. (2023). *World Economic Outlook, April 2023: Navigating Global Uncertainty*. Washington, DC.; Johannesburg Stock Exchange. (2023, March 1). NYSE and JSE Announce Dual Listings Collaboration. Johannesburg Stock Exchange.
[2] Bianchi, L., & Ranaldo, A. (2021). Secondary listings and liquidity in emerging markets. *Journal of Financial Markets, 45*, 101–120.
[3] World Bank. (2023). *Global Economic Prospects*. Retrieved from https://www.worldbank.org/en/publication/global-economic-prospects
[4] Deloitte. (2022). *Trends in cross-border trading and technological integration*. Deloitte Insights.

Global Capital Landscape and Emerging Market Challenges

Concentration in Developed Markets

Despite accounting for only 15% of global GDP on a purchasing power parity basis, the United States commands approximately 74% of global market capitalisation.[5] Such a disproportionate allocation of capital underscores the systemic imbalance whereby developed markets continue to attract the bulk of global investment, leaving emerging markets with limited domestic funding. This reliance on external capital inflows exposes emerging economies to volatility and leaves them vulnerable to shifts in global risk appetite.

The Need for Emerging Market Integration

Emerging markets have historically faced challenges in attracting sustainable capital due to a lack of regional integration and overreliance on Western financial institutions. For instance, even funds dedicated to investing in emerging markets are often domiciled in financial hubs like New York or London.[6]

Enhancing the integration of capital markets among emerging economies through mechanisms such as secondary listings can help to rebalance these dynamics by promoting domestic and regional investment channels. This approach is particularly pertinent for BRICS+ nations, which possess significant untapped growth potential that could be harnessed through improved financial cooperation.[7]

Strategic Rationale for a Secondary Listing MOU

Advantages of Secondary Listings

Secondary listings allow companies to list their shares on an additional exchange without undergoing the full rigors of a primary listing, offering a strategic pathway to capitalise on multiple markets. This approach significantly increases liquidity by exposing a company's shares to a broader pool of investors, which in turn boosts trading volumes and fosters a more dynamic market environment. [8]

Moreover, dual listings enhance a company's visibility and credibility; by operating in multiple jurisdictions, companies signal their commitment to robust transparency and sound corporate governance practices, thereby reinforcing investor confidence.[9] In addition, this strategy facilitates diversification of capital sources, as it enables companies to tap into different investor bases and reduce reliance on any single market, thereby mitigating market-specific risks and providing a more resilient financial structure.[10]

Finally, harmonising listing standards and regulatory practices between the NSE and JSE can create operational and regulatory synergies, streamlining the listing process, reducing compliance burdens, and encouraging the adoption of best practices across both markets. Collectively, these benefits not only support individual company growth but also contribute to the strengthening and integration of global financial markets.

Strategic Benefits for India

For Indian companies, secondary listings on the JSE provide a unique avenue to tap into the fast-growing African markets. South Africa's JSE is not only Africa's largest and among the top 20 global exchanges by market capitalisation but also serves as the financial gateway to the broader African continent.[11] Secondary listings can

[5] World Federation of Exchanges. (2022). *Global Capital Markets Report*. Retrieved from https://www.world-exchanges.org/
[6] Financial Times. (2021). The Challenges of Emerging Market Fund Flows.
[7] BRICS Economic Forum. (2020). BRICS+ Integration: Capital Markets and Economic Growth.
[8] Johannesburg Stock Exchange. (n.d.). Benefits of Secondary Listings.
[9] Securities and Exchange Board of India. (2022). Listing and Disclosure Requirements.
[10] PwC. (2021). Global Capital Market Trends: Diversification and Cross-Border Investments.
[11] JSE Annual Report. (2022). Market Position and Strategic Outlook.

thus enable Indian companies to diversify their investor base, access new pools of capital, and build strategic partnerships with African financial institutions. Furthermore, such cross-listing initiatives can reinforce India's role as a dynamic and forward-looking emerging market in line with its BRICS+ commitments.[12]

The JSE offers a streamlined process for secondary listings through both its Main Board and AltX market, with clearly defined requirements including minimum capital, audited financials, and public shareholding thresholds. Additionally, the JSE's fast-track listing procedure for companies already listed on recognized exchanges significantly reduces both the time and costs involved, while allowing continuous disclosure requirements from the primary market to be applied, thereby reinforcing its appeal as a gateway for accessing sophisticated regional capital and investor networks.[13]

Considering the above, establishing an MOU between the NSE and the JSE would offer significant strategic advantages by creating a robust platform for cross-border capital flow and dual listings that benefit both Indian and South African companies. This collaboration would allow Indian companies to tap into Africa's most advanced financial hub, while simultaneously giving South African firms access to India's dynamic market, thereby broadening their investor base and enhancing liquidity. By leveraging the JSE's streamlined listing procedures and regulatory efficiencies, both exchanges can reduce administrative burdens and costs, foster enhanced brand recognition, and promote greater market integration, ultimately driving economic growth and reinforcing bilateral trade ties between the two regions.[14]

Strategic Benefits for South Africa

Conversely, South African companies stand to gain significantly from accessing the Indian market. With the NSE ranking among the world's top 10 exchanges, South African firms can benefit from access to a vast consumer base, as India's expansive domestic market offers immense growth opportunities in terms of both capital and consumer engagement.[15]

Moreover, engaging with Indian investors will help these companies diversify their funding sources and mitigate market-specific risks.[16] Enhanced capital flows between South Africa and India can also lead to strengthened regional integration, resulting in more resilient financial markets, improved asset pricing, and deeper market participation on both sides.[17]

Implementation Framework and Policy Recommendations

Regulatory Harmonization and Operational Integration

To successfully implement a memorandum of understanding that facilitates secondary listings, regulatory bodies in India and South Africa must closely collaborate to align their listing requirements and compliance standards. This collaboration should begin with the establishment of joint regulatory committees, comprised of representatives from both countries, to oversee harmonisation efforts and swiftly resolve any discrepancies between the two regulatory frameworks.

Such committees would play a critical role in ensuring a smooth transition for companies pursuing dual listings by coordinating policy adjustments and fostering mutual understanding between the markets.[18] In addition, implementing standardized disclosure and reporting practices is essential to build investor confidence and mitigate

[12] Reserve Bank of India. (2022). Emerging Market Dynamics in India.
[13] Bulose, S., and Van Welzen, P. (2021). Secondary listing on the Johannesburg Stock Exchange. https://cms.law/en/zaf/publication/secondary-listing-on-the-johannesburg-stock-exchange
[14] Bulose, S., and Van Welzen, P. (2021). Secondary listing on the Johannesburg Stock Exchange. https://cms.law/en/zaf/publication/secondary-listing-on-the-johannesburg-stock-exchange
[15] Ministry of Finance, India. (2021). Indian Financial Market Opportunities and Growth Strategies.
[16] South African Reserve Bank. (2022). Capital Market Developments in South Africa.
[17] International Monetary Fund. (2021). Emerging Market Financial Integration Report.
[18] Securities Regulation Journal. (2020). Collaborative Regulatory Frameworks in Cross-Border Listings.

legal and operational risks. By adopting uniform reporting standards and corporate governance practices, both nations can enhance transparency and accountability, making the secondary listing process more appealing to investors. Ultimately, this coordinated approach not only streamlines the regulatory landscape but also strengthens bilateral ties, positioning the Indian and South African exchanges as competitive, integrated financial hubs on the global stage.[19]

Stakeholder Engagement and Collaborative Initiatives

For the MOU to be truly effective, it is essential to involve key stakeholders from both markets. This involves not only the exchanges but also finance ministries, major investment banks, institutional investors, and professional bodies such as the CFA Societies in India and South Africa. Engaging these stakeholders is critical to ensuring a collaborative environment and smooth execution of the agreement.

Regular roundtable discussions and workshops would provide platforms for dialogue among market participants, facilitating the exchange of ideas, best practices, and critical feedback on regulatory harmonisation. These forums would also help identify and address potential challenges early, ensuring that both markets are aligned in their objectives and operational standards. Additionally, launching pilot projects and developing case studies with a select group of companies would serve as practical demonstrations of the feasibility and tangible benefits of secondary listings.

Such initiatives can highlight successful strategies, mitigate risks, and build momentum for broader implementation. In doing so, these measures not only validate the concept of cross-listing but also enhance overall market confidence, paving the way for a more integrated and resilient financial environment between India and South Africa.

Technological and Infrastructure Considerations

Modern financial markets depend on robust technological platforms to guarantee efficient trading, swift settlement, and effective regulatory oversight. In this context, it is imperative that both exchanges invest in integrated trading platforms and enhanced cybersecurity measures to support a seamless cross-border trading environment. By developing interoperable technology systems, the exchanges can significantly reduce operational frictions, streamline transaction processes, and lower associated costs.[20] This, in turn, fosters greater market integration and liquidity, while attracting a broader spectrum of investors who benefit from quicker and more reliable access to global markets.

Equally important is the need to fortify these integrated systems with advanced cybersecurity measures. As financial operations become increasingly digitised, ensuring the security of these platforms against sophisticated cyber threats is critical. Robust cybersecurity not only protects sensitive data and investor assets but also bolsters market stability and maintains investor confidence.[21] Together, these strategic technological investments are essential for both exchanges to remain competitive, resilient, and secure in the rapidly evolving global financial landscape.

Conclusion

The proposal for an MOU between the NSE and the JSE to facilitate secondary listings represents a strategic intervention aimed at rebalancing the global capital landscape. By enabling companies from India and South Africa to access diversified capital pools, both exchanges can mitigate the risks associated with overdependence on developed markets while promoting regional economic integration.

[19] World Bank. (2021). Improving Corporate Transparency in Emerging Economies.
[20] IBM Financial Solutions. (2022). Technological Innovations in Global Trading Platforms.
[21] KPMG. (2021). Cybersecurity Best Practices for Integrated Financial Systems.

The anticipated benefits—including increased liquidity, enhanced investor diversity, and stronger market depth—are aligned with the broader objectives of the BRICS+ initiative and the global shift towards more balanced capital allocation. Through regulatory harmonisation, active stakeholder engagement, and strategic investments in technological infrastructure, this initiative can redefine the financial relationship between India and South Africa, setting a precedent for further intra-emerging market collaborations.

End.

Bohlale Institute is a not-for-profit organisation that seeks to advance socio-economic growth and development in the Republic of South Africa through research and stakeholder engagement. Bohlale works with stakeholders in government, business and academia to reach consensus on various strategic opportunities.

https://bohlale.org/

CFA Society South Africa is a member-based organisation that is the leading voice for investment professionals within Southern Africa. It is one of the top 20 Societies (by member count) of CFA Institute globally and works to promote the growth and development of capital markets in South Africa.

https://www.cfasociety.org/southafrica/home