



Financial Market Council

The 2019 Annual Report

- Abstract -

I- The financial market activity:

The year 2019 was marked by a slowdown in global economic growth, which stood at 2.9% compared with 3.7% a year earlier. This regression is due to the decline in the indicators of the main developed countries, which recorded a growth rate of 1.7% compared with 2.3% in 2018. Similarly, emerging and developing countries experienced a decline in their growth rate from 4.5% in 2018 to 3.7% in 2019.

For its part, the Tunisian economy recorded a growth rate of 1.0% in 2019 compared with 2.7% in 2018. This performance below expectation is mainly due to the deterioration of indicators in the agriculture and fishing sector, which experienced a growth rate of 0.8% compared with 11.3% in 2018, and to the poor performance of manufacturing industries.

At the end of 2019, the number of listed companies reached 81 companies of which 68 are listed on the main market and 13 are listed on the alternative market of the stock exchange, which is mainly dedicated to small and medium-sized companies.

Regarding the Tunindex, the flagship index of the Tunis stock exchange, and after recording a significant increase during 2017 and 2018, ended the last session of 2019 at 7 122.09 points achieving a slight decline of 2.06%.

Similarly, the market capitalization reached at the end of 2019, an amount of 23 724 million dinars or 22.5% of GDP. Added to that, the share of foreign participation in the market capitalization remained stable, reaching 24.73% against 24.90% at the end of 2018. This indicates the confidence of foreign investors in the fundamentals of the Tunisian financial market despite the difficult global economic environment.

In addition, the rate of the financial market contribution to the financing of private investments recorded a remarkable evolution compared to that of last year. In this respect, it reached 9.1% compared to 6.6% in 2018. This surge is attributable to the significant progress in the overall volume of issues in 2019 which amounted to 1 524.3 million dinars compared to 1 023.5 million dinars in 2018.

As for the mutual fund sector, 2019 was marked by a slight decrease in the number of active mutual funds, which stood at 119 in 2019 compared with 124 a year earlier. The amount of net assets fluctuated between 3,908 million dinars at the end of 2018 and 3,678 million dinars at the end of 2019.

Last but not least, the number of funds operating in the venture capital industry amounted to 109 companies divided among 58 venture capital investment companies, 43 venture capital investment funds and 8 seed funds. The number of projects carried out in 2019 by venture capital investment funds amounts to 158 with a total value of 430.2 million dinars, including 63.3% companies employing less than 20 agents. Similarly, the amount of projects carried out in 2019 in regional development areas reached 234 million dinars for 83 projects. This reveals the importance of the venture capital sector in strengthening the equity capital of small and medium-sized enterprises and creating employment, particularly at the regional level.

II- The Financial Market Council Activity:

1. Strengthening the financial transparency:

The quality of financial information depends on the existence of four essential characteristics: clarity, relevance, reliability and comparability. Furthermore, to ensure the quality of information, it is required to be disclosed at a time when investors can still refer to it, in order to make their investment decisions with full background knowledge.

For this reason, and given the importance of financial information when making investment decisions, the Financial Market Council continued in 2019 its efforts to guarantee the quality of the information made available to the public and to strengthen the financial market's transparency, through auditing operations carried out by its departments.

Thus, following the control operations carried out by the Council, 2019 witnessed a stabilization of the rate of listed companies having respected the legal deadline for the communication of their financial statements, which reached 84%. Similarly, the rate of listed companies having respected the legal deadline for publishing their interim financial statements rose to 73% in 2019 compared to 72% in 2018. However, there was a slight decrease in the number of listed companies that communicated their annual activity reports within the legal deadlines, from 82 companies in 2018 to 76 companies in 2019, a compliance rate of 93% compared to 96% a year earlier.

2. The protection of invested savings in securities:

In order to provide investors adequate protection to strengthen their confidence in the financial market and its structures, the Financial Market Council continued its campaigns of inspection and investigation operations, to ensure market transparency and compliance with its operating rules, and to sanction any failure to comply with the applicable laws and regulations.

To this end, the Council conducted four investigations during 2019 relating to the equity market and concerning, two listed companies, a mutual fund management company, and transactions carried out by a stock market intermediary. The Financial Market Council examined six complaints against an intermediary, some listed companies and an insurance company.

3. Development of the legal and regulatory framework of the financial market:

The establishment of an effective and comprehensive legal framework, whose applicability is ensured by an impartial and independent regulatory authority, represents a key element in developing the financial market and ensuring the conditions for its success. This is why the Financial Market Council is working to provide the Tunisian financial market with a legal and regulatory framework in line with the various market developments. In that respect, the Council participates in the preparation of draft laws and regulations, in order to ensure the protection of savings invested in securities through the implementation of appropriate rules and principles, to guarantee the security of transactions and to enhance transparency.

In this regard, the Financial Market Council amended the stock exchange's general regulations, in order to create the preconditions for the success of the alternative market in view of its role in financing small and medium-sized enterprises. Similarly, a market dedicated to Islamic sukuk has been created within the Tunis Stock Exchange in order to facilitate the trading of this new security.

During 2019, the Financial Market Council has also elaborated a regulation relating to sukuk mutual funds and to management companies in accordance with the provisions of Law n°2013-30 of July 30th, 2013 relating to Islamic sukuk aiming to take advantage of the instruments of Islamic finance and to broaden the investor base.

Finally, at the end of 2019, the Financial Market Council amended its regulations relating to public offerings, for the purpose of harmonizing its provisions with the new rules governing the alternative market of the stock exchange, with regard to the adoption of a lighter prospectus scheme for IPOs on the market.

4. Reinforcement of the international cooperation:

Convinced that closer ties of international cooperation will promote the Tunisian financial market and strengthen opportunities for partnership and exchange of expertise in the financial field, the Financial Market Council consolidated its relations with its foreign counterparts within the framework of bilateral cooperation as well as the multilateral one, such as the International Organization of Securities Commissions (IOSCO).

In this context, the Financial Market Council participated during 2019 in many major international events, more particularly the Annual Meeting of the members of the IOSCO Regional Committee for Africa and the Middle East (AMERC), the thirteenth Annual Meeting of the Arab Union of Securities Authorities, as well as the eighteenth Annual Session of the 'Institut Francophone de la Régulation Financière' (IFREFI). This active participation helped to develop opportunities for cooperation and exchange of expertise with foreign counterparts, which will positively reflect on the skills and knowledge of the Council's staff.

Despite the difficult economic outlook and thanks to the combined efforts of all its protagonists, the Tunisian financial market has managed to preserve its stability. Nevertheless, more efforts are still required to consolidate the reforms already undertaken, in order to strengthen the competitiveness of the national economy and enable the financial market to play its full role in financing investment and boosting the pace of job creation.

***Salah ESSAYEL, Chairman
The Financial Market Council***