

Doing Business in Sub-Saharan Africa By Isaac Kamuta - October 2010

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South Africa is the largest economy in Sub-Saharan Africa. It accounts for over 30 percent of the GDP of Sub-Saharan Africa, generated here in South Africa.

This makes South Africa the natural hub for any business or any firm that wants to do business in Sub-Saharan Africa. This is a very strong economy, well-diversified, well-developed, good infrastructure, a very well regulated financial services industry that has weathered the economic crisis very, very well.

J.P. Morgan has been in South Africa since the country opened after the democratic elections, and we set up shop in Johannesburg. We just continued to expand over the years through acquisitions, to the point where now we have the head office in Johannesburg. We also have a big operation in Cape Town that houses our securities business, with a combined staff now of over 500, which makes us one of the largest international financial intuitions from a staff perspective.

We have very strong relationships in Nigeria, where we have currently our rep office. We've been doing business in Nigeria providing financial services to the banks in that country for a long, long time. Outside of Nigeria, J.P. Morgan has been active in Kenya, in Tanzania. We've got very deep relationships in Ethiopia, in Ghana, in Central and West Africa, where we provide a comprehensive treasury services solution to our clients, mainly the financial institutions that rely on J.P. Morgan for their offshore dollar-clearing, euro-clearing, and trade finance.

South Africa has got stringent exchange controls that are designed to protect the rand, the strength of the rand, and also designed to protect the reserves of the country. One of the ways that the Reserve Bank does that is that one, you cannot do trading in foreign currency here if you are not an authorized dealer. You must be an authorized dealer approved and licensed by the South African Reserve bank and given a license.

J.P. Morgan is one of the largest foreign exchange dealers in this market.

We've got now real-time gross settlement across most of the countries, so you can be able to transfer money from one bank to the other on a real-time basis. We've got electronic clearing in most of the countries in Sub-Saharan Africa, and this is the foundation that you need for tech or for financial services that most corporates require as they enter into these markets.

In Sub-Saharan Africa, the payment instruments that are used are as diverse as the continent itself. This is a continent that cash is still king, so a lot of cash transactions in Sub-Saharan Africa. Checks are still heavily used in Sub-Saharan Africa, even though decreasing in terms of volume, but checks are heavily used — possibly slightly less in South Africa than in the rest of the Sub-Saharan African countries. With the development of electronic capability, we're seeing a big uptake of electronic funds transfers, where you can be able to wire funds locally to a beneficiary or externally across borders. We're also seeing a big uptake on direct debits, again, for high-volume, low-value transactions, whether it's utility bills or subscriptions.

You want someone that understand the region but has got the global reach to be able to deliver what is promised. If you look at J.P. Morgan, that is what we bring to the table

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