

ABSTRACT

Since the establishment of the East African Community (1999), integration has taken priority both at national and regional development levels. Within this framework, various initiatives have been taken. Stock Exchanges integration has caught the attention of many development Partners and Governments as an effective tool for Capital Market Development. This paper therefore, analyses the integration of East African Community Stock Exchanges since 2000, considers the degree to which the four stock markets in the East African Community (EAC) are related as a way to assess the feasibility of policy initiatives to enhance stock market integration and the implications for investors. Its central focus is on the benefits, challenges and opportunities and specifically the effectiveness of the stock exchanges integration in the region.

Building on policy framework, operational framework, legal and regulatory framework and EAC Stock Exchanges infrastructures, it is evident that; first, the stock markets of the EAC are not yet fully integrated, second the EAC region will realize considerable benefits if the integration is achieved, and third, the failure of integration is in a large part explained by the challenges of lack of capital market infrastructure, lack of harmonized laws, fear of loss of sovereignty and different levels of capital market development of the respective countries.

The effectiveness and attaining the desired objective of the EAC Stock Exchanges integration is also dependent on; harmonization of capital markets policies on cross border listing, foreign portfolio investors, taxation of capital market transactions, accounting, auditing and financial reporting standards, procedures for setting commissions and other charges, the regulatory and legislative frameworks, harmonize and implement common standards for market conduct, harmonize policies impacting on capital markets, particularly the granting of incentives for the development of capital markets within the region and promote the co-operation among the stock exchanges and securities regulators within the region.

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