

SUBJECT: Regulatory Impact Analysis: FSRA Exchange-Traded Funds Guideline, 2026

DATE: 18 September 2026

Table of Contents

1. Introduction.....	2
2. Phase I. Description of the problem.....	2
3. Phase II. Policy Objective.....	4
4. Phase III: Assessed Options and Evaluation.....	4
4.1. Option 1: Maintain the Status Quo	5
4.2. Option 2: Enactment of the Exchange Traded Funds Guideline, 2026	6
5. Phase IV: Legal Authority for the Development of these Guidelines	7
6. Phase V: Groups likely to be affected by this Policy Option – Enactment of the Exchange Traded Funds Guideline, 2026	8
7. Phase VI: Enforcement strategy for ensuring compliance.....	10
8. PHASE VII. Impact Analysis by the Authority - LEASE Analysis: Exchange Traded Funds Guidelines, 2026	12
9. Phase VIII Consultation with Industry	15
Annexure 1: Impact Assessment by Stakeholder.....	16

1. Introduction

Exchange Traded Funds (ETFs) have become an increasingly significant investment vehicle globally, offering investors diversified, transparent, and cost-effective access to financial markets. In Eswatini, the capital markets are developing rapidly, and there is growing interest in passive investment products, index-linked securities, and diversified fund structures. However, while the Securities Act, 2010, provides a broad framework for collective investment schemes, it does not include ETF-specific rules governing authorization, operational mechanisms, permissible investments, trading structures, disclosures, or investor protection measures. As a result, the development of ETFs in Eswatini has been slow, inconsistent, and marked by regulatory ambiguity. This exposes managers, trustees, authorised participants, market makers, and investors to unnecessary risks.

The Exchange Traded Fund Guideline, 2026, therefore seeks to establish a coherent, transparent, and internationally aligned regulatory regime tailored specifically to the unique characteristics, risks, and operational mechanics of ETFs. This Regulatory Impact Assessment (RIA) examines the need for the Guideline, the regulatory gaps it seeks to address, its impact on stakeholders, and the extent to which it provides a proportionate and effective solution for developing a robust ETF ecosystem in Eswatini.

2. Phase I. Description of the problem

Eswatini's capital market faces structural and regulatory constraints that limit the effective introduction, operation, and growth of Exchange-Traded Funds. Although the Financial Services Regulatory Authority has introduced the FSRA Exchange Traded Funds Guidelines, 2026, the ETF market remains at an embryonic stage, characterized by an underdeveloped ecosystem and the absence of a comprehensive, dedicated regulatory framework tailored to the unique features of ETFs. Existing legal provisions, which treat ETFs under the broader regime for collective investment schemes, do not adequately address their distinct operational structure, trading dynamics, and risk profile. This regulatory gap creates uncertainty for issuers, intermediaries, and investors, contributes to inconsistent supervisory practices, and weakens the Authority's ability to ensure effective oversight, market integrity, and investor protection.

At the same time, market-based limitations further constrain ETF development. Low liquidity on the Eswatini Stock Exchange, driven by a limited number of listed securities and low trading volumes, hampers efficient trading and price discovery. Inadequate participation by key market actors, such as authorized participants and market makers, restricts the creation and redemption mechanisms necessary to maintain alignment between ETF prices and their net asset values (NAV). Additionally, limited investor awareness and understanding of ETFs reduces retail participation and undermines their potential to promote financial inclusion. These factors collectively contribute to weak arbitrage activity, resulting in pricing inefficiencies, increased tracking error, and reduced investor confidence.

The persistence of these regulatory and market challenges has led to low adoption of ETFs, constrained diversification opportunities, and limited capital market growth. It also exposes the

market to avoidable financial, operational, and systemic risks while undermining the potential benefits of ETFs, including enhanced liquidity, transparency, and cost-effective investment options. Without a well-developed, coordinated ETF framework supported by robust infrastructure, clear rules, and active market participation, Eswatini's efforts to deepen its capital market and attract both domestic and foreign investment will remain significantly hindered.

2.1. Key Problem Areas

- a. Absence of a comprehensive ETF framework: Although ETFs are treated as collective investment schemes, the current legal framework does not provide the level of specificity required to regulate their unique structure and operations. Key mechanisms, such as primary and secondary market creation and redemption processes, the role and responsibilities of authorised participants, requirements for market making and liquidity support, in-kind creation and redemption procedures, and criteria for permissible indices and replication strategies, are not defined in law. The absence of these provisions results in interpretational uncertainty and inconsistent supervisory approaches.
- b. Limited investor protection: Without clear, standardized ETF regulations, investor protection remains insufficient. Disclosure requirements vary across products, leaving retail investors with inconsistent information regarding critical risks such as tracking error, liquidity constraints, derivative exposure, and arbitrage-related volatility. In addition, the roles of market makers and authorised participants are not clearly regulated, creating uncertainty around liquidity assurance and price efficiency. This increases the likelihood that retail investors may unknowingly assume complex risks.
- c. Lack of defined roles for participants: ETF operations depend on the coordinated activities of managers, custodians or trustees, authorised participants, index providers, and market makers. The current framework lacks clear provisions defining the duties, obligations, appointment criteria, and conflict of interest safeguards for the key players. This creates inconsistency in market practices and governance standards, weakening the operational reliability and transparency of ETF products.
- d. Risk to market structure: ETFs trade intraday like listed securities, and inadequate regulation heightens risks to market structure and integrity. In the absence of clear rules, ETFs may deviate significantly from their Net Asset Value (NAV), arbitrage mechanisms may fail, trading practices may become unfair, and liquidity pressures may intensify during periods of market stress. These vulnerabilities undermine market confidence and can impair the efficient functioning of the secondary market.
- e. Fragmented oversight and unclear enforcement tools: The Authority's ability to supervise ETF activity is limited by fragmented regulatory requirements and the absence of standardised reporting obligations. There are no clear governing tracking error monitoring, liquidity risk assessment, index provider oversight, NAV disclosure standards, portfolio transparency, or authorised participant reporting. Without these tools, the Authority lacks the capacity to intervene effectively in cases

of market irregularities or emerging risks, limiting its ability to protect investors and maintain market stability.

3. Phase II. Policy Objective

The objective of the Exchange Traded Funds Guideline, 2026, is to create a clear, coherent, and fit-for-purpose regulatory framework that supports the safe development and functioning of ETFs within Eswatini's capital markets. The Guideline seeks to ensure that ETFs operate in a transparent, efficient, and well-regulated environment that protects investors while promoting financial innovation. Specifically, the Guideline aims to achieve the following objectives:

- a. Establish a robust regulatory framework: Provide clear rules on ETF authorization, operation, investment parameters, and reporting requirements to ensure consistency and regulatory certainty.
- b. Promote market development while protecting investors: Facilitate the growth of ETF offerings and market participation while maintaining adequate safeguards for both retail and institutional investors.
- c. Enhance transparency and reduce systemic risks: Strengthen disclosure obligations, including timely dissemination of NAVs, portfolio holdings, and tracking-error metrics, to mitigate mispricing and improve market understanding.
- d. Align with international best practice: Incorporate globally accepted standards such as IOSCO principles on index construction, ETF governance, and conduct requirements.
- e. Improve oversight of participants: Clearly define the roles, responsibilities, and expected conduct of managers, trustees, custodians, authorised participants, index providers, and market makers.
- f. Support orderly trading, liquidity, and arbitrage: Ensure that ETFs trade efficiently and maintain tight alignment with their underlying Net Asset Value (NAV) through sound liquidity provision and functioning arbitrage mechanisms.

In essence, the policy objective is to establish a strong, evidence-based, and practical regulatory framework tailored specifically to ETF operations. This framework will empower the Authority to supervise ETF activities effectively, safeguard market participants, and strengthen confidence in Eswatini's capital markets. These objectives underpin the evaluation of regulatory alternatives to ensure that the adopted approach is proportionate, effective, and aligned with both domestic priorities and international standards.

4. Phase III: Assessed Options and Evaluation

In response to the challenges identified in Phase I, the Authority has considered several regulatory approaches to address the gaps in exchange-traded funds. The assessment focuses on balancing effectiveness, proportionality, and investor protection, while maintaining financial stability and market confidence. Two policy pathways were considered:

4.1. Option 1: Maintain the Status Quo

Under this option, exchange-traded funds would continue operating under the general framework for collective investment schemes set out in the Securities Act, 2010, without introducing a dedicated ETF Guideline. In practice, this would mean no additional regulatory requirements in the short-term, allowing market participants significant flexibility to design and structure ETF operations as they deem appropriate. While this approach may reduce immediate regulatory burden and maintain operational freedom for issuers, it also preserves the existing regulatory gaps identified in Phase I. Critical issues such as the creation and redemption process, the role of authorised participants, market-making obligations, and standards for index governance would remain unaddressed. Likewise, investor protection would continue to be inadequate due to inconsistent disclosure standards, the absence of formal liquidity frameworks for market makers or authorised participants, and unclear parameters relating to permissible investments, tracking error reporting, and derivative usage. Legal and regulatory uncertainty may also discourage potential ETF sponsors from entering the market, while risk of mispricing, NAV deviations, and harmful market practices would remain prevalent.

The primary appeal of maintaining the status quo lies in its simplicity and flexibility. By avoiding new regulatory requirements, the Authority would not incur the immediate costs or administrative costs associated with drafting, consulting on, and implementing a comprehensive ETF framework. This option allows the Authority to retain flexibility in handling ETF-related matters on a case-by-case basis. From a compliance perspective, ETF managers and other participants would not be subject to additional reporting obligations, operational standards, or structured oversight mechanisms that a formal guideline would introduce.

However, while seemingly advantageous, these benefits are outweighed by significant drawbacks. First, the lack of standardised regulatory requirements leads to inconsistent supervision and regulatory interpretation, undermining fairness and predictability for market participants. Second, investor protection remains weak, as issuers are not obliged to provide uniform, timely disclosures on NAVs, portfolio holdings, tracking error, or liquidity arrangements. This exposes retail investors to unnecessary information asymmetries and potential mis-selling risks. Third, legal uncertainty persists, as the absence of a dedicated ETF framework makes it difficult to determine the powers, responsibilities, and compliance requirements of ETF participants, such as authorised participants, market makers, and index providers. Without clarity, disputes may arise around operational practices, and risk management practices may be applied unevenly. Finally, the status quo does little to mitigate market integrity and systemic risks. Weak or inconsistent arbitrage mechanisms, limited transparency, and poorly defined liquidity obligations may result in persistent NAV deviations and price inefficiencies, damaging market confidence and potentially discouraging future ETF developments.

Overall, this option is not available. It fails to address the fundamental gaps identified in Phase I, including regulatory fragmentation, inconsistent operational practices, inadequate investor protection, and limited supervisory oversight. Although cost effective in the short term and administratively convenient, maintaining the status quo exposes Eswatini's capital markets to unnecessary risks, undermines investor trust, and constrains the healthy development of the ETF ecosystem. Consequently, this option cannot support long term market growth, does not align with international best practice, and does not provide the transparency, predictability, and accountability required for a well-functioning ETF market.

4.2. Option 2: Enactment of the Exchange Traded Funds Guideline, 2026

This option involves introducing a comprehensive, ETF-specific regulatory regime tailored to the unique structure, risks, and operational mechanics of exchange-traded funds. Under this approach, the Authority would develop and implement a codified set of guidelines governing all key aspects of ETF operations. The Exchange Traded Funds Guideline, 2026, would establish clear requirements for ETF authorization, listing, and ongoing operations; define the duties and minimum standards for managers, custodians, trustees, authorised participants, index providers, and market makers; and create a structured framework for liquidity provision and price efficiency through effective arbitrage mechanisms. The Guideline would also strengthen investor protection by ensuring consistent and robust disclosures, including NAV publication, portfolio holdings, tracking-error metrics, and risk statements, and introduce standards for permissible investments, index construction quality, replication methodologies, and the use of derivatives. Collectively, these measures reduce legal and operational uncertainty for ETF sponsors, support orderly market development, and align Eswatini's regulatory framework with international best practice.

Disadvantages and Considerations:

- a. **Compliance and Administrative Burden:** Participants will need to update internal policies, systems, and compliance frameworks to meet the new regulatory requirements.
- b. **Implementation Resources:** The Authority will need to allocate supervisory capacity toward developing technical expertise, conducting monitoring, and stakeholder engagement to ensure effective implementation of the Guidelines.
- c. **Operational adjustments:** Index provider, authorised participants, and market makers may require system upgrades or enhanced operational processes to meet the Guideline's standards.

Despite these considerations, the enactment of the Exchange Traded Funds Guideline, 2026, is both appropriate and necessary. It provides a robust, structured, and legally sound framework specifically designed to regulate ETF activities, addressing the weaknesses associated with the status quo, such as regulatory ambiguity, inconsistent practices, inadequate disclosures, and weak investor protection. Unlike an unstructured regulatory environment, the Guideline promotes clarity, transparency, and predictability; enhances the Authority's ability to supervise ETF operations effectively; and supports efficient, liquid, and fair markets. By aligning with

international best practices and ensuring proportionate protections for market participants, this option strengthens confidence in Eswatini's capital markets and creates an enabling environment for sustainable ETF market growth. Given these comprehensive benefits, this regulatory path is considered appropriate, effective, and essential for the development of a credible and competitive ETF ecosystem.

5. Phase IV: Legal Authority for the Development of these Guidelines

The Exchange Traded Funds Guideline, 2026, is developed under the regulatory powers granted to the Authority by the Securities Act, 2010. Specifically, Sections 39 to 42, relating to Collective investment schemes, as well as provisions governing market conduct, licensing, dealers, and disclosure, empower the Authority to issue Guidelines, Directives, and Rules necessary for the effective regulation and supervision of financial products and market participants. As ETFs are a category of collective investment schemes, the Act authorizes the Authority to establish ETF-specific regulatory requirements. Accordingly, the Guideline is legally grounded, consistent with the enabling legislation, and enforceable.

The introduction of an ETF Guideline is expected to generate significant positive impacts across the capital markets, strengthening regulatory oversight, supporting industry development, and enhancing investor confidence. By providing a clear, structured, and legally supported regulatory framework, the Guideline directly addresses the operational, legal, and disclosure gaps identified in the current system. It promotes market predictability, transparency, and orderly functioning, elements that are essential for credible ETF market development.

From a legal and regulatory perspective, the Guideline establishes a comprehensive framework governing ETF authorization, operations, roles of key participants, disclosure standards, index governance, liquidity provision, and ongoing compliance. Codifying these requirements reduces legal uncertainty and minimizes ambiguity around the responsibilities and powers of managers, trustees, custodians, index providers, and authorised participants. The Guideline also clarifies the Authority's supervisory expectations and intervention powers, ensuring that oversight is consistent, predictable, and aligned with international best practice.

From an operational perspective, the Guideline provides structured processes that enhance the efficiency and transparency of ETF activities. Clearly defined creation and redemption procedures, minimum standards for arbitrage and liquidity support, and transparent reporting obligations ensure that ETFs function smoothly in both primary and secondary markets. Market participants, such as authorised participants and market makers, are provided with explicit operational requirements that support better price efficiency, reliable liquidity, and accurate NAV alignment. These features reduce operational risk and strengthen the overall functioning of the ETF ecosystem.

From an investor protection perspective, the Guideline significantly enhances transparency and safeguards. Standardized disclosures regarding NAV calculation, portfolio composition,

tracking error, fees, and risks ensure that investors receive consistent, comparable, and reliable information. This reduces the likelihood of mis-selling, information asymmetry, or misunderstanding of complex ETF structures. Investors benefit from clearer rights, greater transparency, and improved confidence in the regulatory framework governing ETFs.

In terms of market stability and confidence, the Guideline contributes to a more resilient capital market environment. Well-regulated ETFs, with strong liquidity and transparent structures, support efficient price discovery and diversification. They also reduce the risk of mispricing, NAV deviation, or disorderly market conditions. By enabling efficient arbitrage and mandating robust governance, the Guideline strengthens systemic integrity and supports orderly market growth. As ETFs increasingly become tools for investment, savings, and risk management, a reliable regulatory framework enhances trust in the market's ability to function effectively during both normal and stressed conditions.

The broader economic and social benefits extend beyond the ETF market itself. By reducing uncertainty, enhancing transparency, and promoting product innovation, the Guideline encourages increased investor participation, supports capital formation, and contributes to the development of Eswatini's capital markets. A predictable and enforceable regulatory environment also fosters long-term market development and enhances the competitiveness of the financial sector.

In summary, the Exchange Traded Funds Guideline, 2026, is expected to deliver multiple interrelated benefits: legal certainty, operational efficiency, enhanced investor protection, improved market integrity, financial stability, and stronger market confidence. These benefits directly address the challenges identified in Phase I and demonstrate that the Guideline provides a proportionate, effective, and necessary regulatory intervention to support the development of a robust ETF market in Eswatini.

6. Phase V: Groups likely to be affected by this Policy Option – Enactment of the Exchange Traded Funds Guideline, 2026

The enactment of the Exchange Traded Funds Guideline, 2026, will have a direct and indirect impact on a wide range of stakeholders within Eswatini's financial markets. These include Fund Managers, Trustees and Custodians, Authorized Participants, Index providers, Market makers, Investors, Securities Exchange, and the Authority itself. Understanding how each group is impacted is essential to ensure that the Guideline is proportionate, effective, and supportive of ETF market development:

- a. Fund managers: Fund managers will be directly affected, as they will be required to comply with codified ETF-specific operational, risk management, and disclosure standards. They will need to strengthen internal risk controls, liquidity management frameworks, portfolio transparency processes, and reporting obligations. While this introduces additional administrative and compliance responsibilities, fund managers also benefit from enhanced regulatory clarity, reduced operational ambiguity, and a

predictable supervisory environment. Clear ETF rules lower the risk of inconsistent regulatory treatment and support efficient product development, ultimately promoting market confidence.

- b. Trustees and Custodians: Trustees and custodians will take on strengthened responsibilities related to safekeeping of ETF assets, segregation of property, and oversight of fund compliance. The Guideline requires them to monitor tracking-error controls, ensure adherence to index methodologies, and verify the accuracy of disclosed information. These enhanced duties improve investor protection and reduce operational risks within ETF structures. Although this may require system upgrades or enhanced oversight mechanisms, the resulting clarity supports better governance and lowers legal uncertainty.
- c. Authorised participants: Authorised participants, central to ETF creation and redemption, will face new qualification, operational, and contractual requirements. They must support efficient arbitrage, ensure orderly primary-market processes, and comply with transparency expectations when interacting with ETF issuers. While this increases their operational obligations, it also formalizes their roles, reduces uncertainty, and strengthens price efficiency. A clear framework enhances market integrity, benefits investors through improved liquidity, and supports authorized participants by defining expectations and reducing disputes.
- d. Index providers: Index providers will need to demonstrate adherence to index-construction quality, transparency standards, and IOSCO-aligned methodologies. They must disclose index rules, rebalancing schedules, data sources, and governance arrangements. Although these standards may require operational enhancements, they strengthen market credibility and ensure that ETFs track reliable, transparent, and robust benchmarks. This benefits fund managers, authorised participants, and investors by reducing index-related risks.
- e. Market makers: Market makers will face new obligations to provide continuous two-way quotes, maintain adequate spreads, and support liquidity during normal and stressed market conditions. While this may require technical and operational improvements, it ensures efficient trading, reduces price deviations from NAV, and strengthens investor confidence. Clear expectations also reduce uncertainty and improve coordination between market makers, APs, and the exchange.
- f. Investors: Investors are among the primary beneficiaries of the Guideline. They will gain stronger protection through improved disclosures, consistent NAV reporting, clearer risk statements, better governance, and more reliable liquidity. The Guideline minimizes risks related to mispricing, poor transparency, and tracking error. Retail investors, in particular, benefit from simplified access to clear, comparable, and accurate information.
- g. Securities Exchange: The securities exchange will need to implement ETF-specific listing rules, enforce trading-surveillance standards, and support market-structure requirements such as real-time disclosure, market-making arrangements, and NAV publication protocols. Although this may require technological upgrades and

enhanced coordination with participants, it strengthens the exchange's role as a trusted trading venue and supports orderly secondary-market activity.

- h. The Financial Services Regulatory Authority (FSRA): The Authority will assume additional supervisory responsibilities, including monitoring liquidity, arbitrage effectiveness, tracking error, index governance, disclosure compliance, and participant obligations. While this requires capacity-building and resource allocation, the Authority benefits from greater regulatory certainty, improved oversight tools, and a well-defined framework that supports efficient supervision. The Guideline enhances FSRA's ability to safeguard market integrity and protect investors.

In conclusion, although the adoption of the Exchange Traded Funds Guideline, 2026, introduces new responsibilities for market participants and the Authority, it delivers substantial benefits across the system. Investors gain stronger protection; market participants receive clarity and predictable rules; the exchange benefits from enhanced liquidity and transparency; and the regulatory framework becomes more robust, consistent, and aligned with international best practice. Overall, the Guideline promotes trust, fairness, market efficiency, and long-term development of Eswatini's ETF ecosystem.

7. Phase VI: Enforcement strategy for ensuring compliance

The effectiveness of the Exchange Traded Funds Guideline, 2026, depends not only on the clarity of the regulatory provisions but also on the strength and consistency of the enforcement strategy implemented by the Authority. To ensure full compliance and effective supervision of ETF activities, the Authority will apply a multi-layered enforcement approach. A well-defined enforcement framework ensures that fund managers, custodians, authorised participants, index providers, market makers, and the securities exchange adhere to the Guideline, thereby promoting investor protection, market integrity, and financial system stability.

The Authority's enforcement strategy will be comprehensive, incorporating preventive supervision, continuous monitoring, mandatory reporting, transparency obligations, corrective action, and, where necessary, sanctions. This approach is grounded in the principle that compliance is most successful when ETF participants clearly understand their duties, the consequences of non-compliance, and the operational expectations embedded in the Guideline.

- a. Preventive Measures: The Authority will prioritise preventive measures to minimise the likelihood of regulatory breaches. These include issuing industry circulars, guidance notes, and best-practice recommendations; providing training and engagement sessions for ETF market participants; and clarifying operational expectations for ETF authorisation, disclosure, index governance, liquidity provision, and creation/redemption processes. Preventive supervision also involves early identification of compliance risks through ongoing market surveillance, periodic reviews of ETF documentation, and assessments of risk-management frameworks across ETF issuers and intermediaries. These proactive measures help address issues before they escalate and support a culture of compliance.

- b. Monitoring and Reporting: Robust monitoring and reporting will form a cornerstone of the enforcement strategy. ETF issuers will be required to submit regular filings, including quarterly and annual reports, NAV disclosures, portfolio holdings, tracking-error metrics, and derivative-exposure reports. Real-time or near-real-time data feeds may also be required for key information such as NAVs and portfolio composition. The Authority will maintain systems to track the timeliness, accuracy, and completeness of disclosures, enabling early detection of irregularities. Periodic inspections, audits, and supervisory reviews will further ensure that fund managers, custodians, authorised participants, and market makers comply with the operational and governance standards set out in the Guideline.
- c. Stakeholder Transparency: Transparency is a key mechanism for reinforcing effective compliance. The Guideline requires ETF issuers to make timely public disclosures via the securities exchange and their own platforms, including updates on material events, index changes, methodology amendments, changes in authorised participants or market makers, and significant operational developments. Investors must receive clear notices when any matter affecting pricing, liquidity, or fund operations arises. By ensuring that market participants and investors have access to reliable information, the FSRA strengthens accountability and enables market discipline to play an active role in maintaining compliance.
- d. Corrective measures: Where non-compliance is identified, the Authority will apply a graduated enforcement approach. Minor or initial breaches may lead to written directives requiring corrective action within specified timelines. More serious or persistent violations, such as inaccurate NAV reporting, failure to maintain required liquidity arrangements, governance lapses, or breaches of index methodology rules, may attract administrative penalties, including fines, restrictions on ETF creation/redemption activities, or limitations on certain operations. In severe cases, especially where misconduct, misrepresentation, or reckless behaviour compromises investor protection, the Authority may suspend or revoke licences or authorisations relating to ETF operations. This graduated approach ensures proportionality while maintaining strong regulatory deterrence.
- e. Judicial oversight: Decisions made under the Guideline may be subject to judicial review, ensuring that all enforcement actions remain transparent, procedurally fair, and legally sound. Judicial oversight provides an important safeguard for both market participants and the Authority, reinforcing accountability and supporting the credibility of the regulatory framework.
- f. Continuous Review and Capacity Building: The Authority will adopt an iterative and forward-looking approach to enforcement. The Authority will continuously assess the effectiveness of enforcement tools, update supervisory methodologies, refine reporting templates, and strengthen internal capacity to supervise ETF markets. Ongoing training, data analytics development, international benchmarking, and lessons learned from supervisory actions will inform enhancements to the enforcement strategy. This ensures the Guideline remains relevant, practical, and aligned with evolving global ETF standards.

In summary, the enforcement strategy for the Exchange Traded Funds Guideline, 2026, is designed to be preventive, supervisory, transparent, and graduated in nature. By combining education, monitoring, reporting, stakeholder engagement, corrective measures, and judicial oversight, the Authority ensures that ETF participants understand and fulfil their obligations. This multi-layered strategy strengthens market integrity, protects investors, enhances transparency, and promotes confidence in Eswatini's financial markets. Through consistent enforcement of the Guideline, the Authority supports the development of a resilient, efficient, and well-regulated ETF ecosystem.

8. Phase VII. Impact Analysis by the Authority - LEASE Analysis: Exchange Traded Funds Guidelines, 2026

In assessing the potential effects of the Exchange Traded Funds Guideline, 2026, the Authority has applied the LEASE framework, which evaluates Legal, Economic, Administrative, Social, and Environmental impacts. This structured approach enables a comprehensive understanding of how the proposed Guideline will influence market participants, investors, and the broader financial sector, while supporting informed regulatory decision-making.

8.1. Legal Impact

The Exchange Traded Funds Guidelines, 2026, are underpinned by a robust statutory framework derived primarily from the FSRA Act, 2010. The Act empowers the Authority to issue regulatory instruments governing market conduct, collective investment schemes, disclosure standards, and investor protection requirements. This legislative mandate provides clear legal legitimacy for the Guidelines and ensures their enforceability within the existing financial regulatory architecture.

From a legal perspective, the Guidelines introduce clearly defined and enforceable obligations for ETF issuers, trustees, managers, authorised participants, and index providers. These obligations include governance standards, disclosure requirements, valuation methodologies, and operational controls, thereby reducing regulatory ambiguity and strengthening legal certainty for ETF market participants. By codifying these requirements, the Guidelines mitigate the risk of inconsistent practices and enhance compliance across the sector. The Guidelines are aligned with international best practices, particularly the principles issued by the International Organization of Securities Commissions (IOSCO) applicable to exchange-traded funds and collective investment schemes. This alignment strengthens legal defensibility, enhances cross-border credibility, and supports regulatory equivalence where ETFs interact with regional or international markets.

In addition, the Guidelines harmonise with existing securities, investment, and market infrastructure laws to ensure coherence and avoid conflicting obligations for regulated entities. Where overlaps arise, the Guidelines clarify supervisory expectations and delineate the Authority's regulatory oversight, thereby reducing interpretive disputes and compliance uncertainty. The inclusion of enforcement provisions, including sanctions for

misrepresentation, non-disclosure, market manipulation, or operational non-compliance, further reinforces accountability. These measures ensure that legal obligations are meaningful, proportionate, and capable of effective enforcement. Overall, the legal assessment confirms that the ETF Guidelines, 2026, provide a clear, coherent, and enforceable framework that enhances regulatory certainty, strengthens investor protection, and supports orderly development of the ETF market.

8.2. Economic Impact

The Exchange Traded Funds Guidelines, 2026 are expected to generate positive economic outcomes by facilitating the development of a regulated domestic ETF market in Eswatini. By establishing a clear regulatory framework, the Guidelines reduce entry barriers for issuers, managers, and market makers, thereby encouraging innovation, competition, and product diversification within the capital markets.

A key economic benefit arising from the nature of ETFs is increased access to foreign securities, asset classes, and investment strategies. Through both locally domiciled ETFs with offshore exposure and cross listed foreign ETFs, domestic investors are able to efficiently access global equity, fixed income, commodity, and thematic portfolios within a regulated local market environment. This improves portfolio diversification, mitigates concentration risk associated with a small domestic market, and provides partial protection against local economic or sectoral shocks. Importantly, such exposure supports more efficient capital allocation by allowing savings mobilised within Eswatini to participate in global growth opportunities while remaining subject to domestic regulatory oversight.

The possibility of cross listed ETFs further strengthens these economic benefits. Cross-listing enables the introduction of mature, internationally recognised ETF products without requiring full local product development, thereby reducing costs and time to market. It also facilitates market integration with regional and international exchanges, promotes benchmarking against global indices, and encourages the transfer of technical expertise and best practices to domestic market participants. Over time, this contributes to sophistication, credibility, and competitiveness of Eswatini's capital markets.

A key economic benefit is increased investor participation. ETFs provide cost-effective, diversified investment opportunities that are accessible to retail and institutional investors. By improving transparency and standardising disclosure, the Guidelines enhance investor confidence, which is likely to stimulate savings mobilisation and long-term investment activity. In turn, this supports capital formation and contributes to broader economic growth.

The Guidelines are also expected to enhance market liquidity and price discovery. The presence of authorised participants and defined creation and redemption mechanisms improves secondary market trading, reduces pricing inefficiencies, and narrows bid-ask spreads. Over time, these dynamics strengthen the efficiency and resilience of the securities market. While the Guidelines introduce short-term compliance and operational costs for issuers, managers,

and trustees, such as systems upgrades, reporting requirements, and governance enhancements, these costs are expected to be outweighed by long-term economic benefits. These include reduced risk of mis-selling, lower systemic vulnerabilities, and sustained growth in the collective investment sector. Overall, the economic assessment indicates a net positive impact, with the Guidelines supporting sustainable market development and investor confidence. [SS1]

While the Guidelines introduce short-term compliance and operational costs for issuers, managers, trustees, and other market participants, such as system upgrades, reporting obligations, and governance enhancements, these costs are expected to be outweighed by long term economic benefits. These include enhanced risk diversification, improved investor protection, reduced systemic vulnerabilities, increased foreign capital connectivity, and sustained growth of the collective investment sector. Overall, the economic assessment indicates a net positive impact, with the Guidelines supporting sustainable market development, deeper international integration, and long term investor confidence.

8.3. Administrative Impact

From an administrative standpoint, the Guidelines introduce additional reporting, oversight, and compliance obligations for ETF managers, trustees, and issuers. These include periodic disclosures, real-time net asset value reporting, index transparency, and ongoing engagement with the Authority. While this increases operational workload, the use of standardised templates and digital reporting mechanisms mitigates administrative burden and promotes efficiency.

For the Authority, the Guidelines necessitate enhanced supervisory and monitoring capacity, including review of prospectuses, oversight of index providers, and ongoing market surveillance. However, clearly defined regulatory standards reduce ad hoc intervention, disputes, and corrective enforcement actions, improving long-term administrative efficiency. The structured approach embedded in the Guidelines promotes consistent regulatory engagement, predictable supervisory processes, and improved data quality. Over time, this reduces compliance uncertainty and administrative inefficiencies for both the Authority and regulated entities.

8.4. Social Impact

The Exchange Traded Funds Guidelines, 2026, deliver notable social benefits by strengthening investor protection and expanding access to diversified investment products. Enhanced disclosure requirements, transparency around risks and costs, and governance standards empower investors to make informed decisions, thereby supporting financial literacy and responsible participation in the capital markets.

By providing affordable and diversified investment vehicles, ETFs support household savings, retirement planning, and long-term financial resilience. The Guidelines contribute to financial inclusion by enabling wider participation in the securities market, particularly for retail investors who may not otherwise access diversified portfolios. The Guidelines also reinforce

public confidence in the financial system by demonstrating proactive regulatory oversight and alignment with international standards. This trust is essential for sustaining market participation and fostering a culture of accountability and professionalism within the investment industry.

8.5. Environmental Impact

The Exchange Traded Funds Guidelines, 2026, have minimal direct environmental impact. However, they offer indirect environmental benefits through increased use of digital disclosures, electronic reporting, and automated trading and settlement processes. These measures reduce reliance on paper-based documentation and physical administrative processes, contributing to lower resource consumption.

In addition, the orderly and transparent market framework established by the Guidelines supports efficient allocation of capital, including potential future development of environmentally focused or sustainability-linked ETFs. While not explicitly environmental in nature, the Guidelines create a foundation that may facilitate the growth of responsible and sustainable investment products over time.

The LEASE assessment indicates that the Exchange Traded Funds Guidelines, 2026, are well-founded, proportionate, and aligned with the Authority's mandate to promote investor protection, market integrity, and financial sector development. The Guidelines deliver clear legal certainty, support economic growth, improve administrative efficiency, enhance social outcomes, and provide modest indirect environmental benefits. Collectively, these impacts reinforce the resilience, credibility, and long-term sustainability of Eswatini's capital markets.

9. Phase VIII Consultation with Industry

The Authority is committed to a consultative approach in the finalisation and implementation of this legislative framework. The following steps will be undertaken:

- a. The Guideline will be formally circulated to all relevant stakeholders for review and comment.
- b. Stakeholders will be given a reasonable and clearly defined period (e.g., 30 days) from the date of circulation to provide written submissions, comments, and concerns to the Authority.
- c. A series of workshops, focus group meetings, or a one-day comprehensive meeting will be held with industry bodies and other key stakeholders to discuss the provisions of the Guidelines, clarify requirements, gather verbal feedback, and deliberate on submitted comments.
- d. Relevant industry comments and suggestions that align with the overarching policy objectives of the Guideline and strengthen its effectiveness will be carefully considered and, where appropriate, incorporated into the final version of the Guideline.
- e. The finalised Guideline, reflecting the outcomes of the consultation process, will then be promulgated and disseminated.

Annexure 1: Impact Assessment by Stakeholder

Stakeholders are required to use this framework to assess the impact of the provisions on the conduct of their business, including how the Guidelines will influence their regulatory environment. The Authority uses this framework (LEASE) to demarcate the factors for consideration in the impact assessment.

Name of Company or Individual Commenting	Factor (Legal, Economic, Administrative, Social, Environmental)	Summary of Comment / Concern	Suggested Amendment or Recommendation	Assessment by Authority (e.g., Accepted, Noted, Rejected – with rationale)

Column Descriptions:

- Name of Company or Individual Commenting: Identifies the stakeholder providing input.
- Factor: Indicates which LEASE category the comment pertains to.
- Summary of Comment / Concern: A concise description of the issue or observation raised.
- Suggested Amendment or Recommendation: The stakeholder's proposed solution or change.
- Assessment by Authority: The regulator's response, including whether the comment is accepted, noted, or rejected, with a brief justification.