

OPENING BELL ABOUT TO RING FOR NEW FAROESE SECURITIES MARKET

In cooperation with the Icelandic Stock Exchange, the VMF is finally about to be launched, with hopes of attracting foreign investors—and stimulating a new culture of investment among Faroe Islanders.

FOLLOWING YEARS OF careful consideration and practical preparation, VMF, the Faroese Securities Market, is entering commercial reality in anticipation of several new listings in the near future. Since the formation of a corporate entity entrusted with the mission of establishing a securities market suited to the miniature scale of economic life in the Faroe Islands, the VMF accepted government bonds in late 2003 as the first listings on the securities market.

According to officials, the market is expected to grow at a slow pace until it reaches the first level of maturity after about ten years.

Not expecting hectic trading to take place anytime soon, the general

idea is that a few investment objects, most notably one or two publicly owned companies, perhaps Faroese Telecom or Atlantic Airways, could be floated on the market within the next few years. Also, a few private corporations and investment companies are expected to undertake IPO during the first five years of the new securities market.

As of early 2005, one industrial corporation, the predominantly Faroese-owned oil company Atlantic Petroleum, joins Faroese government bonds to pioneer the VMF. According to VMF estimates, the combined market value of listed objects after ten years is likely to total DKK 6 billion (EUR 800 million / USD 1 billion).

In order to establish itself in a cost effective manner, the VMF elected to cooperate closely with the ICEX, the Icelandic Stock Exchange, in effect implying that trading on the VMF occurs via the ICEX, with

Atlantic Airways airplane at Copenhagen Airport; the national carrier is generally considered as a candidates to become listed on the Faroese Securities Market.

clearing and settlement of transactions performed in Denmark by the VP Securities Services.

Said VMF's president and CEO, Sigurd Poulsen: "After the first five years, our predictions are that the VMF will have floated nine industrial corporations, two investment companies and five listings of government bonds."

FIRM BELIEF: Since the formation of the VMF, there has been much discussion about how to organize the Faroese securities market, Mr Poulsen said. In the beginning, there were plans to organize it as an independent 'alternative' market. Later though, it was determined that this was not the optimal solution, as it would be too likely to keep away institutional investors from responding to opportunities to invest locally in Faroese securities. Moreover, it seemed clear that foreign investors would not become interested in the Faroese market unless it was organized as an 'official' market.

"The solution was to cooperate with another securities market, so that the VMF's investment could be held to a minimum," Mr Poulsen explained. "In this way, the Faroese market would eventually become more attractive to both the interna-



*Sigurd Poulsen,
VMF president and CEO.*

exchanges, consisting of the ICEX, the Copenhagen Stock Exchange, the Oslo Stock Exchange and the OMX Stock Exchanges in Stockholm, Helsinki, Riga, Tallinn and Vilnius.

"Association with the NOR-EX Alliance was another strong argument for the consensus that Faroese securities will eventually become attractive to the international investor," Mr Poulsen said. "VMF securities are listed in DKK, as this is the currency of the Faroes and the depository for the securities will be on the depository VP Securities Services; the reason for using the VP is simply that it is the best solution for the Faroese market."

According to Mr Poulsen, the most critical phase for the VMF's success is the launching period and the initial years, until the total value of listed securities reaches a critical mass.

"We will have to attract listings to an extent that arouses the natural interest of investors, issuers and the general public," he said. "It is therefore essential that the Government systematically follows through on its political plans to privatize publicly owned companies and, likewise, that some attractive private corporations become listed. We are dealing with a number of conditions that will have to be met in order to make this a success, but we believe quite firmly that it will take off."

tional and the institutional investor. We concluded after some investigation that to meet our goals, cooperating with the ICEX was the cheapest and best solution."

Through its collaboration with the ICEX, the Faroese securities market has become a part of the NOREX Alliance, a strategic cooperation of Nordic and Baltic stock

