

Following the first listings on the VMF-ICEX, unprecedented levels of securities trading lift eyebrows in a profoundly changed financial landscape—and with privatization of government-owned corporations underway, all thumbs are up for the new market.

SINCE THE FIRST items were floated on the VMF-ICEX (Faroese Securities Market on the Iceland Stock Exchange) in 2003, the financial environment in the Faroe Islands has undergone a virtual revolution. Regardless of what may have caused a clear change of public attitude that has resulted in greater openness with regard to trading company shares and other securities, it would appear that a new era in finance has opened.

“Our business plan did fall behind schedule and things do not always move at the pace you expect,” said Sigurd Poulsen, VMF president and CEO. “But with recent developments in the financial sector, I think we have come a long way in a very short period of time. Looking back one or two years, few would believe, for instance, that people in the Faroes would act so willingly and quickly upon some of the recent offers from the banks to purchase securities.”

Earlier fears that conservatism would withhold people from investing

any significant amounts of money have seemingly been replaced by confidence, emboldened by perceived changes in the attitude of the general populace toward asset and capital management and a new tone among members of the political establishment.

Mr Poulsen added: “The political authorities have started signaling very convincingly that the government aims to stimulate domestic and foreign investment. As for the development of the VMF, it is reassuring to see such issues on the political agenda as the removal of fiscal barriers to investment. All this happens at the same time as actual plans to privatize some of the government-owned companies are not merely being formulated for debating purposes but actually moved forward toward final implementation.”

Three years ago, the first government bond series were listed on the VMF-ICEX; in June 2005, the first company—the Faroese oil and gas company Atlantic Petroleum—became listed, sparking a wave of enthusiasm for investment.

Meanwhile, partly propelled by the aggressive arrival of Iceland’s investment bank Kaupthing a few years earlier, the two largest Faroese banks, Föroya Banki and Föroya Sparikassi, adopted new strategies focusing on investment, with astonishing results.

“We’ve long been aware of existing liquid assets in the Faroes but now we’ve had amply demonstrated that people are ready to invest, in no time, hundreds of million kroner [DKK], which is something of a revolution... So, we have seen this very noticeable increase in public interest for securities, investment and capital management—which for the prospects

Föroya Sparikassi is expected to be floated on the VMF-ICEX within the near future.



Sigurd Poulsen, VMF president and CEO.

VMF: TIME FOR TAKE-OFF

of the VMF-ICEX is a fortunate and positive turn of events. In addition, there are the Faroese pension funds, which alone represent a market worth some DKK 4.4BN [EUR 590M / GBP 409M / USD 719M]; naturally, we will work to attract these funds for investment in securities listed on the VMF-ICEX.”

Several companies are expected to become listed within the next few months including three government-owned enterprises—national carrier Atlantic Airways, national telecommunications company Föroya Tele, and one of the country’s largest banks, Föroya

Banki—plus one or two privately owned companies.

“The listing last year of Atlantic Petroleum was a milestone for the VMF and the Faroes as a financial environment—this was the first publicly listed company based on domestic capital,” Mr Poulsen said.

The VMF-ICEX is an integrated part of the ICEX yet with its securities items valued in DKK instead of ISK and a FO prefix to the security ticker symbol. The ICEX in turn is part of the NOREX alliance, a strategic cooperation among the Nordic and Baltic securities markets.

Recently, a new equity market for small- and mid-cap companies was established by the ICEX under the name of iSEC. According to Mr Poulsen, the iSEC—to which the VMF likewise is linked in the same way as to the ICEX—offers a flexible alternative for small companies.

The iSEC, according to an ICEX presentation, “is open to enterprises in any industry, but it is primarily intended for innovative small and mid-cap growth companies.”

Föroya Banki, about to be privatized and listed on the VMF-ICEX.

VMF – FAROESE SECURITIES MARKET

c/o Governmental Bank
PO Box 229, FO-110 Tórshavn

http://www.vmf.fo
E-Mail: info@vmf.fo
Tel.: +298 318305
Fax: +298 318537

President and CEO:
Sigurd Poulsen

VMF securities are listed in DKK with depository on the VP Securities Services, Denmark.

Through collaboration with the Icelandic Stock Exchange (ICEX), VMF is part of the NOREX Alliance, a strategic cooperation of Nordic and Baltic stock exchanges, consisting of the ICEX, the Oslo Stock Exchange and the OMX Stock Exchanges in Stockholm, Copenhagen, Helsinki, Riga, Tallinn and Vilnius.

There are two markets on the VMF-ICEX: one ‘official’ market (main list), and one regulated market (alternative market), called the iSEC.

The official market is regulated by EU directives that govern all securities markets in EU. The alternative market has lesser demands and suits small and mid cap growth companies.

“iSEC requires systematic information disclosure to investors and conducts market surveillance to ensure investors’ equal access to information. As is only natural, in a market for young and promising companies, investments in companies on iSEC can be expected to involve in general more risk than is usually the case for companies listed on the ICEX Main List.”

