

Impact Exchange: how it will change investing

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- **The Impact Exchange, a platform on the Stock Exchange of Mauritius, represents the first exchange solely for social enterprises to raise capital**
- **Aside from typical financial disclosures, listcos on the Impact Exchange must regularly disclose their social and environmental impact**
- **The Impact Exchange will allow the listing of debt, equity and funds, providing an exit opportunity for socially-conscious investors.**

The Impact Exchange was launched on June 14. As the first platform solely for social enterprises to raise capital, it represents a new opportunity for impact investors.

Environmental, social and governance (ESG) have been buzzwords for investors the last few years, with [private equity giants such as KKR taking them into account when making investment decisions](#). But [impact investing has been slower to develop](#), as tax structures and exit strategies have posed legal concerns.

On May 6, [Impact Investment Exchange Asia \(IIX\) took over the cooperative management](#) of the [Impact Exchange](#) with the Stock Exchange of Mauritius (SEM) from [Nexii](#). Like the Alternative Investment Market (AIM) in London, the Impact Exchange is a separate exchange on the SEM platform.

Matthew Kasdin, legal advisor for IIX, noted that in the last few years, there has been huge excitement around crowd-funding – popular platforms include online for-profit Kickstarter.

“But those have been donations; this is a first where funders are investors in a liquid market and can get their money back and invest in something else,” he said. “We feel this concept will open up a huge untapped well of capital from investors interested in social enterprises.”

Further, the Impact Exchange’s platform on SEM expands IIX’s focus. While it previously focused only on Asia, Mauritius is considered a gateway to Africa and could appeal to African social enterprises looking to list.

Social and environmental impact disclosure

The most distinct aspect of the Impact Exchange is that all social enterprises listed will need to meet social and environmental criteria set by IIX.

Every company that lists on the Impact Exchange will need an authorized impact representation (AIR) who will prepare a report on the company’s social impact, Kasdin explained. The AIR will present that to IIX, whose role is evaluating a company and determining whether it meets the social and environmental requirements to list on the exchange.

However, he clarified that the SEM is a regulated entity, and its regulator is the Financial Services Commission.

“We will make a recommendation in regard to the company’s social and environmental impact, but the final listing will be under the exchange’s license,” he said.

After listing, the social enterprises will be required to disclose their social and environmental impact performance along with their financial performance.

What this means for impact investors

Although impact investment-focused exchanges open to institutional investors have been established, none have been open to retail investors.

Kasdin added that up to now, IIX has been operating the Impact Partners Platform, which has been successful in facilitating private transactions between social enterprises and accredited investors.

“This will open things up to a larger universe of investors,” he said.

Further, he added that what’s exciting is that Impact Exchange can list not only equity and debt, but also funds.

He commented, “In the impact investment space, there are funds that have been very active over the years: this will be a great opportunity for investors in funds to sell their interests in the funds.”

But challenges remain for the Impact Exchange, most notably finding social enterprises willing to list – funds look to be the first listing candidates.

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