

**REPORT OF THE DEVELOPMENT COMMITTEE ON  
STIMULATION POLICIES FOR SECURITIES MARKET DEVELOPMENT**



**INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS**

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## PREAMBLE:

The working group III of IOSCO Development Committee was mandated to examine various policy measures which may be introduced to stimulate the development of emerging securities markets. The working group which was constituted during the IOSCO annual conference held in Venice, Italy in 1989, consists of the following members:-

- (1) Bolivia
- (2) Egypt
- (3) International Finance Corporation (IFC)
- (4) Mexico
- (5) Nigeria (Chairman)
- (6) Arab Monetary Fund (Corresponding member)

At the initial stage, Nigeria as chairman of the working group called for inputs from all members, based on which a comprehensive draft report was written and circularized for comments and later for examination at the meetings of the working group in Nigeria and of the development committee in Mexico. The meeting in Nigeria was of poor attendance. However, the Development Committee meeting from May 23 to 25 1990 was better attended.

In writing the report the stimulation policy measures were categorized into two major areas i.e. policy measures that are capable of boosting supply of securities in emerging markets and those which can stimulate demand for securities.

In addition, it was decided at the Mexico meeting that all identified policy measures should be further categorized as follows:

- (i) measures that are within the purview of the Securities Commissions to implement, based on powers derived from their enabling laws and rules and regulations;
- (ii) measures that require governmental approval; and
- (iii) measures that can be implemented by the Securities Commissions but require the co-operation of government.

Members were encouraged to discuss in detail the mechanisms used in the implementation of any of the measures listed in the report which their respective countries had adopted and implemented.

As a follow-up, countries were to submit to the coordinating country procedures employed in implementing specific measures which have been applied. This was to enable each member benefit from the experience of others.

It was also agreed at the Mexico meeting that questionnaire based on policy measures enumerated in the main report should be drafted and distributed to all Development Committee members. The questionnaire result was to give a vivid idea to the working



group and indeed all Development Committee members, about policy measures that have been introduced by each member country.

The questionnaire was accordingly drawn-up and circulated to members of the committee. Response to the questionnaire was relatively impressive.

At the Development Committee meeting in Istanbul, Turkey, held on May 13 and 14, 1991, it was decided that regional coordinators be nominated to source completed questionnaire from member countries in their regions, which are yet to respond to the questionnaire. Mexico was nominated to represent Latin American region while Nigeria was to coordinate the African and Middle East region and Thailand, the Asian region. It was however discovered that all member countries of the Development Committee in the Asian region had already made returns direct to the Chairman of the Working Group.

At the Istanbul meeting, it was decided that individual members of the Development Committee should formulate:

- (i) a strategic plan to identify its market's characteristics vis-a-vis other markets; and
- (ii) possible stimulation policies which are adaptable in individual markets.

At the IOSCO meeting in September, in Washington, a few countries would be selected for case study. Such countries would have reasonably applied demand and/or supply side policies to stimulate their markets with favourable results.

Part I, of this Report contains the main report which enumerates the possible stimulation policies which can be introduced to develop emerging securities markets. Part II on the other hand summarizes the questionnaire returns and identifies four countries for case study.

## **Part I**

### **STIMULATION OF SECURITIES MARKET:**

#### **POLICY MEASURES WHICH MAY BE APPLIED**

As earlier indicated policy measures may be introduced to boost demand for and/or supply of securities. Nonetheless, the policy measures applied should be determined by the circumstances of individual countries. For instance, in countries with inadequate supply of securities, supply side policies could be introduced to stimulate listing on the exchange. Supply of securities can be increased by the issuance of new securities by public companies and governments as well as private companies seeking quotation for the first time. Besides these, the introduction of new and varied financial instruments would also boost the supply of securities in the market and provide a number of investment options to existing and prospective investors. However, to meaningfully increase the supply of securities, appropriate policy measures need to be introduced.

Demand for securities on the other hand, are those policies which are aimed at, stimulating investments in securities. However, countries should endeavour as much as possible to maintain a balance between the demand for and supply of securities in the market. In other words, while boosting the supply of securities, demand problems



should not be created. Obviously, it would not be reasonable if supply significantly outweigh demand for securities in the market or vice versa.

Besides policy measures which are aimed specifically at influencing demand for and supply of securities, government could introduce other measures (economic, legal and regulatory) which could simultaneously boost the demand and supply positions.

Where governmental action is required for the introduction of certain policy measures, Securities Commissions should consider it a duty to make strong recommendations to their respective governments to adopt such measures. Tax incentives are examples of policy measures which are within the direct jurisdiction of governments. The government would therefore be agreeable before any tax change can be effected.

The level of securities market development particularly, among developing countries varies considerably, so also have been the application of policy measures to stimulate these markets. Two emerging markets, South Korea and Brazil are best known to have instituted the most far reaching and successful policy measures.

#### **MEASURES WITHIN THE POWERS OF SECURITIES COMMISSIONS TO INTRODUCE:**

##### **1. Establishment of Two-tier Market:**

To increase the supply of securities in the capital market, a two-tier market system should be introduced with two distinct types of listing requirements. The first or main market should list larger companies which meet the more stringent requirements while the second market should be accessible to small and medium-sized companies.

##### **2. Introduction of Single Stock Exchange:**

The general trend in the world's securities markets is the merger of stock exchanges. The possible reason being the low trading volume and value which appear not to justify the high overhead costs of operating several stock exchanges. Conscious of the fact that the impact of securities market development needs to be felt in all parts of the country in a developing economy, it is advisable to encourage the establishment of stock exchange branches. All the branches should be linked to ensure easy monitoring.

##### **3. Introduction of Over-the-Counter Market:**

A well regulated over-the-counter market could be encouraged in emerging markets as a means of boosting the supply of securities in these markets.

##### **4. Promoting Financial Intermediaries:**

Financial intermediaries are very vital in the process of developing a securities market and the financial system as a whole. Without adequate, efficient, innovative and competitive financial intermediaries, the level of development of the securities market and indeed the financial system would remain rudimentary. Emerging markets should, therefore, endeavour to improve the number (if necessary), type, innovativeness and activities of financial intermediaries. Policy measures aimed at providing conducive regulatory environment for the operation of financial intermediaries should also be put in place. The existence of a wide array of financial intermediaries and instruments would induce competition and might reduce intermediation cost in emerging markets.

#### **5. Low Cost of Raising Capital:**

High cost of raising funds in the securities market vis-a-vis other alternative sources, such as the money market, would discourage companies and other bodies from utilizing the facilities of the market. This could have adverse effects on the supply of securities in the market. It is, therefore, recommended that securities commissions, in collaboration with other market operators, strive to achieve the lowest possible cost structure comparable to those in the money market and other external capital sources.

#### **6. Promoting Venture Capital Companies and Funds:**

One other means of possibly stimulating emerging securities markets is by encouraging the development of venture capital companies and funds which hopefully with time, will go public or seek quotation on the stock exchange or to be traded on the over-the-counter market.

#### **7. Promoting Institutional Investment:**

Investment activities of some institutions such as insurance companies and pension funds are vital to the securities markets, since part of their surplus funds are usually invested in securities market instruments. Therefore, their participation should be strongly promoted in emerging markets.

#### **8. Increasing Financial Instruments:**

The availability of a wide array of instruments traded in securities markets should provide prospective investors with varied investment choices. On the other hand, when few instruments are available for trading, investors will be quite limited as to instruments to choose from, which may have a discouraging effect on some prospective investors. The introduction of a wide variety of types of securities will not only stimulate demand, but also the supply of securities in the market.

#### **9. Establishment of Collective Investment Vehicles:**

The establishment of unit trusts (mutual funds) and other pooled investment vehicles should be encouraged to improve both the demand for and supply of securities in emerging markets.

#### **10. Low Transaction Costs:**

Transaction costs in securities markets should be kept at the barest minimum to encourage investors participation in the secondary market.

#### **11. Adequate Market Infrastructural Facilities:**

Adequate infrastructural facilities such as well-functioning and efficient trading, clearance, settlement and depository systems are essential for the development of a securities market. Securities Commissions, together with stock exchanges and other market operators should, therefore, make continuous efforts to improve these facilities.



#### **12. Introduction of Margin Loans and Other Purchases Support Forms for Investors:**

The provision of margin credits and other mechanisms such as employee ownership schemes could help to increase the demand for securities and trading in the securities market.

#### **13. Improving Information of the Public:**

In many emerging markets the level of awareness about the securities market is relatively low. Without awareness, these markets are not likely to develop reasonably well as both demand for and supply of securities would be impaired. To improve knowledge about the market, securities commissions as well as stock exchanges and other market operators should constantly carry out public information programmes about the benefits of the use of and investment in the capital market. In general, all avenues must be exploited to disseminate information to the public and consequently enhance the overall knowledge about the securities market.

#### **14. Introducing Other Operational Mechanisms:**

Emerging markets must strive to increase the liquidity of listed securities. Therefore, other operational mechanisms may be introduced according to their particular circumstances, among them, short sales, specialists or market makers, circuit breakers, rating agencies, market stabilization funds, etc.

#### **15. Improving Market Surveillance Systems:**

Efficient and effective surveillance systems are also important for the development of securities markets. It should be one of the priorities of securities commissions that such systems be well developed.

### **MEASURES THAT MIGHT REQUIRE GOVERNMENTAL APPROVAL:**

#### **1. Tax Incentives for Companies:**

- (a) Introduction of a two-tier corporate tax rate in favour of publicly-held companies;
- (b) Introduction of corporate tax exemption for newly quoted companies;
- (c) Deduction of a percentage of the cost of going public or seeking public quotation;
- (d) Deduction of a percentage of corporate profits distributed to shareholders.

In more general terms, tax systems should be neutral in their treatment of equity and debt financing and not favour the latter or the former.

#### **2. Tax Incentives for Investors:**

Tax incentives for investors are perhaps one of the most effective methods of increasing the demand for securities. Specific measures can include:



(a) elimination of withholding tax on dividends earned on equity investment and interest income on bonds. In the alternative, withholding tax on these investments could be brought significantly below the prevailing rate for competing investments;

(b) capital gains on securities market investments should also be tax free;

(c) investors should be allowed to deduct up to a prescribed limit of the amount invested in capital market instruments, or at least in new issues, from income tax.

### 3. Mandatory Measures:

Legal and regulatory measures such as requiring limited stock companies to go public, non-extension of credit to companies which refuse to do so, moral suasion, etc. may be required in certain countries under certain circumstances.

### 4. Review of Credit Policies if necessary:

The provision of "cheap" and subsidized credits directed to certain preferred sectors of the economy has adverse consequences for securities market development since companies and institutions in such sectors will tend to show a preference for such credits rather than utilizing longer term market rate funds. It is suggested that developing countries discard or at least minimize such forced credit allocation practices which not only deter the development of the securities market but also misallocate resources and may impede economic development.

### 5. Review of Corporate Law:

In countries with stiff corporate law requirements and cumbersome procedures with respect to acquiring public status, such requirements and procedures could be modified to make it easier for private companies to go public without, however, jeopardizing disclosure and accounting requirements expected of public companies and other investor protection measures.

### 6. Improving Telecommunication Facilities:

Adequate telephone, telefax, postal and other communications systems, as well as a regular power supply, is essential for development of a securities market, and their improvement should, therefore, be encouraged.

### 7. Establishment of a Proper Legal and Regulatory Framework:

This should embrace all aspects of market activities i.e. participants, trading activities, etc. in order to instill confidence. Indeed, for any securities market to be well developed, there has to exist confidence by all participants in the market.

Emerging securities markets should ensure that proper auditing and accounting standards and procedures are put in place while the disclosure of information is adequate and accurate enough to protect investors.

### 8. Privatization:

For countries embarking on certain economic reform programmes such as privatization, the capital market should be used as an avenue for implementing such programmes.

#### **9. Introducing Debt\Equity Conversion Programmes:**

Debt\Equity conversion programmes can also aid the development of the securities markets if conversions are effected through the capital market. Debt\equity conversion should, therefore, be encouraged.

#### **10. Formulating Internationalization Strategies:**

Internationalization strategies which open local securities markets to foreign portfolio investors can considerably stimulate development of emerging markets. There are various forms of capital market internationalization which individual countries can critically examine, with possibilities of adoption. These include global investment funds, neutral investment schemes, country funds, foreign listing, flight capital repatriation schemes, etc. It is also recommended that auditing and disclosure requirements should also be in line with international standards.

#### **11. Encouraging International Support:**

International and bilateral agencies should be encouraged to increase their support of emerging securities market development.

#### **MEASURES THAT REQUIRE JOINT EFFORTS OF SECURITIES COMMISSIONS AND GOVERNMENT:**

These have already been discussed and might include the introduction of:

1. single stock exchanges with branches
2. venture capital companies and funds
3. collective investment vehicles
4. adequate and functional market infrastructural and telecommunication facilities;  
and
5. adequate measures to encourage institutional investment in the securities market.

#### **PART II**

#### **SUMMARY OF QUESTIONNAIRE RETURNS**

Twenty six (26) countries responded to the questionnaire including Austria which is not an emerging market and Cyprus which is yet to establish an official market. These two countries were therefore not included in this summary. In other words, only 24 countries were included in the analysis. The response level is considered fair as over half the member countries of the Development Committee responded. The questions asked were considered comprehensive since all possible measures for market develop-



ment were covered. The questionnaire could however, be modified and enlarged for future exercises.

It was observed that out of the 24 countries, 20 or 83.3 per cent reported having the following stimulation policy measures in place:

- stock market indices;
- efficient and diverse financial institutions;
- active participation of institutional investors; and
- auditing and disclosure requirements of international standards.

One country, Colombia however, regarded its auditing and disclosure requirements as fair. Nineteen (19) countries, that is 79.2 per cent, responded positively to the adequacy of their legal and regulatory frameworks. The same number of countries had introduced monthly and annual bulletins and regarded telecommunications facilities in their countries as adequate and efficient.

It was also observed that in addition to stock indices, monthly and annual bulletin, most countries have introduced other forms of public information system. For instance, 15 countries representing 62.5 per cent publish weekly bulletins about their markets while quarterly market bulletins are available in 14 countries or 58.3 per cent of respondent countries. Half yearly bulletins are the least popular, present only in 10 countries of the 24 countries i.e. 41.7 per cent of respondent countries. Six countries, Argentina, Chile, Colombia, South Korea, Taiwan and Tunisia have established in their markets all the five types of market information strategies, categorized in the questionnaire. Panama on the other hand, has not introduced any of the information mechanisms stated in the questionnaire.

Another policy measure which has been widely introduced is privatization, which is in place in 18 countries (75 per cent of respondents). Debt conversion is also operative in 13 countries. It was observed that most countries that have debt conversion programmes are also privatizing state-owned enterprises. Thus, of the 13 countries with debt conversion programmes 10 also have privatization schemes. Indeed 12 respondents stated that both programmes have had favourable impact on their capital markets.

Mutual funds (unit trusts) are operating in 17 countries. However, closed-end investment vehicles - investment companies (investment trusts) have not been as widely introduced as unit trusts, although most countries, 13 in number or 54.2 per cent of total respondents, have established closed-end funds. Ten countries stated having other forms of collective investment vehicles but most did not give details. It is therefore, necessary for the benefit of other members, that these countries (including Korea, Colombia, Oman, Trinidad and Tobago, Philippines, Jordan, Chile and Uruguay) throw more light on such investment vehicles operating in their countries.

Transaction cost and the cost of raising capital were reported to be low in most countries. On the whole 16 and 15 countries respectively considered transaction cost and the cost of raising capital to be low in their markets. Over-the-counter (OTC) markets have been established in 15 of the 24 countries.



While capital gains tax has been eliminated or reduced in most countries, other forms of tax incentives have not been widely introduced. For instance only 9 countries (37.5 percent of respondents) have eliminated or reduced withholding tax on dividend and interest incomes. Corporate tax incentives for public companies are in effect in 5 countries (20.8 per cent). About half the countries do not operate cheap credit policies directed at preferred sectors of the economy.

Another policy measure which seemed popular and has been introduced by over half of the countries is second-tier market on the stock exchange as 14 countries have so far done so.

The least popular measure introduced by only two countries, Egypt and Tunisia, is tax break for newly quoted companies. Three countries (12.5 per cent), Colombia, Egypt, and Tunisia allow a percentage of distributed corporate profit to be deducted from corporate tax. Similarly, deduction from corporate tax of the total or a percentage of the cost of public quotation has not been applied by a great majority of countries as only 5 countries have this incentive in place.

In conclusion, questionnaire would be sent to all member countries of the Development Committee in order to assess progress made by individual countries.

The appendix shows a summary of returns from four countries that have been identified for case studies.

The four countries are Brazil, Mexico, Nigeria and South Korea. The choice of Brazil and South Korea is based on the fact that both countries have in the past, extensively employed market incentives. Mexico has made reasonable progress in its market while Nigeria is currently implementing certain policy measures which have had positive impact on the capital market.

#### **COUNTRIES IDENTIFIED FOR CASE STUDY**

##### **Brazil:**

1. Although having been on study for some time, a two-tier market has not been introduced yet.

2. Unification of stock exchanges is currently under study. However, both the Rio de Janeiro and the Sao Paulo stock exchanges have automatized trading systems that may be used also by members of other exchanges.

3. An over-the-counter market has existed in Brazil for very long. However, it is not organized, and has no self-regulatory body and no computerized trading system.

CVM Ruling No. 51, published in December, 1988, allows and regulates the organization of OTC -regulatory associations, but to date no one has been registered.

4. Venture capital companies exist and are regulated by the National Monetary Council Resolution No. 1184 of 1986.

5. Open-ended mutual funds, organized as condominiums, have existed in Brazil since 1965.

6. In Brazil, all investment funds are open-ended. There are no incorporated closed-end investment companies, except for the so-called foreign capital investment companies created under Decree Law No. 1401, of 1975. Some of these companies are still in existence, under the National Monetary Council Resolution No. 1289 of 1987.

7. In Brazil there are several other types of collective investment forms:

- Pension Funds (open and closed)

- Investment clubs

- Collective retirement plans, known as PAIT (Worker Individual Retirement Plans) etc.

8. Margin Loans Operate under CVM Ruling 51 of 1986.

9. There are no other investment support loans. Brokerage houses are actually forbidden from financing their customers in any other form other than margin loans. Banks are not forbidden from making loans for investment in the securities market, but no special provision is made, and such loans would not be treated differently from the ordinary ones.

10. In Brazil there are three types of market information dissemination systems:

(a) stock market price indices. The Sao Paulo Stock Exchange index (IBOVESPA) is calculated since 1968, and that of the Rio Stock Exchange since 1971. The latter had its methodology changed in 1986, and historical values with the new methodology are available since January 2, 1984;

(b) daily, monthly and annual bulletins, in all stock exchanges have been obligatory since 1966;

(c) on-line information from the Rio, Sao Paulo and the Minas Gerais Stock Exchanges are available.

11. Surveillance system and infrastructural facilities are efficient and adequate in Brazil. Financial institutions are also efficient and diverse while institutional investors are active players in the market.

(b) Direct transaction costs are low, going from a maximum of 2% on smaller transactions to 0.5% on the larger ones.

Indirect costs are now higher because of the recent imposition of taxes on capital gains.

(c) The same occurs with the cost of raising capital. Direct registration and intermediation costs are low. Indirect costs, however, are considered high, and sometime include index pricing of the new issues, in addition to the costs involved in disclosures.

(d) Available financial instruments in the corporate securities market are shares, bonds, call and put options (the market on the latter being considerably less active), forward and future contracts on individual stocks, stock index futures, options on index futures have been introduced, but their market is currently inactive.



12.(a) Tax withholding on dividends has not been eliminated.

(b) Capital gains taxes, which did not exist, have been imposed as at January 1, 1991.

(c) Cheap credit policy directed at preferred sectors has been eliminated.

13. In Brazil, there are no tax incentives for companies to go public. No percentage of distributed dividends may be deducted from corporate tax. However, the costs of going public and of issuing new stocks are fully deductible as company expenses.

14.(a) Foreign investors may participate in the Brazilian markets through foreign capital investment companies (closed-end). Foreign capital investment funds (open end), and country funds (investment companies incorporated abroad, the object of which is investing in the Brazilian markets). The first country fund was incorporated in 1988, and its shares are listed on the NYSE

(b) Domestic companies are neither forbidden from issuing stocks abroad nor from being listed in foreign markets, but to date only very few have done that, without much result. New regulation on the subject is now under study.

(c) Foreign capital invested in Brazil through investment companies or funds is subject to a 90-day minimum permanence rule.

(d) There is a debt conversion programme within which several auctions were held in 1988, such auctions have been suspended since early 1989. A privatisation programme was established in 1990, and is now beginning to be implemented.

15. The debt conversion programme has not made any impact in promoting the capital market. The privatisation programme is on the other hand too recent for any results to be valued.

16. Auditing and disclosure requirements on Brazilian companies, intermediaries and market are of comparable quality to those of any developed market.

17. The Comissão de Valores Mobiliários - CVM is in charge of regulating, surveying and developing the markets for companies issuing securities and those of futures and option contracts having such securities as their underlying assets. All such markets are subject to the Commission's previous authorisation before going into operation.

In order to be allowed to sell their securities to the public, companies must be registered with the Commission and fulfil a number of registration requirements which include full disclosure and independent auditing of their accounts. All intermediaries must also be registered both with the Central Bank and with the Commission, and are subject to auditing by both agencies. Stock exchange members are surveyed also by the exchange. The use of insider information is forbidden, and subject to a number of penalties.

All that makes for a legal and regulatory framework of comparable level to that of the more developed markets are in place.

#### KOREA:

1. Korea has a two-tier market on the stock exchange



2. It has one stock exchange without branches as well as an over-the-counter market.
3. There are venture capital companies, mutual funds (unit trusts) and investment companies (investment trusts) and a bond management fund.
4. Margin loans and securities collateral funds are two types of investor support loans provided.
5. A wide variety of information medium exists - e.g a stock market price index, weekly, monthly, quarterly half yearly and annual bulletins.
6. The Korean market has a computerized and efficient surveillance system. There are diverse financial institutions said to be efficient. Infrastructural facilities are adequate and efficient as well.
7. Transaction costs are quite low such that commission rate is a maximum of 0.4%; the cost of raising capital is also low, for instance underwriting fee is 2.5%.
8. Various forms of taxes have either been reduced or eliminated. Capital gains tax is not levied. Withholding tax is between 10% to 25% and there is cheap credit policy for the preferred sectors.
9. There are no tax incentives in form of a two-tier corporate tax rates. No tax exemption for newly quoted companies, and no percentage deduction on the cost of going public from corporate tax.
10. Country Fund (Korea Fund) was introduced in 1984, since then other funds have been floated. However there is no foreign listing of domestic companies or existing schemes for the repatriation of flight capital;
11. There is a privatisation programme which has helped to boost capital market activities. A debt conversion programme is non-existent.
12. Auditing and disclosure requirements are of international standard and the country's legal and regulatory framework is adjudged to be adequate.

#### **MEXICO:**

1. Recognizing the important differences (trading volume, liquidity and others) among the listed companies, a two-tier market is currently being considered for the Mexican Stock Exchange.
2. The Mexican Stock Exchange was founded in 1895 and operated as the single stock exchange in Mexico until 1960. From that year, up until 1970, three stock exchanges: Mexico City, Guadalajara and Monterrey, operated in Mexico. In 1970, the exchanges were unified, and up to the present time the Mexican Stock Exchange is the only exchange in the country. It should be mentioned that in 1975, with the publication of the Securities Market Act, the complete legal framework for the Mexican securities market was established.
3. The importance of giving access to long term market resources to small and medium size companies has already been established as a priority. In this sense, a study for the

implementation of a Second-tier market in Mexico is currently being conducted by the National Securities Commission, in order to determine its feasibility.

4. Up to date 67 venture capital funds have been authorised, 36 of which are now in operation with total assets of 147 MD invested in 44 promoted companies.

5. At the end of 1980 there were 4 equity mutual funds. In September, of 1990 there were 65 equity mutual funds; 25,578 shareholders and total assets of 2.1 billion dollars.

6. Money market funds for individuals:

At the end of 1984 there were 6 money market funds for individuals. In September of 1990 there were 80 money market funds for individuals, 709,347 shareholders and total assets of 15.5 billion dollars.

Money market funds for corporations:

At the end of 1989 there were 15 money market funds for corporations. In September of 1990, there were 32 money market funds for corporations, 10,918 shareholders and total assets of 1.1 billion dollars.

7. Private pension and savings funds that complement the official scheme exist in Mexico.

8. Margin loans were suspended in 1988, but are expected to be reintroduced during 1981, along with the implementation of short sales.

9. Future settlement operations in the equity market were also suspended in 1987.

10. Market information in Spanish and English is officially provided by the Mexican Stock Exchange through their regular publications and bulletins. Quotations as well as other financial information regarding listed companies is disseminated "on line" throughout the country by the Stock Exchange computerized system and terminals.

With regard to international exchanges, general information is also published and available "on-line".

11a . Surveillance of the market is conducted relying on an automated system of uncommon quality among emerging markets. The use of this system has allowed officials at the CNV to have access to complete and real time data of the Mexican Securities Market and to follow on a permanent basis the financial performance of all broker-dealer firms.

11b. Main Financial Entities:

Mexico's financial system is primarily regulated by the Ministry of Finance, the central authority that coordinates, supervises and designs the financial policy in Mexico. The Central Bank of Mexico, and three independent National Commissions: Securities, banking and insurance, have also specific regulatory and supervising responsibilities.

The financial system in Mexico is composed of commercial and development banks, brokerage firms, insurance companies, and other non-banking credit institutions, such



as leasing, bonding, bonding and factoring companies, credit unions and financial warehouses.

With regard to the securities market, we must consider the Mexican Stock Exchange, the Central Depository Agency (Indeval), as well as "recognised" rating agencies, and research firms.

**11c Securities Market instruments:**

**-The money market**

**A. Government**

**:Federal treasury bills (cetes)**

**:Federal government development bonds (bondes)**

**:Federal treasury promissory notes (pagafes)**

**:Federal treasury bonds (tesobonos)**

**:Adjustable federal government bonds (ajustabonos)**

**B. Private:**

**:Commercial paper**

**:Commercial paper indexed to the free exchange rate (pacober)**

**:Bankers acceptances**

**:Promissory notes for companies listed on the Mexican Stock Exchange**

**:Money market funds for individuals**

**:Money market funds for corporations**

**:Asset backed bonds of warehouses (bonos de prenda)**

**-Capital Market**

**A. Variable Yield**

**:stocks**

**:Equity mutual funds**

**:Venture capital funds (sincas)**

**:Bank's ownership certificates (caps)**

**:Ordinary certificates of participation (CPOS)**



:Representing "A" shares

B. Bonds:

:Debentures

:Debentures indexed to the free exchange rate (ocober's)

:Petrobonds (petrobonos)

:Participation certificates

:Bankers indemnification bonds (BIB's)

:Bank development bonds

:Urban renovation bonds

Silver certificates (ceplata)

11d. All 25 brokerage firms in Mexico, count on adequate and efficient infrastructure facilities. By law, the system used for the reception and assignment of customer's orders must be computerised.

The Mexican Stock Exchange recently moved to a new office complex, "The Mexican Stock Exchange Center" and upgraded its computer system.

In addition to the stock exchange, the Centre is also the headquarters for the Mexican Securities Industry Association, the Central Depository Institute and the Mexican Market Institute.

The basic concept behind the Stock Exchange Centre was to concentrate the various private institutions participating in the development of the securities market and bringing together their human, technological and financial resources.

It must be mentioned that the Central Depository (INDEVAL) is completely computerized and carries on settlement of securities in trading + 2 days. This institution was recently recognised by the US Securities & Exchange Commission as "Foreign eligible custodian".

11e. Telecommunication facilities via satellite have been installed by at least 3 of the major brokerage firms, being able to interact directly with their branches all over the country. Other brokerage firms communicate primarily via telephone line.

11f. Preliminary data indicates that 60% of all share volume of equity securities traded on the Exchange is accounted for by institutional investors.

11g. Currently, commissions charged by the brokerage firms to their customers, either to buy or sell equity securities at the stock exchange, are fixed at 1.7% for orders of less than 70,000 dollars.

Above that amount a commission of 1% is charged, and for banking institutions it is 0.85%.

Money market orders are handled on a discount basis.

11h. The "Pact for Economic Solidarity", Mexico's current stabilization program, has successfully brought about a sharp fall in the inflation rate at a time the economic activity has showed signs of recovery. The "Pact" has been renewed continuously since December 1987, when it was implemented, and has combined fiscal and monetary discipline with agreements on prices and wages between the government, labor and business sector.

The positive effect of the "Pact" have spurred lower interest rates in the market and thus lower costs of financing for Mexican companies. Interest rates have decreased from approximately 149% in January of 1988 to 29% in October of 1990.

12a. Withholding tax on money and bond market instruments is currently 2.53% for individuals.

Government debt securities are exempt for individuals.

For corporations, interests gained on securities must be accumulated.

12b. Capital gains in the Mexican securities market are exempt for shares.

Corporations must accumulate their capital gains, but are allowed to recognise the effect of inflation in the cost of acquisition of shares.

12c. Development banks do have cheap credit policies directed to certain preferred economic sectors, such as agriculture. Though, it should be mentioned that from October 1988, the Mexican government began a comprehensive financial reform, which includes:

1. the elimination of required lending by commercial banks to the public sector;
2. the free determination of interest rates and maturities of all bank instruments; and
3. the replacement of the reserve requirement regime for banks, with the introduction of a 30% liquidity factor, invested in government securities at market rates.

From the second semester of 1989, the public sector is no longer financed through the banking system; instead it is doing so by placing government paper through open market operations.

13 a b c : Tax incentives such as the ones mentioned have not yet been introduced in the Mexican market, in order to increase the listing of public companies.

13d. Tax treatment for dividends distributed by corporations (whether listed or not) to shareholders (individuals or corporations) follows a two track approach;

1. If dividends are distributed from corporate profits before paying taxes, no tax is withheld;
2. If dividend are distributed from corporate profits before paying taxes a 35% tax must be withheld.



#### 14a. Country Funds:

Since 1981, when the Mexico Fund was launched, no other Mexican country funds were established until September of last year. Since then, 6 new closed-end funds and 1 open-ended with Mexican securities have been launched amounting \$290 million dollars.

These recently established funds are:

-The Mexico Investment Co. in Luxembourg amounting to 35 US million dollars (MD) in shares series "B". The first Mexico fund listed in London amount to \$60 million of money market and bond instruments.

-The Mexico Equity & Income Fund listed in NYSE amounting to 70 MD.

-The Emerging Mexico Fund, Inc. listed in the NYSE amounting to 60 MD.

-The Latin American Investment Trust, Plc. listed in NY amounting to 75 MD, of which 33% is invested in Mexican securities.

-Tokyo amounting to 55 MD of which 30% is invested in Mexican securities.

-The Mexico Premium Portfolio, N.V amounting to 30 MD invested in government securities (open-ended fund).

14b. The Government authorised as neutral investment the purchase of trust certificates representing series "A" shares (reserved to Mexicans) by foreign portfolio investors through trusts constituted in Mexican banks. From November 1989 to 1990 this mechanism has channeled above 580 million dollars of new foreign investment to our market.

14c. Foreign listing of domestic companies has taken place in the form of ADR's (American Depository Receipts). Currently 7 ADR's are traded in the American market and amount to approximately 2.1 billion dollars while four more companies have recently sponsored new ADR facilities.

14d. A flight capital repatriation scheme was designed and promoted by the Mexican government in 1990. The main factors that have induced the repatriation of capitals are:

- Total confidentiality

- Favourable tax treatment, 1% total payment of the repatriated capital;

- Tax amnesty.

It is important to mention that during the present year, approximately US\$1 billion dollars have been repatriated adhering to this scheme through brokerage firms and banks.

#### 14e. Privatisation Program

Considered to be among the most important economic measures applied by the government of Mexico is an integral privatisation program. Since 1982, this program has liquidated 360 firms and privatized more than 300 companies including the two major airline companies - Mexicana and Aeromexico, the most important copper mine - mineral cananea - as well as several chemical enterprises and fishing industries, and is in the process of selling the largest Latin America telecommunications company - Telmex - and all commercial banks (18). It is estimated that the whole impact of the privatisation program will amount to US\$18 billion dollars.

#### **14f. Debt Conversion Program:**

Have taken the form of equity swaps, amounting during 1990 to one billion dollars.

15. The Mexican securities market is expected to participate strongly in the privatisation process. Already it has contributed to private fishing industries, and will play a major role in the selling of Telmex and the commercial banks, currently under way and expected to be completed in 1991.

Debt conversion programs, such as the debt-equity swaps being implemented in Mexico, will not have an impact on the securities market, but rather in the high priority areas of development such as tourism, agriculture and others, which will benefit directly from higher levels of investment.

16. The Mexican accounting principles are generally accepted internationally, however efforts are devoted to improve some field practices. Such is the case of extraordinary events, discontinued operations and related parties. Other principles as inflationary accounting are subject to reconciliation.

17. A complete and thorough legal and regulatory framework in the Mexican Securities Market has existed since the publication of the Securities Market Act of 1975.

In 1990 important legal reforms to the Securities Market Act were approved by the Congress. These reforms include subjects such as:

1. Strengthening restrictions for the use of inside information;
2. Self-regulation
3. Recognition of the specialist
4. Repurchase of stocks by the issuer;
5. Mandatory automation for brokerage houses, in the reception, registration, execution and allocation systems.
6. Participation of Mexican brokers in international operations.

#### **NIGERIA:**

1. A second-tier securities market (SSM) with less stringent requirements was introduced in Nigeria in April 1985. The SSM is to attract smaller companies to the Nigerian Stock Exchange. There are currently (24\7\91) 16 companies quoted in this market while 3 companies have so far graduated to the main market of the Exchange.



2. Nigeria has only one stock exchange (The Nigerian Stock

Exchange) which has been in operations since 1961. The Stock Exchange has six (6) branches located in major commercial cities of the country. However, the bulk of trading activities is carried out in the Lagos branch of the Exchange.

3. No Over-the-Counter (OTC) market has been established.

However, the modalities for its introduction is currently under study by the Securities and Exchange Commission. Similarly, although no venture capital funds presently exist in the country, the Raw Materials Research and Development Council under the Federal Ministry of Science and Technology is looking into the establishment of a risk fund scheme in the country.

4. A unit trust scheme was introduced in the country in 1990. Unit trusts are regulated by chapter 17 of the Companies and Allied Matters Decree 1990 which is administered by the SEC. There are currently (25\7\91) 7 units trusts in Nigeria and many applications are presently under consideration.

5. There are no investment companies or other collective

investment vehicles. Also margin loans and other investor support loans (apart from employee and bank loans which are

however not mandatory) are non-existent.

6. There is a stock market index established in 1984. There are daily, weekly, monthly, quarterly and yearly bulletins on market activities in Nigeria.

7. The market surveillance system is yet to be computerised and currently not very effective owing to infrastructural inadequacies. However, the SEC is presently strengthening its surveillance Division for more effective monitoring of capital market activities. Financial institutions are diverse, active and efficient. Also institutional investors participate actively in the capital market. Indeed certain legal provisions make it mandatory for insurance companies and pension funds to invest part of their funds in securities market instruments.

8. Transaction cost is considered low in Nigeria. It is based on a scale of commission. For equities and interest bearing industrial securities, the maximum chargeable commission is 3% of the value of securities subject to a N10 (about US\$1) minimum. In addition to brokerage commission, stamp duty is required as well as SEC commission for buying interests which is  $1\frac{1}{8}$  of 1% of purchase subject to a minimum of N1.00 (about US10 cents). The cost of raising issues is however fairly high in Nigeria, but the SEC is currently considering placing a limit on certain cost components such as issuing house fees.

9. Withholding tax on capital market instruments was in July 1991 reduced from 15 to 5 per cent. Also the cost of quotation is now tax deductible for companies on the second-tier securities market. However, capital gains tax remains at 20 per cent.

10. Cheap credit policy was eliminated in 1988 when economic

liberalization programmes were introduced. The elimination of cheap credit policy in the money market has considerably stimulated new issues activities in the capital market.

11. Privatisation and debt conversion programme are currently

under implementation. The former has enhanced the growth of securities and shareholdings in the market. So far 22 companies have been listed on the Nigerian Stock Exchange as a result of both Federal and State governments.

12. The Nigerian market has not been internationalized. There are no country funds although one is being proposed.

13. The regulatory framework is adequate so also are the accounting and disclosure requirements which are of international standards.



MEASURES FOR STIMULATING CAPITAL MARKET DEVELOPMENT

OTHER POLICY MEASURES

DEMAND-SIDE POLICY MEASURES

SUPPLY-SIDE POLICY MEASURES

- |   |   |   |
|---|---|---|
| <ol style="list-style-type: none"> <li>1. Two-tier corporate tax</li> <li>2. Tax break for newly quoted companies</li> <li>3. Deduction of all, or part of cost of seeking quotation from corporate tax</li> <li>4. Deduction of a percentage of distributed corporate profit from corporate tax</li> <li>5. Introduction of second-tier market on the Stock Exchange.</li> <li>6. Introduction of over-the-counter market.</li> <li>7. Promotion of financial intermediaries</li> <li>8. Low cost of raising equity/debt capital</li> <li>9. Elimination of subsidized credit policy</li> <li>10. Promotion of venture capital companies and funds.</li> <li>11. Relaxation of stiff corporate laws.</li> <li>12. Mandatory quotation of certain class of companies</li> </ol> | <ol style="list-style-type: none"> <li>1. Elimination or considerable reduction of withholding tax on dividends or interest income on bonds.</li> <li>2. Deduction from income tax (subject to a prescribed limit) of amount invested in capital market instruments or at least in new issues</li> <li>3. Promotion of insurance companies, pension funds and other types of institutional investors</li> <li>4. Availability of wide variety of financial instruments.</li> <li>5. Establishment of collective investments schemes.</li> <li>6. Low transaction cost.</li> <li>7. Promotion of adequate telecommunications system and market infrastructural facilities.</li> <li>8. Introduction of margin loans and other purchase support facilities for investors.</li> <li>9. Elimination of capital gain tax.</li> </ol> | <ol style="list-style-type: none"> <li>1. Establishment of proper legal and regulatory framework.</li> <li>2. Enhancing information of the public.</li> <li>3. Privatisation</li> <li>4. Debt Conversion</li> <li>5. Internationalisation strategies.</li> <li>6. Establishment of Efficient market surveillance system.</li> </ol> |
|---|---|---|

STIMULATION POLICIES FOR SECURITIES MARKET DEVELOPMENT

COUNTRY \_\_\_\_\_

Please indicate whether or not the following Policy Measures have been introduced in your country:

/NO	POLICY MEASURES	YES	NO	WHERE APPLICABLE STATE DATE INTRODUCED	COMMENTS
1.	Second market on the stock exchange(s)				
2.	Single stock exchange (unified) with branches				
3.	Over-the-counter market (OTC)				
4.	Venture capital companies and fund				
5.	Mutual funds (unit trusts)				
6.	Investment companies (investment trusts)				
7.	Other collective investment vehicles (please specify)				
8.	Margin loans				
9.	Other investor-support loans (please specify type)				
0.	Regular market information such as:-				
	(a) stock market price index				
	(b) weekly bulletin				
	(c) monthly bulletin				
	(d) quarterly bulletin				
	(e) half yearly bulletin				
	(f) annual bulletin				



STIMULATION POLICIES FOR SECURITIES MARKET DEVELOPMENT

COUNTRY \_\_\_\_\_

NO	POLICY MEASURES	YES	NO	WHERE APPLICABLE STATE DATE INTRODUCED	COMMENTS
1.	Does your market have:- (a) computerized and efficient surveillance system (b) efficient and diverse financial institutions (c) List type of financial instruments (d) adequate and efficient infrastructural facilities (e) adequate and efficient telecommunication facilities (f) active participation of institutional investors (g) low transaction cost (give rough estimates) (h) low cost of raising capital (give a rough estimate of cost as percentage of an average issue)				
2.	Have the following been eliminated/reduced (please specify) (a) withholding tax on securities market investments (b) capital gains tax (c) cheap credit policy directed at certain preferred sectors				
3.	Have you introduced tax incentives such as:- (a) two-tier corporate tax rates to favour public companies (b) corporate tax exemption for newly quoted companies (c) deduction of a percentage of the cost of going public (please state percentage)				

STIMULATION POLICIES FOR SECURITIES MARKET DEVELOPMENT

COUNTRY \_\_\_\_\_

NO	POLICY MEASURES	YES	NO	WHERE APPLICABLE STATE DATE INTRODUCED	COMMENTS
13.	(d) deduction of a percentage of distributed corporate profit from corporate tax.				
14.	Have you introduced: - (a) country fund(s) (please state type) (b) other global investment funds (state type) (c) foreign listing of domestic companies (d) flight capital repatriation scheme (e) privatization programme (f) debt conversion programme				
15.	Have programmes 14 e and f helped in promoting the capital market ?				
16.	Are your auditing and disclosure requirements of international standards ?				
17.	Are your legal and regulatory framework adequate ?				

Note:  
If space for comments is inadequate, separate sheets may be used and attached to this form.



SUMMARY OF QUESTIONNAIRE RETURNS

Policy Measures	ARGENTINA	BRAZIL	CHINA	COLOMBIA	EGYPT	GUATEMALA	INDIA	INDONESIA	JAMAICA	JORDAN	KOREA	MEXICO	NIGERIA
Second - Tier Market	Y	N	Y	Y	Y	N	N	N	N	N	Y	N	Y
Single Stock Exchange (Unified with branches)	N	N	N	N	N	N	N	N	Y	N	Y	Y	Y
Over - The - Counter Market (OTC)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	N	N
Venture Capital Companies & Funds	N	Y	Y	Y	N	N	Y	N	Y	N	Y	Y	N
Mutual Funds (Unit Trusts)	Y	Y	Y	Y	N	N	Y	Y	Y	N	Y	Y	Y
Investment Companies (Invest. Trusts)	N	Y	Y	Y	N	N	Y	N	-	N	Y	Y	N
Other collective Investment Vehicles	N	Y	Y	Y	N	N	N	N	-	Y	Y	Y	N
Margin Loans	Y	Y	Y	Y	N	N	N	N	N	Y	Y	N	N
Other Investor-Support Loans	Y	N	N	Y	N	Y	-	N	Y	N	Y	N	N
Regular Market Information eg:													
Stock Market price Index	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	Y
Weekly Bulletin	Y	N	Y	Y	N	N	Y	N	Y	Y	Y	Y	Y
Monthly Bulletin	Y	Y	Y	Y	N	N	Y	Y	Y	Y	Y	Y	Y
Quarterly Bulletin	Y	N	Y	Y	N	N	N	N	Y	Y	Y	Y	Y
Half Yearly Biletin	Y	N	Y	Y	N	N	N	Y	N	Y	Y	N	N
Annual Bulletin	Y	Y	Y	Y	Y	Y	N	Y	Y	-	Y	Y	Y
Does your Market have :													
Computerised & efficient surveillance System	Y	Y	Y	Y	N	N	N	N	N	Y	Y	Y	N
Efficient & Diverse Fin. Institutions	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Adequate & efficient Infrastructural facilities	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	Y	N
Adequate & efficient Telecom. facilities	Y	Y	Y	Y	Y	N	Y	Y	Y	Y	Y	Y	N
Active Participation of Inst. Investors	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
Low transaction cost (Rough Estimate)	N	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y
Low cost of Raising Capital	N	Y	Y	Y	Y	Y	Y	Y	-	Y	Y	Y	Y





**SUMMARY OF CREDITORS' ASSESSMENTS**

Policy Measures	COSTA RICA		CUBA		PANAMA		PHILIPPINES		SINGAPORE		TAIPEI		THAILAND		TRINIDAD AND TOBAGO		TUNISIA		URUGUAY		VENEZUELA		YES		NO		FAIR		
	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS	ANSWER	WAS			
Second - Tier Market	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	14	10	-	-			
Single Stock Exchange (Unified with branches)	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	9	15	-	-			
Over - The - Counter Market (OTC)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	15	8	1	1				
Venture Capital Companies & Funds	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	11	12	1	1			
Mutual Funds (Unit Trusts)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	17	7	-	-			
Investment Companies (Invest. Trusts)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	13	10	1	1			
Other collective Investment Vehicles	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	10	13	1	1			
Margin Loans	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	10	14	-	-			
Other Investor-Support Loans	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	6	14	4	4			
Regular Market Information eg:																													
Stock Market price Index	-	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	3	1	1			
Weekly Bulletin	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	15	8	1	1			
Monthly Bulletin	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19	4	1	1			
Quarterly Bulletin	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	14	9	1	1			
Half Yearly Bulletin	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	10	13	1	1			
Annual Bulletin	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19	3	2	2			
Does your Market have:																													
Computerized & efficient surveillance System	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	10	14	-	-			
Efficient & Diverse Fin. Institutions	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	4	-	-			
Adequate & efficient Infrastructural facilities	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	17	5	1	1			
Adequate & efficient Telecom. facilities	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19	4	-	-			
Active Participation of Inst. Investors	N	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	4	-	-			
Low transaction cost (Rough Estimate)	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	16	5	3	3			
Low cost of Raising Capital	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	15	5	4	4			

Have the following been Eliminated/Reduced?

Withholding tax on Sec Market Investments	Y	M	M	M	M	Y	N	N	Y	N	Y	N	Y	9	14	1
Capital Gain Tax	Y	M	M	M	M	Y	N	N	Y	N	Y	N	Y	16	6	2
Cheap Credit Policy Directed at Pref. Sectors	Y	M	M	M	M	Y	N	N	Y	N	Y	N	Y	12	12	-
HAVE YOU INTRODUCED TAX INCENTIVES BY:																
2-Tier Corp. tax to favour Public Comp.	M	M	Y	M	M	Y	N	N	Y	N	Y	N	Y	5	19	-
Corp. Tax Exemption for newly Quoted Comp.	M	M	M	M	M	Y	N	N	Y	N	Y	N	Y	2	22	-
Deduction of % of cost of going Public for corp Tax	M	M	Y	M	Y	M	N	N	Y	N	Y	N	Y	5	19	-
Deduction of a % of Distributed Corp.	M	M	M	M	M	Y	N	N	Y	N	Y	N	Y	3	20	1
Profit from Corporate Tax	M	M	M	M	M	Y	N	N	Y	N	Y	N	Y	10	14	-
HAVE YOU INTRODUCED:																
Country Fund (State Type)	M	M	Y	M	M	Y	N	N	Y	N	Y	N	Y	6	18	-
Other Global Investment Funds	M	M	M	M	M	Y	N	N	Y	N	Y	N	Y	6	18	1
Foreign Listing of Domestic Companies	M	M	M	M	M	Y	N	N	Y	N	Y	N	Y	10	13	1
Flight Capital Repatriation scheme	Y	M	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	18	6	-
Privatisation programme	M	M	M	Y	M	M	N	N	Y	N	Y	Y	Y	13	11	1
Full Conversion programme	M	M	M	M	M	Y	N	N	Y	N	Y	Y	Y	12	5	7
Have Programs 14: & f help in Promoting the capital Market?	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	20	3	1
Are year Auditing and Disclosure Requirement of International standards?	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19	4	1
Is your legal and Regulatory Framework Adequate?	Y	M	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	19	4	1

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Y = YES  
 N = NO  
 F = FAIR  
 - = NOT ANSWERED