



Post-trade made easy

Crossborder links: challenges for the markets

Tashkent, September 2018



What is 'Euroclearability'?

Euroclearability describes the ingredients needed for a local capital market to provide

- local issuers and investors with an easy and efficient access to international liquidity, and
- international investors with an easy and efficient access to the local capital market

This term was originally coined by international investors.



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Benefits of Euroclearability



- Access to a broad and international investor base & liquidity pool
- Lower cost of borrowing for domestic issuers
- Increased domestic market liquidity
- Inclusion / higher weight in local market bond indices
- Ability to use local currency bonds as collateral



Creating an effective Capital Market

2 challenges

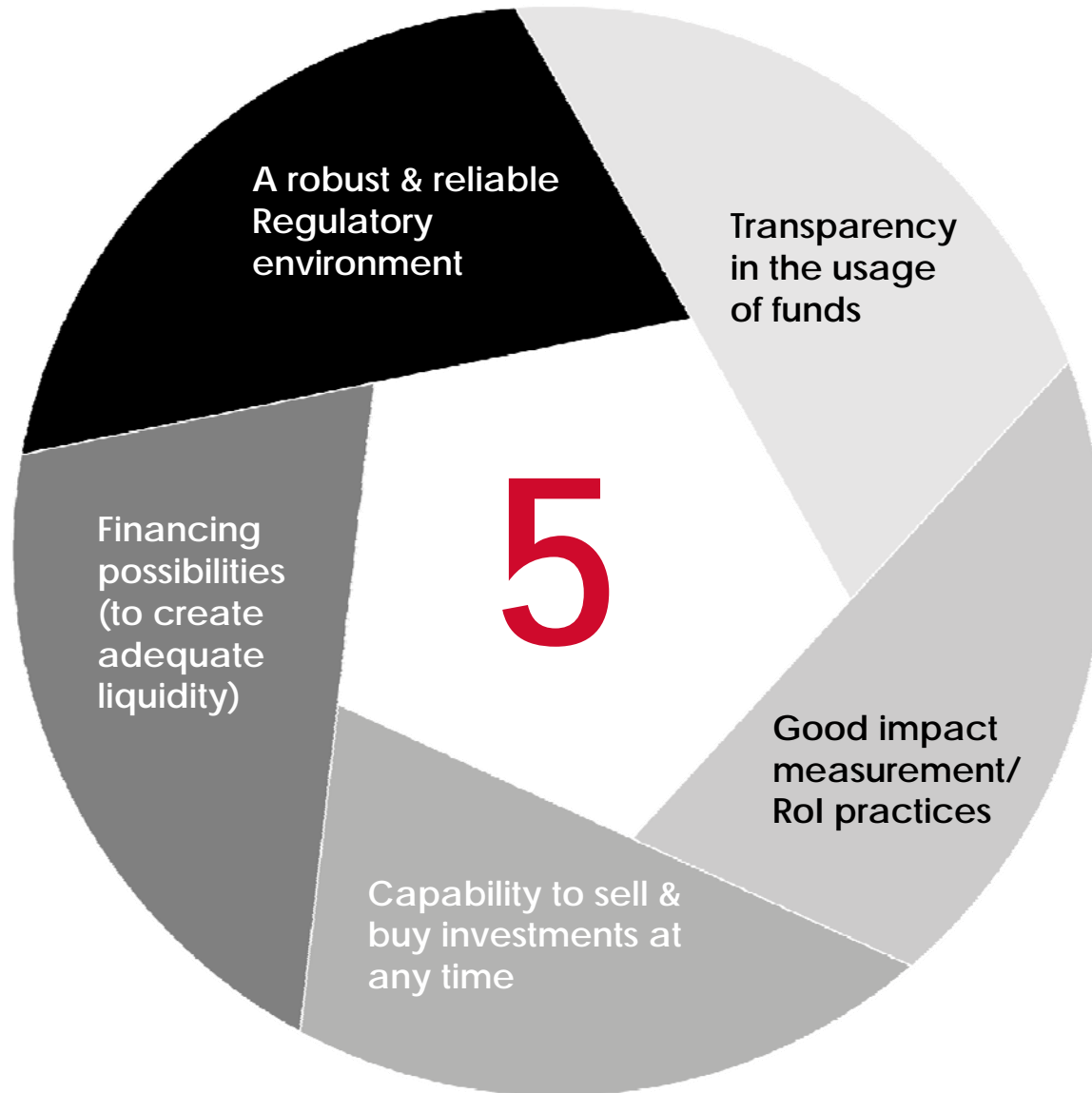


How to grow the investor base – and have them motivated to buy the different instruments

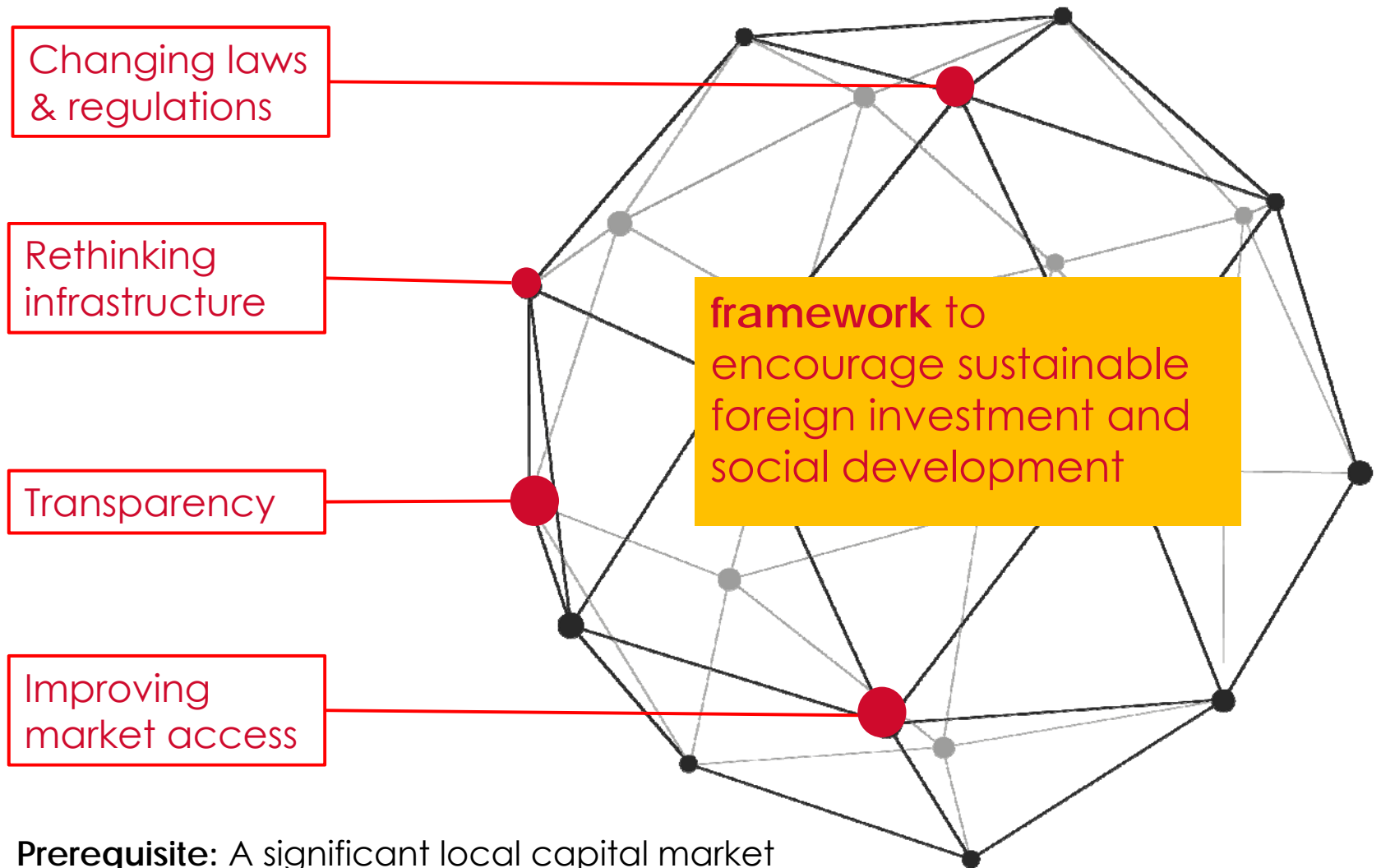


How to get the market reach **the tipping** point (10% - 15%) of liquidity

What is needed to meet the challenges?



How to transform local capital markets?





Practical ingredients for Euroclearability

- ✓ Clear strategy (borrowing program, etc) and coordination amongst the stakeholders at the local market
- ✓ Recognition of FMI concept
- ✓ Recognition of foreign nominee concept
- ✓ Omnibus account structure (securities & cash)
- ✓ Clear settlement finality framework
- ✓ Recognition of offshore settlement
- ✓ Efficient withholding tax procedures
- ✓ Freely convertible and transferable currency
- ✓ No market barriers for foreign investment



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Summary

Creating the Right Conditions

It will not be a success without

- ✓ the political willingness and support
- ✓ addressing foreign nominee needs
- ✓ revising taxes on transactions hampering liquidity
 - *hence preventing long term investors to come*
- ✓ being mindful of investors time zones
 - *T+0 works for same time zone investors, but not for international ones*
- ✓ the development of a solid capital market infrastructure accompanied by the transformation of the legal and regulatory framework

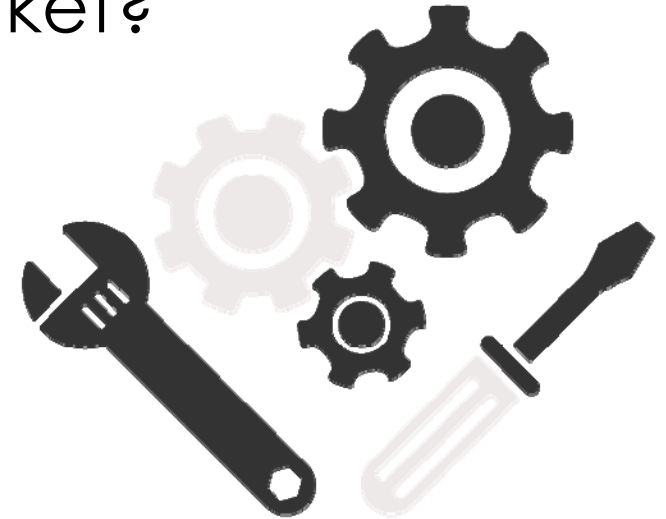
(Exchanges, CCPs, CSDs), that provide enough comfort to the international investors to invest along with adequate transparency and asset protection





How do I transform my market?

1. Create the **right conditions**
2. Establish **the connection**
3. **Maximise the development** impacts





Maximising the Development **Impacts**

- Looking out for pitfalls
- The right borrowing mix
- Investing for the future



- **How much?**
 - ▶ 5 mn, 50 mn, 500 mn, 5 Bn USD?

- **Who can?**
 - ▶ Sovereigns, quasi-sovereigns, large corporates, FMs, banks and FIs, SMEs?

- **What to?**
 - ▶ Bonds, equities, hybrids?

- **Where to?**
 - ▶ Local market, international market, US, Europe, Asia, MENA?



Investing for the future

- A reduction in yield allows for governments to invest in
 - ▶ The healthcare, basic infrastructure, education, pension reforms, urban infrastructure,...



* - World Bank Report titled – “Future of Food”: April 2017



- **In the next 15 years...**

- ▶ 1.6 billion in low & middle income countries will reach working age. Where will they work?

- **Food system***

- ▶ Farming, transportation, storage, processing, distribution, retailing, preparation and restaurants
- ▶ Currently employs majority of people in developing countries.... and....
- ▶ As per capita income increase and eating patterns shift, demand for off-farm segment jobs will grow...



* - World Bank Report titled – “Future of Food”: April 2017



Where to invest?

- Invest where the youths will find jobs
- Invest where jobs won't discriminate based on gender and age – thus promoting social inclusion



* - World Bank Report titled – “Future of Food”: April 2017



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