

Report of the Development Committee
on
Internationalization



INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS

October 1993

Foreword

The Development Committee, which is made up of more than 40 members of the International Organization of Securities Commissions ("IOSCO") that regulate emerging securities markets, has endorsed on October 25, 1993 this Report from its Working Group on Internationalization and has authorized its public release during the XIXth Annual Conference of the Organization. The first part of the Report, prepared under the chairmanship of the Superintendencia de Valores of Columbia, contains an up-dated summary that includes the answers provided by 23 members of the Organization to a questionnaire on internationalization which was prepared by the Working Group. The objective of the Development Committee of IOSCO is to promote the development of emerging securities markets, in particular, by the exchange of pertinent information and the implementation of common standards.

UP-DATED SUMMARY

When presenting the report on internationalization of the emerging capital markets that has been previously sent to you, we deem it necessary to make some additional comments regarding the information obtained after the expiration of our dead-line to send this report to the General Secretariat of IOSCO.

I. JUSTIFICATION

As was stated in the report that was sent to you, the questionnaire on Internationalization was sent -in accordance with the Development Committee decision- to the regulatory agencies of all Committee members, and to several others in countries with developed markets. Seven (7) new countries responded, so that the report was prepared based on the information provided by fifteen (15) agencies, including Colombia. We know that this information can not be considered representative, but it is in any case a better sample than the one upon which the Nairobi's report was based.

The Colombian Superintendency, conscious of the seriousness of its commitment as Chairman of the Internationalization Work Group, was not satisfied with preparing and sending the report within the term given by the IOSCO General Secretariat. We continued our task, obtaining eight (8) additional answers, which we consider highly useful for the purposes of this group.

We specially appreciate the cooperation of the regulatory agencies from Spain and Sweden, since the information provided by them illustrates which our goals shall be, and in which direction our efforts shall be made, toward the internationalization of our capital markets.

At the end, we evaluated the answers of twenty three (23) agencies, which gives us a better idea about the stage of internationalization reached by each of our Capital Markets, and the main problems faced by them during their legal harmonization process. We can also evaluate the improvements that each country has made in terms of financial innovation, and liberalization of their capital markets, i.e. allowing local issuers to turn to foreign markets and the simultaneous opening of the markets to the foreign investors.

II. RESULTS

In order to update the information regarding the countries to which the questionnaire on internationalization was sent and those that provided the information requested, we prepared the following chart:

AGENCY	COUNTRY	ANSWER
SUPERINTENDENCIA DE COMPAÑIAS	ECUADOR	
CAPITAL MARKET AUTHORITY	EGYPT	X
FINANCIAL SERVICES BOARD	SOUTH AFRICA	
SECURITIES AND EXCHANGE COMMISSION	NIGERIA	X
COMISIÓN NACIONAL DE VALORES	PANAMA	
BANCO CENTRAL DEL URUGUAY	URUGUAY	X
COMISIÓN NACIONAL DEL MERCADO DE VALORES	SPAIN	X
COMISIÓN NACIONAL DE VALORES	BOLIVIA	X
CAPITAL MARKET BOARD	TURKEY	
BOURSE DES VALEURS MOBILIÈRES DE TUNIS	TUNISIA	
CAPITAL MARKETS AUTHORITY	KENYA	
COMISSÃO DO MERCADO DE VALORES MOBILIÁRIOS	BRAZIL	X
POLISH SECURITIES COMMISSION	POLAND	X
COMMISSARIAT AUX BOURSES	LUXEMBOURG	
COMISIÓN NACIONAL DE VALORES	ARGENTINA	X
ISRAEL SECURITIES AUTHORITY	ISRAEL	
SWEDISH FINANCIAL SUPERVISORY AUTHORITY	SWEDEN	X

AGENCY	COUNTRY	ANSWER
THE BANKING, INSURANCE AND SECURITIES COMMISSION (Kredit Tilsynet)	NORWAY	
SWISS STOCK EXCHANGE	SWITZERLAND	
JAMAICA STOCK EXCHANGE	JAMAICA	
COMISIÓN NACIONAL SUPERVISORA DE EMPRESAS Y VALORES	PERU	X
SECURITIES AND EXCHANGE BOARD	INDIA	X
SECURITIES AND EXCHANGE COMMISSION	PHILIPPINES	
THE MONETARY AUTHORITY OF SINGAPORE	SINGAPORE	X
STATE SECURITIES SUPERVISION	HUNGARY	
SUPERINTENDENCIA DE VALORES Y SEGUROS	CHILE	X
COMISIÓN NACIONAL DE VALORES	MEXICO	X
COMISIÓN NACIONAL DE VALORES	COSTA RICA	X
SECURITIES AND EXCHANGE COMMISSION	KOREA	X
COMISIÓN NACIONAL DE VALORES	VENEZUELA	X
STOCK EXCHANGE COMMISSION	MAURITIUS	X
AMMAN FINANCIAL MARKET	JORDAN	X
THE STOCK EXCHANGE OF THAILAND	THAILAND	X
GUERNSEY FINANCIAL SERVICES COMMISSION	GUERNSEY	X

COMISIÓN NACIONAL DE VALORES	PARAGUAY	X
SUPERINTENDENCIA DE VALORES	COLOMBIA	X
COMMISSION DES OPÉRATIONS DE BOURSE	FRANCE	

III. ANALYSIS OF THE OBTAINED ANSWERS

3.1. Raising Sources

Regarding this point, the conclusion stated in the report delivered to you prevails, since the majority of the enquired countries (18 out of 23) have had placed local issues in foreign markets. Only Poland, Uruguay, Nigeria, Jordan and Mauritius have not used this mechanism.

The conclusion in accordance to which the internationalization of the capital markets does not happen both ways with the same intensity, is still valid. It appears to be more frequent that local issuers turn to foreign markets in order to obtain financial sources, than the placement of foreign securities in the local markets. The obtained information shows that foreign placements have been carried out in only eight (8) of the enquired countries. These countries are: Argentina, Colombia, Costa Rica, Brasil, Uruguay, Singapore, Spain and Sweden.

Turning to financial instruments, ADR's, GDR's, stocks and Eurobonds are still the most frequently used, being London, the United States and Luxembourg the preferred markets to place them. In the cases of Spain and Sweden, their placements are also made in the European markets (EC).

The lack of legal harmonization, as well as different accounting standards were mentioned as the main problems faced when placing local issues in foreign markets.

In order to avoid being repetitive, we will only point out the case of Poland which we consider illustrative. The Polish Securities Commission is not favourable, for the time being, to the issue of securities by local entities abroad. The reason for this being the relatively small size of the market, its local character and the risk of arbitrage between the local and foreign markets, which they suspect would have a negative effect on the Polish Market. This should be understood as a temporary measure, keeping in mind the current features of the Polish economy.

Beside routine problems regarding the adaptation of the "prospectus" to the rules applicable in the market where the placement shall take place-which have been easily overcome- Spain mentioned the differences in the accounting standards when the issue is going to be placed in the United States.

When answering the question regarding the problems faced by foreign issuers during local placements, almost all the countries mentioned legal and accounting differences, as well as the market's limited absorptive capacity for a large offering. Please keep in mind that this question was answered as "Not applicable" by most of the countries. Therefore, the information provided hereby shall be understood in this context.

Regarding the use of underwriters, the conclusion is still the one stated in the report, since only Argentina, Singapore, Spain and Sweden have some experience with this mechanism.

3.2. Restrictions

With respect to this point, in which the improvements in terms of internationalization can be realized, many countries mentioned some kind of restrictions for the sale of local securities in foreign markets or for the placement of foreign securities in the domestic markets.

Argentina, Paraguay, Egypt, Uruguay, Guernsey and Singapore are the only countries with no legal restrictions for this kind of transaction.

It is worth mentioning that these transactions are not subject to any kind of restrictions, neither in Spain nor in Sweden.

Most of the enquired countries do not allow the local placement of bonds issued by foreign governments and the local placement by foreign issuers are -in almost all countries- subject to special regulations different than those applicable to local securities.

3.3. Positive and Negative Effects

In addition to the positive effects mentioned in the report, it is worth mentioning that the regulatory agency of Singapore states that the internationalization of its capital market has generated the growth of their secondary market. The Indian Securities Commission mentions that the private investments have increased, supplementing the industrialisation of their economy.

As negative effects produced by the internationalization, an increase in the volatility of the stocks prices was mentioned by several countries.

3.4. Foreign Investment Participation in the Securities Markets

The influence of internationalization in the emerging capital markets is particularly evident in this answer. Only in two (2), out of twenty three (23) countries some kind of restrictions regarding repatriation of capital are still applicable to foreign investment (Chile and Mauritius).

3.5. Tax Treatment

Regarding the tax treatment given to foreign investment in each enquired country, the trend to provide equal treatment to foreign and national investment prevails. Only seven (7) countries grant identical tax treatment to foreign and local investment.

3.6. Privatization

After analysing all the answers obtained, we can conclude that privatization of state properties have taken place in twenty one (21) of the twenty three (23) enquired countries. In twelve (12) of this countries, said privatizations have been carried out - at least partially- through the stock exchanges.

Although the purpose of privatization is not to strengthen the securities markets, the enquired countries declared to have perceive positive side-effects in terms of development and growth of said markets.

The case of Poland deserves a special comment, since 95% of the total amount traded in the stock exchange during 1992 corresponds to privatizations. Seventeen (17) out of nineteen (19) companies listed on the Warsaw Stock Exchange were privatized by public offering. Approximately a 75% of the privatized entities (both, by way of public offering and by private placements) was acquired by foreign investors.

Although this figures can be imprecise -as the Polish Securities Commissions warned- they show us the importance of privatization as a development tool for the capital markets, as well as an instrument to achieve its internationalization.

3.7. Rating Agencies

The answers obtained show that most of the enquired countries do not have rating agencies at this moment. India, Chile, México, Argentina and Korea currently count with this kind of agency, aswell as Spain and Sweden.

Colombia and Costa Rica are currently in the process of authorizing the creation of rating agencies in their countries. In Colombia, the first rating agency is expected to be in operation before the end of this year.

It is worth mentioning that, with the exeption of Spain and Sweden. the evaluations performed by the existing rating agencies are not accepted abroad.

3.8. Central Depositors of Securities

Eleven (11) out of twenty three (23) agencies mentioned the current existance of Central Depositors, which in most of the cases are in charge of the clearing and settlement of securities transactions. Only six (6) of the existing Depositors have international links.

3.9. Memorandums of Understanding (MOU's)

This instruments, known as an important tool for the assistance and cooperation between regulatory agencies of different countries, is not used as often as it would be desirable. In fact, most of the enquired agencies stated to have signed or to have initiated negotiations for the signature of MOU's with other agencies. Nevertheless, there are still eight (8) countries that did not mention any plans to suscribe this kind of agreements. India is a special case, since allthough they do not have signed MOU's as such, the Indian Securities and Exchange Board has been exchanging information with other regulatory agencies of IOSCO members.

Most of the countries mentioned the existance of Information Exchange Agreements. In fact, only five (5) regulatory agencies do not have exchange of information with other countries.

Regarding the agreements for the cross-listing of stocks, only Argentina and Paraguay have signed this kind of agreement, within the scope of MERCOSUR. Venezuela has initiated negotiations within the scope of the Latinamerican Reserve Fund for this purpose.

CONCLUSION

Having said the above, we can go back to the conclusions reached in the original report, since excepting the issues that were specifically mentioned, the conclusions and trends in terms of internationalization of the emerging capital markets are totally valid.

RECOMMENDATIONS

Based on the answers obtained, as well as on the above comments, we consider it convenient to make the following recommendations:

1. We note that the main task to be performed by the Development Committee is to attract the attention of its members toward internationalization as an important goal for their markets; thus, stimulating the countries interest in taking active part in the internationalization process and in learning how to handle the inherent risks in order to reduce the fear that some countries might have in this respect.
2. We also deem very important that the members of the Development Committee have permanent access to the changes and improvements achieved internationally regarding regulation, procedures, requirements and accounting standards, in order to enforce the measures necessary to adjust their local rules to said improvements.

All of the above will allow us to take great strides in the harmonization process, as a first step toward internationalization.

3. Regarding prevailing restrictions to the placement of local securities in a foreign markets and to the placement of foreign securities in the local markets, we think that IOSCO has a great task to perform through its Development Committee. This could be achieved by updating the existing information on international systems and regulations, thus supplying all countries with knowledge of the evolution and improvements made in this area. Based on said information, the countries can begin their process toward the harmonization of their local rules, procedures and requirements, gradually eliminating restrictions to the mentioned transactions. We suggest the creation of a work group for this matter, which would be in charge of making the follow-up on improvements and adjustments in this important area.

4. Recognition of the positive economic effects of internationalization of the securities markets strengthens the need to speed up said process with concrete measures that shall be adopted hereby. Thereby, after having identified several inconveniences faced by the emerging markets during the internationalization process, we consider convenient to organize regional groups that could design general guidelines to solve their principal problems. It could be important to establish, for example, regional standards regarding the qualification of rating agencies and the criteria and systems for rating, so that the evaluation made by a local agency could be recognized or accepted in other countries. This would clearly simplify the internationalization of securities in those countries interested in said process.

5. Finally, the duties of the Central Securities Depository Organizations as well as those of the Clearing Houses should be directed to reach an efficient settlement of international transactions. Therefore, the structure of said entities should be harmonized in order to support their integration. Said integration provides the harmonization of settlement and clearing systems, from an international perspective. For this purpose we would suggest that each of our countries adopts the recommendations of the G-30, which are contained in its study known as the "Blue-Print".

We still have a long way to go to reach these goals. We hope to count on your contribution to work towards the internationalization of our securities markets in order to be able to offer financial alternatives to foreign investors, according to the world's trends.

MAIN REPORT

THE INTERNATIONALIZATION PROCESS IN EMERGING MARKETS EVALUATION OF SOME EXPERIENCES

1. FOREWORD

As it was explicit in the internationalization of emerging markets report presented last year by the Chilean Superintendency of Securities and Insurance, the internationalization of capital markets is not only an evident fact characteristic of our days, but also an unavoidable process.

Therefore, the analysis of our capital markets behavior toward this inevitable trend of the financial world is not only justified but also an imminent need.

As Chairman of the Internationalization Work Group and in compliance with its assignment, the Colombian Superintendency of Securities prepared a questionnaire (Attached as Appendix I hereto) designed to detect the principal obstacles faced by our countries in their recent internationalization process.

In preparing this questionnaire, we were conscious that the sharing of our markets internationalization experiences supports and accelerates their legal, technical and financial adaptation process; in order to be able to actively participate in the imminent internationalization process which none of our countries -I am sure- wants to stay out of.

Therefore, firstly the questions intended to identify the stage of internationalization reached by each of our capital markets and the main difficulties found by the member countries of the Development Committee during this process.

Secondly, we formulated several questions, in accordance with the conclusions and recommendations of the Chilean report, to find out if the internationalization has produced the expected effects which were the technical and financial sophistication of the domestic markets. This questions tried to establish if the improvements reached in the process of harmonization of rules, procedures, requirements and accounting standards, which were identified by the mentioned report and by the Development Committee as the most important tools for the internationalization of our markets, had been achieved.

This report presents the main results of the recent internationalization experiences in the emerging markets. A brief reflection about the internationalization of the questionnaire, methodology used and the answers to the same, concluding with our conclusions and recommendations.

2. INTERNATIONALIZATION OF SECURITIES MARKETS

Before coming to the analysis of the obtained answers, we would like to briefly emphasize the importance of the securities markets internationalization for the countries interested in advancing in the process of internationalization of the productive system.

The securities markets have recently acquired a major theoretical importance for macroeconomics and for finance.

The extensive use of the intemporal optimization models in the analysis of consumption and investment has clearly evidenced its integration. This is how managerial investment decisions, explicit evaluations of risk and the role of uncertainty, among other factors, tend to point out the securities markets' function in economy, and particularly with respect to investment decisions facing internationalization.

It is of general knowledge that the important financial markets have traditionally been the monetary and the debt markets. Nevertheless, this concept has been underestimated during the present discussions of the fiscal and monetary policies regarding investment. Therefore, the securities market remains as a key financial market, even though the companies still obtain significant financing through debt.

The importance of the securities markets proportionates to the effectiveness of the cross border integration process. This is basically caused by the need for modernization of the productive system, since it is expected that the opening of the capital markets will be consolidated, thus facilitating the financing of companies.

Nevertheless, the awaited internationalization process has not been as simple and as rapid as be desired, since the characteristics of each domestic market do not allow it.

There is no doubt about the benefits of market internationalization, since integration contributes to development, increases competition and the efficiency level of the domestic markets, as was concluded in the Chilean report. Furthermore, internationalization will provide significant support to economic growth, increasing capital sources and widening investment alternatives. On the other hand, managers have the possibility to count with more reasonable financial sources and to contact foreign shareholders, increasing their confidence in the productive process.

If the benefits of securities market internationalization are clear, the adoption of free mechanisms which makes said integration possible cannot happen as quickly as necessary, since structural conditions, such as market stability, communication systems and the laws ruling the market delay the integration process.

2.1. The Questionnaire

2.1.1. Purpose

As stated above, the questionnaire was prepared in order to identify the improvements reached by each market in its internationalization process. The questions were also formulated based on the conclusions and recommendations presented in the Chilean report last year.

The questionnaire was divided into four parts. The first, titled "Experiencias", seeks to find the internationalization activities that each market has been carrying out, specially regarding the signature of assistance and cooperation agreements, as well as agreements for the exchange of information. This part also included questions regarding the experiences of each market placing foreign securities in their country and/or placing local securities abroad.

In the second part, the questions are designed to obtain information about the financial instruments used by local issuers to obtain financial sources in international markets and by foreign issuers to raise financial sources in the local market.

The third part refers to the harmonization of rules, requirements and procedures in order to be able to establish the improvements reached in this area by each market.

The fourth part seeks to obtain information that allows us to evaluate the economic effects of internationalization and to gather data about the tax and exchange treatment provided for foreign investment in each country.

Lastly, we request several economic indicators that will supply us with a basis on the size of each market.

2.1.2. Methodology

The questionnaire was designed to obtain concrete answers to be received by fax.

In the same way, the questionnaire was divided into subjects in order to make it easy to answer. We also opened the door for the enquired countries to provide us with any additional information that could be relevant to our report.

2.1.3. Results

It should be mentioned that the questionnaire was initially sent to 15 countries, obtaining answers from only 8,¹ including Colombia. Based on said answers, the Colombian Superintendency of Securities prepared a preliminary report that was presented before the Working Group on Internationalization at the Development Committee meeting held in Nairobi on May 1993. During said meeting it was agreed to send the questionnaire to more countries, in order to obtain a more representative sample that would allow us to achieve better conclusions. Therefore, the questionnaire was sent to the regulatory agencies of all Development Committee members, and to several other agencies in countries with developed markets, in order to be able to compare their answers with those provided by the emerging markets. This time, we obtained answers from seven (7) other emerging markets, so that we compared the answers of fifteen (15) countries. The information obtained is considered very useful for our report.

In the following chart you can find the agencies we sent the questionnaire to, and those that provided us with an answer.

AGENCY	COUNTRY	ANSWER
SUPERINTENDENCIA DE COMPAÑIAS	ECUADOR	
CAPITAL MARKET AUTHORITY	EGYPT	X
FINANCIAL SERVICES BOARD	SOUTH AFRICA	
SECURITIES AND EXCHANGE COMMISSION	NIGERIA	
COMISION NACIONAL DE VALORES	PANAMA	
BANCO CENTRAL	URUGUAY	
COMISION NACIONAL DEL MERCADO DE VALORES	SPAIN	
COMISION NACIONAL DE VALORES	BOLIVIA	X

¹/ Argentina, Colombia, Chile Korea, Mauritius, Jordan and Venezuela.

CAPITAL MARKET BOARD	TURKEY	
BOURSE DES VALEURS MOBILIERES	TUNISIA	
CAPITAL MARKETS AUTHORITY	KENYA	
COMISSAO DO MERCADO DE VALORES MOBILIARIOS	BRAZIL	X
POLISH SECURITIES COMMISSION	POLAND	
COMMISSARIAT AUX BOURSE	LUXEMBOURG	
COMISION NACIONAL DE VALORES	ARGENTINA	X
ISRAEL SECURITIES AUTHORITY	ISRAEL	
SWEDISH FINANCIAL SUPERVISORY	SWEDEN	
THE BANKING, INSURANCE AND SECURITIES COMMISSION	NORWAY	
ASSOCIATION OF SWISS EXCHANGES	SWITZERLAND	
JAMAICA STOCK EXCHANGE	JAMAICA	
COMISION NACIONAL SUPERVISORA DE EMPRESAS Y VALORES	PERU	X
SECURITIES AND EXCHANGE BOARD	INDIA	
SECURITIES AND EXCHANGE COMMISSION	PHILIPPINES	
THE MONETARY AUTHORITY OF SINGAPORE	SINGAPORE	
STATE SECURITIES SUPERVISION	HUNGARY	

SUPERINTENDENCIA DE VALORES Y SEGUROS	CHILE	X
COMISION NACIONAL DE VALORES	MEXICO	X
COMISION NACIONAL DE VALORES	COSTA RICA	X
SECURITIES AND EXCHNGE COMMISSION	KOREA	X
COMISION NACIONAL DE VALORES	VENEZUELA	X
STOCK EXCHANGE COMMISION	MAURITIUS	X
AMMAN FINANCIAL MARKET	JORDAN	X
THE STOCK EXCHANGE OF	THAILAND	X
COMISION NACIONAL DE VALORES	PARAGUAY	X
COMMISSION DES OPERATIONS DE BOURSE	FRANCE	

2.1.3.1. Raising Sources

Regarding the raising of financial sources by local issuers in foreign markets, all countries except Mauritius and Jordan have used this mechanism. Argentina, Costa Rica, Brazil and Colombia are the only countries that have experienced raising financial sources by foreign issuers in their local markets.

This shows that internationalization of securities markets does not happen both ways with the same intensity, and that the economic units of each country are turning to foreign markets - specially to developed markets - to obtain financial sources, while domestic markets are still not prepared to offer financial alternatives to foreign investors.

Almost all the countries have signed or are planning to sign cooperation agreements with other countries. It is worth mentioning that the Latin American countries have signed more agreements than any of the other enquired countries, being Perú the only exception.

ADR's, GDR's, Stocks, Warrants and Eurobonds are the main financial instruments used to obtain sources abroad. They were mainly placed in the United States, Luxembourg and London, and in Japan in the case of Brazilian bonds.

The lack of harmonization of rules and authorization processes, as well as the high costs of foreign placements were mentioned as the main problems faced during the internationalization process. The complexity of the United States regulations for this kind of transactions, and the difficulty in determining the price for the securities to be placed abroad, together with the strength disclosure requirements were mentioned as significant problems by almost all the enquired countries.

In general terms, the answers show that the countries enquired have not a significant experience regarding the use of underwriters. Argentina is the only exception.

We deem it convenient to mention that eight (8) of the fifteen (15) countries have a Central Securities Depository and that two countries mentioned that the authorization will be granted soon. Only five (5) of the existing Depositories have international links. (Argentina, Brazil, Costa Rica, Chile and México).

2.1.3.2. Restrictions

Perhaps the most significant issue with respect to the improvements achieved in the internationalization process refers to restrictions in the sale of local securities abroad and in the sale of foreign securities in the local markets. Five (5) of the enquired countries (Thailand, Chile, Mauritius, México and Brazil) mentioned restrictions to this kind of sale. Colombia, Korea and Costa Rica do not provide restrictions, but authorization from the regulatory agency must be obtained. Some countries, like México do not permit the sale of stocks or other foreign securities in their markets.

Almost all the countries have special rulings for the placement of securities by foreign issuers in their markets. In Argentina, Bolivia, Costa Rica and Egypt, said placements are subject to the general rule applicable to local placements.

Nevertheless, nearly all the countries are making efforts to achieve the harmonization of disclosure requirements and regional integration with other securities markets.

2.1.3.3. Positive Effects

The possibility for corporations to obtain more advantageous financial sources for modernization is considered by all the countries the main positive effect of internationalization. In the same way, it is pointed out that internationalization allows

financing important investment projects that could hardly be financed through domestic sources.

From the answers received, it is clear that internationalization of the securities markets offers corporations the possibility to count with better leverage, reducing the interest rate charged by the financial sector.

Foreign capital flow affects international reserve levels and influences market liquidity. Said capital can also help to achieve stable interest rates, by means of reaching higher liquidity levels. If foreign capital flow significantly increases money circulation, monetary policy can face serious difficulties. According to the numbers and quantities provided by the enquired countries, such an effect is not likely to be caused by foreign investment. On the contrary, it seems that its result has been a contribution to interest rate stability, which according to the available information, reached in 1992 an average level inferior to the preceding years's. Only in Venezuela and Brazil the percentage of international reserves represented by foreign investment was below 18% (Please see the Table of Indicators).

2.1.3.4. Foreign Investment Participation in the Securities Markets.

Foreign investment in securities markets which have not been traditionally open to this kind of investment has contributed to increase the demand for securities during 1992. This has been identified as a reason for the historical stock prices growth.

The importance of foreign capital funds in emerging markets is clear. Even though the information provided is not enough to reach conclusions, (nearly all the countries did not have the corresponding information) their portfolios consist mainly of the secondary stock market negotiations ².

2.1.3.5. Tax Treatment

Regarding the tax treatment given to foreign investment in the enquired countries, there is evidence of a trend to provide equal treatment to national and foreign investment. Only Thailand gives a substantially different treatment to foreign investment. In Korea, the tax treatment depends on the existence of bilateral treaties. In Venezuela income tax is different for foreign investment. Mauritius mentions different treatment without going into detail.

²/In Chile and in Colombia, a big part of fund investments has been directed to buy stocks in the secondary market.

2.1.3.6. Rating Agencies

Only México, Chile, Argentina and Korea have rating agencies since 1988, (1983 in Korea). The Comisión de Valores of Costa Rica has already authorized the incorporation of one Rating Agency that should be in operation on January 1994. Although the evaluations made by a local rating agency are not internationally accepted, the enquired countries mentioned the benefits of said acceptance for market integration.

2.1.3.7. Privatization

The sale of state properties through stock exchanges as an instrument to widen the property and to grant transparency to the privatization process has not been significantly used in the enquired countries. Only in Brazil 100% of the privatizations have been carried out through the stock exchanges, while in Thailand and Perú this processes were partially performed trough the exchanges. Nevertheless, the information provided by the countries indicates that said sales have had an impact on the securities market. Although the purpose of privatization has not been to strengthen the securities markets, positive side-effects seem to have occurred.

3. Recommendations

Based on the answers obtained, as well as on the above comments, we consider it convenient to make the following recommendations:

3.1. We note that the main task to be performed by the Development Committee is to attract the attention of its members toward internationalization as an important goal for their markets; thus, stimulating the countries interest in taking active part in the internationalization process and in learning how to handle the inherent risks in order to reduce the fear that some countries might have in this respect.

3.2. We also deem very important that the members of the Development Committee have permanent access to the changes and improvements achieved internationally regarding regulation, procedures, requirements and accounting standards, in order to enforce the measures necessary to adjust their local rules to said improvements.

All of the above will allow us to take great strides in the harmonization process, as a first step toward internationalization.

3.3. Regarding prevailing restrictions to the placement of local securities in a foreign markets and to the placement of foreign securities in the local markets, we think that IOSCO has a great task to perform through its Development Committee. This could be achieved by updating the existing information on international systems and regulations, thus supplying all countries with knowledge of the evolution and improvements made in this area. Based on said information, the countries can begin their process toward the harmonization of their local rules, procedures and requirements, gradually eliminating restrictions to the mentioned transactions. We suggest the creation of a work group for this matter, which would be in charge of making the follow-up on improvements and adjustments in this important area.

3.4. Recognition of the positive economic effects of internationalization of the securities markets strengthens the need to speed up said process with concrete measures that shall be adopted hereby. Thereby, after having identified several inconveniences faced by the emerging markets during the internationalization process, we consider convenient to organize regional groups that could design general guidelines to solve their principal problems. It could be important to establish, for example, regional standards regarding the qualification of rating agencies and the criteria and systems for rating, so that the evaluation made by a local agency could be recognized or accepted in other countries. This would clearly simplify the internationalization of securities in those countries interested in said process.

3.5. Finally, the duties of the Central Securities Depository Organizations as well as those of the Clearing Houses should be directed to reach an efficient settlement of international transactions. Therefore, the structure of said entities should be harmonized in order to support their integration. Said integration provides the harmonization of settlement and clearing systems, from an international perspective.

We still have a long way to go to reach these goals. We hope to count on your contribution to work towards the internationalization of our securities markets in order to be able to offer financial alternatives to foreign investors, according to the world's trends.

REPUBLICA DE COLOMBIA

SUPERINTENDENCIA DE VALORES

WORKING GROUP ON INTERNATIONALIZATION OF EMERGING MARKETS

QUESTIONS ON INTERNATIONALIZATION
OF EMERGING MARKETS

EXPERIENCE

1. Have local entities of your country placed securities offerings in an international market?
Yes _____ No _____
2. Have foreign entities placed securities offerings in your local market?
Yes _____ No _____
3. Has your country signed any Assistance and Cooperation Agreement with other international entities?
Yes _____ No _____ Please name them _____

4. Are there agreements for the exchange of information between your country and other countries?
Yes _____ No _____ Please name them _____
5. Please mention the recent Memorandums of Understanding signed by your country.
6. Has your country signed agreements with other countries for the cross-listing of stocks or securities in other stock exchanges?

FINANCIAL INSTRUMENTS AND RESTRICTIONS ON ITS OPERATION

1. Which financial instruments have been used by local issuers to obtain financial sources in international markets?

REPUBLICA DE COLOMBIA

SUPERINTENDENCIA DE VALORES

Stocks _____
ADRs _____
GDRs _____
Eurobonds _____
Other _____

Please mention the markets where they were placed.

2. Which have been the financial instruments used by foreign issuers to obtain financial sources in your local market?

3. Please briefly mention the problems faced by local entities during the issuing of securities abroad.

4. Please briefly mention the problems faced by foreign entities in issuing securities in your country.

Legal Differences _____
Requirements to list stocks _____
Differences in accounting requirements _____
Differences in auditing requirements _____

5. Please briefly mention the problems faced by underwriters.

6. Are there any Central Securities Depository Organizations in your country? How many? Do they have international links? Are said Organizations in charge of clearing and settlement of transaction?

7. Please name restrictions if any:

- * On the sale of securities abroad or to foreigners?
- * On the sale by any local issuer of their stocks abroad?

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- * On the sale of stock, by a foreign issuer within your country?
 - * On the sale of other securities by foreign issuers within your country?
8. Does your country allow the placement of bonds issued by another country?
Yes_____ No_____

REGULATION AND LEGAL HARMONIZATION

1. Which is the regulatory body in your country?
Central Bank _____
Securities Commission _____
Other _____
2. Does the issuing of bonds require authorization from the regulatory body of your country or only from the foreign country?
3. Please mention briefly the main obstacles found in the studying to authorize the placement of securities by foreign entities in your country.

4. Are the placements of securities by foreign issuers subject to the general rules applicable to local placements or is there a special rule for them?
5. Please briefly mention the main improvements made by your country regarding the armonization of disclosure requirements for public offerings.

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REPUBLICA DE COLOMBIA

SUPERINTENDENCIA DE VALORES

6. Has there been any effort to reach integration of securities markets on a regional basis? With which countries?
- _____
- _____
- _____

ECONOMIC EFFECTS OF THE INTERNATIONALIZATION
OF SECURITIES MARKETS

1. Please mention the main effects (positive and/or negative) the internationalization of the securities market has produced on the following:

Variable	Positive Effects	Negative Effects
Interest rates		
Funding or supply of financial resources from either the government, or the private sector.		
Other (Please name)		

2. Are there any restrictions on the repatriation of capital into your country?

NO. _____ YES. _____, Please explain _____

3. Is the tax policy referred to foreign portfolio investment different from the one applicable to domestic investment?

NO. _____ YES. _____, Please explain _____

REPUBLICA DE COLOMBIA

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4. Please provide recent information regarding the investment in Foreign Capital Funds. What percentage does it represent, in relation to the total securities market and the total stock market?

Date : _____

Amount: _____ (US\$ million)

Percentage: _____ of the total volume of transactions in 1992 and _____ % of the total volume of the stock exchange transactions

5. The resources of the Foreign Capital Funds have been destined to:

New issues _____ % (approximate).

Issues already in circulation _____ % aprox.

6. Are there rating agencies in your country?

NO. _____ Yes. _____ How many? _____ How long have they been operating? _____

7. Is the rating of a security by a local rating agency accepted abroad?

YES. _____ NO. _____

8. Does the government of your country carry-out operations through the local exchanges to:

	NO	YES	%(1)
. Contract the monetary offer.	_____	_____	_____
. Finance its fiscal deficit.	_____	_____	_____

(1) Please indicate the percentage that such operations represent in relation to the total volume of transactions on securities exchanges

9. Has the privatization of public entities been made by means of public offerings and/or stock exchange?

YES	NO	PARTIALLY	(%)
_____	_____	_____	_____ % aprox.

. During 1992, the privatizations represented a _____ % of the total amount traded in stock exchanges.

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SUPERINTENDENCIA DE VALORES

Aproximately a _____% of the privatized entities was acquired by foreign investors.

10. Please provide the following information:

SOME ECONOMIC INDICATORS

(In million dollars or percentages)

	1992	1991
INFLATION		
DEVALUATION		
DOMESTIC INTEREST RATE		
GNP		
INTERNATIONAL RESERVES		
FOREIGN INVESTMENT		
VALUE OF TOTAL TRANSACTIONS HELD IN DOMESTIC STOCK EX- CHANGES.		
TOTAL AVALUE TRADED IN STOCK		
PERCENTAGE CHANGE IN STOCK PRICES		

Please send us any additional information you deem useful for the elaboration of the document.

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	EGIPT	COSTA RICA	BRAZIL
I. EXPERIENCE			
1	NO	NO	YES
2	NO	YES	YES
3	NO	Yes. México, Chile, Argentina, USA.	Yes. SEC (USA), Commerd it if (USA), México and Argentina
4	YES Arab Stock Exchanges (Arab Monetary Fund) Members: Egipt, Jordan, Lebanon, Kuwait, Bah-rán, Morocco and Tunisia	YES	YES (See answer 3)
5	N. A.	Canada	NO
6	NO	N.A.	NO
II. FINANCIAL INSTRUMENTS AND RESTRICTIONS ON ITS OPERATION			
1	None	N.A.	-ADR's (USA) -GDR's (Europe) -Warrants (Europe) -Bonds (Japan) -Eurobonds (Europe)
2	N. A.	-Guatemala (Goverment securi- rities) -El Salvador (Goverment bonds) (Both were cross transactions).	Distribution of shares represen- YPF of Argentina.
3	N.A.	N.A.	Brazilian companies are unknown abroad; - Legal differences -High costs
4	Legal Differences and tax dis- tortions	N.A.	Legal, accounting and auditing requirements
5	N.A.	Lack of Central Depositaries. Underwriting has not been used.	Legal requirements.
6	NO	There is a Central Depositary (part of the stock exchange) opening accounts at CEDEL in	Two interlinked Central Securi- ties Depositary Organizations (Rio and Sao Pablo Stock Ex-

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	EGIPT	COSTA RICA	BRAZIL
		Louxeembourg.	changes). Links with USA and Mercosur. In charge of clearing and settlement.
7	a. No restrictions	a. No	a. Limitations for investing in oil financial and communication companies.
	b. No restrictions	b. No	b. The above limitations would apply.
	c. No restrictions	c. Regulation for this purpose under study.	c. Only foreing securities issued by companies established in Mercosur countries are allowed to be placed in Brazil.
	d. No restrictions	d. Regulation for this purpose under study.	
8	YES	YES	NO
III. REGULATION AND LEGAL ARMONIZATION			
1	Authorization from the CMA	No defined yet.	No authorization required if they are going to be placed abroad.
2	Capital Market Authority (CMA)	Securities Commission	Securities Commission
3	No obstables inder new securities law issued recently	-Not unified requirements -Not unified accounting standards -Lack of Rating Agencies	To compatibilize disclosure requirements.
4	The placement of securities by foreing issuers is subject to general rules applicable to local placements. The CMA will have the right to enquire about the issuer from other securities commisions when necessary.	There is no specific regulation. In the recent experience, the CNV has enquired to proof the existance of the securities.	YPF of Argentina has been the only case and it was deemed satisfactory.
5	New securities market law requires full disclosure of financial and non-financial information by means of a prospectus. Financial statements and other information should be prepared in accordance with accounting and auditing international standards and verified by an authori-	The requirements have been established following the SEC (USA), Mexican and Chilean examples.	Prospectus must be prepared and published.

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	EGIPT	COSTA RICA	BRAZIL
	zed auditor		
6	Yes. With Arab Stock Exchange Federation.	The National Stock Exchange is promoting the integration with other centralamerican stock exchanges that will work linked with the Electronic Stock Exchange of Santiago, Chile.	Yes. With Mercosur.
IV . ECONOMIC EFFECTS OF THE INTERNATIONALIZATION OF SECURITIES MARKETS			
1	- Possitive Efects: - Possitive developmtent and change of character of the market. -Internationalization of the market through the issuance of foreign currency denominated securities.	N.A.	The amount of foreign resources incoming was not strong enough to affect macroeconomic aggregates, such as interest rates or financial resources supply.
2	NO	NO	There are not rules on repatriation
3	NO	NO	Institutional foreign investors do not pay taxes on capital gains, but an income tax of 15% on dividends and interests. Other foreign investors, as well as local investors pay 25% on capital gains, dividends and interests.
4	N.A.	None	As of may 31st, 1993, Foreign Capital Funds net assets were US\$446.7 millions (0.7% of market Net Capitalization).
5	N.A.	Not negotiated thorough the securities markets, but directly to investment projects (hotels, industry).	Information not available.
6	NO	Yes. One to be in operation in January 1994.	NO
7	N.A.	N.A.	N.A.

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	EGIPT	COSTA RICA	BRAZIL
8	a. N.A. b. YES 2%	a. Yes 1.5% b. Yes 32.2%	No. This operations are not carried through exchanges.
9	Not yet.	NO a. N.A. b. N.A.	Yes. 100% through stock exchanges. Privatizations in 1992 represented 9.29% of the total amount traded in stock exchanges; aprox. 3.8% of the privatized entities was acquired by foreign investors.
10	Cuadro	Cuadro	Cuadro

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	THAILAND	PARAGUAY	PERU
I. EXPERIENCE			
1	NO	NO	NO
2	NO	NO	NO
3	YES	YES	NO
		Argentina, Colombia and Chile	
4	YES	YES	YES
	With NYSE, Hong Kong Stock Exchange	Argentina, Colombia and Chile	With Chile and Argentina
5	NYSE, Hong Kong Stock Exchange	México	SEC (USA) and México
6	NO	NO	Program of ADR's under study
II. FINANCIAL INSTRUMENTS AND RESTRICTIONS ON ITS OPERATION			
1	ADR's (USA)	None	None
2	The Stock Exchange of Thailand does not approve or authorize the listing of foreign financial instruments.	N.A.	N. A.
3	N.A.	N.A.	N.A.
4	Legal differences	N. A.	N.A.
5	N.A.	N.A.	N.A.
6	Have on Central Depositary as a Department of the SET, with no international links as yet.	N.A.	NO But they are regulated and there is an interest to create them
7	a. Foreigners are allowed to hold a 49% limit on Thai stocks. b. N.A. c. Legal Restrictions	a. No restrictions b. No restrictions c. No restrictions d. No restrictions	N.A.
8	NO	YES	N.A.

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	THAILAND	PARAGUAY	PERU
III. REGULATION AND LEGAL ARMONIZATION			
1	As of now, the SET does not approve listing of foreign bonds.	Authorization by the Securities Commission	Authorization by the Securities Commission if they are going to be placed in the local markets.
2	Securities Commission	Securities Commission	Securities Commission
3	N.A.	Law 210 of 1993 authorized the placement of foreign issues. Stocks from YPF (Argentina) were placed recently.	No placement of securities issued by foreign entities has been approved yet.
4	N.A.	There is a specific regulation	The existing regulation do not distinguish between local and foreign issuers, but should be understood as applicable to local issuers only.
5	N.A.	N.A.	- Capital Market Law (Decree 755) - Public Offerings Rule - Public Registry Rule
6	Not yet in the process	Mercosur	NO
IV. ECONOMIC EFFECTS OF THE INTERNATIONALIZATION OF SECURITIES MARKETS			
1	Positive Effects: Trend of interest rates is lower	N.A.	N.A.
2	NO	NO	NO
3	Yes. Capital gain tax for foreign institutional investors is 15% while for domestic investors it is added to the corporate income tax.	NO	N.A.
4	N.A.	N.A.	N.A.
5	N.A.	N.A.	N.A.
6	NO	NO	N.A.

ANSWERS TO THE QUESTION ON INTERNATIONALIZATION			
	THAILAND	PARAGUAY	PERU
7	N.A.	N.A.	a. Brokerage is not allowed. b. Securities can only be negotiated in the stock exchange where they are registered.
8	a. NO b. NO	a. NO b. NO	a. Yes 0.96% b. N.A.
9	Yes (No percentage given)	NO	Partially (aprox. 6.63%) a. 4.86% b. 31.46%
10	Cuadro	Cuadro	Cuadro

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
COLOMBIA	ARGENTINA	KOREA
I. EXPERIENCES		
1. Yes	Yes	Yes
2. Yes. (Venezuela debt bonds, for US\$150 million.	Yes	NO
3. NO	NO	Yes, IOSCO Resolution concerning Mutual Assistance (1986).
4. Yes, with Chile and Mexico.	Yes, with Mexico (1990), U.S.A., Brasil (1991) Chile, Spain, Paraguay and Peru (1992) and with Costa Rica (1993).	NO
5. Conversations have been initiated with Argentina, Spain and Ecuador.	Signature of MOU with France, Italy, China-Taipei and Panama in negotiation stage.	No plans.
6. None	It is contemplated in the agreements signed with Bolivia, Chile and Paraguay. Mercosur: the integration of Uruguay, Paraguay and Brasil capital markets is planned through cross-listing	NO
II. FINANCIAL INSTRUMENTS AND RESTRICTIONS ON ITS OPERATION		
1. ADRs (U.S.A)	Stocks (Zurich and Geneve) ADRs (New York)	GDRs (London, Zurich, New York, Tokyo) Eurobonds
GDRs	GDRs (Luxembourg and London) Eurobonds (Luxembourg and London)	Yankee bonds Samurai bonds
2. Eurobonds	Foreign issuers have obtain financial sources from the local market, through stocks.	N.A.
3. Colombian law is not adjusted to international practices.	There have been no problems during securities issuance process abroad.	There is no particular problem besides common ones arising from the general trend of international financial markets.
* Differences between colombian accounting rules and international accepted practices.	Accounting and auditing local rules are very similar to international rules.	
* International disclosure requeriments are higher than the local ones.		
4. Legal differences.	There is little experience regarding securities issuance by foreign companies There have been no particular problems, since the local regulation is very similar to the international.	N.A.
5. * Little financial ability to do underwriting.	Underwriters have no faced significant problems.	N.A.
* Need of a Central Securities Depository, which shall initiate operations soon.		
* Differences between local regulations and international practices.		

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
COLOMBIA	ARGENTINA	KOREA
6. a. Link agents are used.	Settlement and clearing is performed by Payment Agents abroad. (As stipulated in the prospect) or in the issuer's domicile. There is a Central Securities Depository.	The Korea Securities Depository Corp is in charge of clearing and settlement. It has no international links at present.
b. Yes. There is one managed by the Central Bank, which functions are limited to securities issued or guaranteed by the Central Bank. A private Central Depository has been authorized and shall initiate functions promptly.	Recently admitted by the International Association of Administration and Depositories (ISSA). It opened an account with CEDEL in Luxembourg.	
7. b. Obtaining of authorization from the regulator.	There are no restrictions regarding the mentioned issues. Argentinian Law does not distinguish between local and foreign investors. Both are subject to the same regulation. Issuers shall obtain authorization for Public Offerings.	Both, the sale of securities abroad or to foreigners, and the sale by any local issuer of their stocks abroad, are permitted under special approvals from the pertinent regulators.
c. Authorization by regulator required. (not completely regulated).	The restrictions are established by the issuer in its prospect.	The sale of stock or other securities by foreign issuers within the country are, in principle, not allowed at present.
d. Authorization by regulator required (not regulated for private issuers).		
8. Yes	The issuance of bonds by another country is not regulated at present. Nevertheless, it is not prohibited.	NO
III. REGULATION AND LEGAL ARMONIZATION		
	The issuance of local securities to be placed only abroad, does not require authorization from the local regulator, but from the country of placement. If the securities are to be placed in Argentina and abroad simultaneously, the issuer will also require authorization from the local regulator for public offering.	N.A.
1. 1. Authorization in Colombia and in the country of placement is required.	National Securities Commission. The Central Bank regulates securities issued by the government.	National Securities Commission and Ministry of Finance.
2. Superintendency of Securities.		
3. Lack of knowledge of the international practices and regulation applicable to securities issuance and public offerings. Additionally, more information about the issuers financial capacity is required. For that purpose an International Rating Agency would be very helpful.	The local placement of securities issued by foreign companies were authorized without significant problems.	N.A.
4. There is a specific regulation.	Placement of foreign securities is subjected to the general rule applicable to local placements.	N.A.
5. There are no relevant improvements regarding harmonization of requirements.	The public offering system was simplified by resolution 211 of 1992. A new pro-forma prospect that shall be used by the issuers has been prepared by the securities commission. With the expedition of Resolution 230 in March 1993, the prospect does not have to include the financial plans of the issuer, except when expressly requested by the CNV. In the same way and in order to grant	International accounting standards are being applied to a significant extent in our accounting practice.

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
COLOMBIA	ARGENTINA	KOREA
	transparency to the market, the private companies issuing securities need two riskevaluations from private rating agencies.	
6. Conversations have been initiated with Mexico and the Andean Pact Countries (Venezuela, Peru, Ecuador and Bolivia).	Many efforts have been made in this regard:	There has been no serious efforts so far.
	1. The CNV is part of MERCOSUR	
	2. CNV is working in the legal harmonization, through the stock exchanges.	
	3. Memorandum of Understanding for the harmonizations of accounting rules have been signed with several countries.	
IV. ECONOMIC EFFECTS OF THE INTERNATIONALIZATION OF SECURITIES MARKETS		
		There has been no report which specified the influence of internationalization on interest rates.
1. 1. Positive Effects:	The internationalization of the securities market has positive effects on the interest rate, reducing it with respect to the preceding years.	Positive Effects:
* More opportunities to obtain cheaper financial sources.		
2. Negative Effects:		* Marking up for the shortage of domestic savings.
The demand's increase presures the interest rates.		* Internationalization is regarded as having positive effects on the change of investors' attitude into more rational patterns.
The monetary market partially neutralizes this effects.		Negative effects:
		As light burden on the monetary policies
2. No, Foreign investment does not have a time limit.	There is no restriction for repatriation of capital.	NO
3. No, the idea is that foreign investment (direct or port-folio investment) and local investment are subjected to the same tax treatment.	There are no differences in the tax treatment for foreign or local investment.	There are no significant differences. It depends on the bilateral tax treaties.
4. The foreign investment funds port-folio reached, in February 1993, US\$57 million. This represents 9% of the stock value negotiated during 1992 and 0.7% of the total negotiated value in the same year.	There is no registry of foreign investment in the capital market. Therefore, the information requested can not be provided.	The question was not understood.
5. Their funds have been invested in securities already circulating (93%).	There is no information.	There is no information.
6. Not yet. The incorporation of one of this agencies will soon be authorized.	There are 6 private rating agencies in the country.	Yes. There are 3 rating agencies operating since 1983.
	Each securities issuance must obtain, since November, two risk evaluations.	
7. NO	No. The evaluation is only additional	NO

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
COLOMBIA	ARGENTINA	KOREA
	information for the investors.	
8. a. Yes, 17.5% in 1992.	a. NO	a. NO
b. Yes, 18.5% in 1992.	b. NO	b. NO
9. Partially, less then 5%.	30%of the two telecommunication companies capital was negotiated through public offerings, with the following effects on the securities market:	Yes. * 0% * 0%
	1st. Privatization 21,97%	
	2nd. Privatization 16,18%	
	10.63% of the negotiated value corresponded to the above privatizations.	
	There is no information available, regarding foreign investment.	

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
CHILE	MEXICO	MAURITIUS
I. EXPERIENCES		
1. YES	YES	NO
2. NO	NO	NO
3. -----	-----	NO
4. Yes, with Peru, Mexico, Argentina, Costa Rica and Colombia. One of the stock exchanges has signed cooperation and information exchange agreements with AMEX, Bolsa de Madrid and Latin American Stock Exchanges.	Exchange of information limited to public information.	NO
5. In the near future, memorandums of understanding with the SEC of the U.S.A. and with the spanish C. de V. will be signed.	With Canada and Panama.	Memorandum of Understanding with a country Fund listed on the London Stock Exchange.
6. With Argentina (accounting rules, exchange of information and not allowed practices).	None	NO
II. FINANCIAL INSTRUMENTS AND RESTRICTIONS OPERATION		
1. ADRs (U.S.A.) GDRs (Europe) In the near future: Placement, by local issuer, of convertible bonds.	Stocks (U.S.A.) ADRs (U.S.A.) Eurobonds (Luxembourg) Promissory Notes (U.S.A. and Europe)	No, This kind of operations have not been carried out.
2. None, but the obtaintion of funds by means of public offerings of foreign stock is authorized.	None	Foreign issuers are not allowed to raise finance on local market.
3. a. Extention and complexity of U.S. regulations. b. Differences between foreign and local regulations. c. Difficulties in determining the chilean stock prices abroad (ADRs), aswell as with the treatment to foreign investors abroad. d. Primary issues ought to be over US\$50 million, in order to guarantee that they are specifically directed to be placed abroad. e. An "A" rated qualification ought to be obtained by the issuer.	a. Differences in the authorization and operation processes.	Local listed companies are not allowed to raise finance overseas.
4. None. This kind of operation has not been carried out.	N. A.	Legal reasons.
5. -----	N. A.	Only a few public issues were underwritten on the local market and no real problems were encountered by the underwriters.
6. a. Clearing and settlement of international transactions.	a. Locally in T+2. For foreign placements the settlement is agreed with the other	A Central Depositary does not exist.

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
CHILE	MEXICO	MAURITIUS
1. Local intermediaries contact foreign authorized intermediaries. Payment is usually in foreign currency.	market involved. b. Central Depositary Institut, International links limited to the possibility of opening an account in Mexico for the custody of mexican securities owned by foreign clients.	
2. Local investor may directly contact foreign intermediaries.	This Depositary may not custod foreign securities nor deposit local securities with foreign depositaries.	
b. No Central Depositary exists in CHILE Its constitution shall occur soon and it should be already in operation at the end of 1993.		
7. a. Authorization by the Central Bank is required. * Minimal amount of issuance: 50 US million. * Guarantee of placement for at least 90% (ADRS) and 100% (BONDS). * Bonds have to be payable to the bearer and with a term not less than 4 years.	a. Securities must be inscribed in the National Securities Register of the Securities Commission. b. There are no restrictions, except shares belonging to serial A, limited for mexican citizens. Nevertheless, they can be acquired through a neutral trust. c. and d Not allowed.	Foreigners are not allowed to invest directly in the local stock exchange but can do so through a London Listed Country Fund. Local issuers are not allowed to sell their stocks abroad. Foreign issuers are not allowed to operate on local stock exchange.
b. Authorization by the Central Bank is required. * Securities must obtain "A" qualification. * Amount not less than US\$50 million. * 90% of the issuance has to be guaranteed.		
c. Sale of foreign stocks * There must be an agreement between regulators. * The issuer must be subjected to the control of the local regulator and must have its shares listed in a stock exchange.		
d. The sale of other securities issued by foreign issuers is not allowed.		
8. NO	No. It is now under study.	NO
III. REGULATION AND LEGAL ARMONIZATION		
1. The issuer and it's securities must be register with the securities register of the chilean regulatory agency, in order to be able o issue foreign stocks in Chile.	Foreign securities are not recognized by mexican regulation; therefore they might not be offer in Mexico. Local securities to be placed abroad ought to be register before the CNV, subjected to the regulations of the country where the placement will take place.	N.A
2. Securities Superintendency	National Securities Commission.	Stock Exchange Commission.
3. Only the public offering of foreign stocks is allowed. Obstacles found: a. Differences regarding delivery and disclosure requirements, that difficult control. b. Differences between local and foreign custody, clearance and settlement systems.	N.A.	The law does not permit foreigners to invest directly in the local market.

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
CHILE	MEXICO	MAURITIUS
c. Choice of representation form of the foreign issuer in the local market, talking into account the different possibilities under other regulations.		
4. There is a specific regulation for the placement of foreign stocks.	N.A.	N.A.
5. This issue has been under study with the regulatory agency of Argentina.	Efforts have been made to offer the same opportunities to foreign investors offering simultaneously in Mexico and abroad.	Local draft disclosure requirements, which are about to be finalised soon, are to a large extent in line with those prescribed by IOSCO.
6. There is a big interest in reaching integration between latin american countries. Memorandums of Understanding with Peru, Mexico, Costa Rica and Colombia have been signed.	NO	No. Initial moves are being undertaken by African Stock Exchanges to group stock exchanges in the region.
IV. ECONOMIC EFFECTS OF THE INTERNATIONALIZATION OF SECURITIES MARKETS		
1. 1.a. Positive effects:	1. a. Positive Effects:	Internationalization has not reached a stage where comments could be made on positive/negative effects.
* The widening of financial sources offers better conditions (cost, term, etc.) of financing.	* Widening of financial sources for mexican companies.	
* The possibility to obtain important financing amounts.	* Capital income tends to increase liquidity levels, reducing pressure on interest rates.	
* Major investment projects could be finished.	* Access by local companies to foreign capital has favorable consequences on the investment process and on the credit liberalization for companies without access to foreign capital.	
b. Negative effects:		
* Capital flow affects interest rates.		
* Only important issuances have access to foreign finances.		
* Implies additional costs and efforts (regulation changes, road show).		
2. Yes. Capital repatriations must be done after one year (recently reduced from three years).	No. Repatriation must be made through a bank or a broker, that is entitled to withhold a 1% as a fixed rate.	Yes
3. NO	NO	NO
4. Total funds' income (December 1992) US\$447 million. Total assets: US\$1,093 million. More than 90% of their portfolio corresponds to stocks.	Foreign Investment in Funds (January 31st, 1993): US\$27.531 million (21% of the capitalization of the stock market). ADRs 74% Stocks 17% Trusts 7% Mexican Fund 2%	Unable to provide such information since a country fund has just started its operation.
5. Mainly directed to secondary	Do not have information available.	Information not available.

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION		
CHILE	MEXICO	MAURITIUS
market.		
6. Yes, since 1988. At this moment we have 10 entities of this kind.	Yes, four (4) rating agencies exist since 1990.	NO
7. NO	NO	NO
8. a. No. They have secondary liquidity	a. Yes	a. NO
b. No.	b. Yes. Since 1991	b. NO
9. Partially, in the privatization process (1985-1988). In most of the cases a 30% was negotiated through in stock exchanges.	Partially	NO

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION			
	JORDAN	VENEZUELA	BOLIVIA
I. EXPERIENCE S			
1.	NO	Yes	Yes
2.	NO	Yes	No
3.	Yes. Muscat Securities Markets	Yes. With the UNO.	Yes. With Argentina
4.	Yes, International Finance Corporation.	Yes, ALADI, Latin american, Reserved Fund and IOSCO.	Yes With Argentina
5.	N.A.	No plans.	None
6.	NO	Conversations with the Latinamerican Reserve Fund have been initiated.	None
II. FINANCIAL INSTRUMENTS AND RESTRICTIONS ON ITS OPERATION			
1.	N.A.	ADRs (Europe, U.S.A.) GDRs (Europe, U.S.A.)	Eurobonds in Europe Debt Bonds in U.S.A.
2.	N.A.	Shares and bonds.	N.A.
3.	N.A.	There have been no problems.	No problems faced
		The fulfilment of legal requirements is necessary. The financial information must be disclosed.	
4.	N.A.	There have been no problems.	N.A.
5.	N.A.	There have been no problems.	N.A.
6.	N. A.	A Central Securities Depository is in its constitution process. At this moment, direct payment to the client by the broker is made through bank accounts.	There is no Central Depository
7.	Restrictions on the sale of securities to foreigners:	In order to carry out this transactions the fulfilment of Venezuelan legal requirements is necessary.	a. No Restrictions b. No Restrictions c. The requirements established in the country of issuance must be fulfilled, as well as the Bolivian CNV requirements. d. The requirements established in the country of issuance must be fulfilled, as well as the Bolivian CNV requirements. Foreign companies can issue only if they have special authorization from the country of origin.
	Foreign ownership of Jordanian shares should not exccede 49% of the total capital of any local company.		
8.	NO	Yes	Yes, with the fulfillment of the local requirements, and the authorization of the CNV
III. REGULATION AND LEGAL ARMONIZATION			
1.	N.A.	Only the authorization from the local regulator is required.	Yes, from the CNV of Bolivia and from the relevant authority in the foreign country.
2.	Amman Financial Market	Securities Commission.	C.N.V.
3.	N.A	There have been no problems.	N.A.

ANSWERS TO THE QUESTIONNAIRE ON INTERNATIONALIZATION			
	JORDAN	VENEZUELA	BOLIVIA
4.	N.A.	There is aspecific regulation.	They are subject to the general rule for local placements.
5.	-----	New rules regarding public offerings, primary placement of securities and disclosure of issuances have been issued.	The CNV has the power to establish the disclosure requirements for pulic offerings
6.	NO	Conversations have been initiated with the Andean Pact countries.	Yes. With the Andean Pact.
IV. ECONOMIC EFFECTS OF THE INTERNATIONALIZATION OF SECURITIES MARKETS			
1.	-----	Positive Effects: The local companies obtained more finan cial resources.	N.A.
2.	NO.	NO	NO There is free exchange of currencies. Transactions may be carried out in local or foreign currency.
3.	No. Individual investors (local and foreign) are exempted from income tax on all types of interest earned, and enjoy also tax exemption for any capital gains derived from trading in securities, and also profits received from their shareholding.	Yes. Income tax rate is 20%.	No.Foreign and local investors are subject to the same tax treatment.
4.	N.A.	There are no registry of said informati- on.	N.A.
5.	N.A.	There is no information.	N.A.
6.	NO	NO	NO
7.	N.A.	N.A.	N.A.
8.	a. Yes b. Yes. (11%)	a. NO b. Yes 6%.	The government does not perform this kind of transaction through the stock exchanges.
9.	N.A.	No. They were performed through public auction.	No. Right now under study.

INTERNACIONALIZACION DEL MERCADO DE VALORES
ALGUNOS INDICADORES ECONOMICOS Y BURSATILES
(millones de dólares americanos y porcentajes)

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CONCEPTO	CHILE			MEXICO			MAURITANIA			JORDANIA		
	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %
INFLACION	12.7%	18.7%		11.8%	18.8%		4.6%	7.0%		4.0%	8.2%	
DEVALUACION	1.5%	10.3%		2.8%	4.6%							
TASA DE INTERES INTERNA	5.3%	5.4%	(real)	15.6%	19.3%		9.0%	11.0%				
PRODUCTO INTERNO BRUTO	37,000	31,300	18.2%	319,455	281,344	13.5%	3,200	2,700	18.5%	2,912	2,588	12.6%
RESERVAS INTERNACIONALES	6,009	6,639	35.7%	18,258	17,547	4.1%	875	825	6.1%			
INVERSION EXTRANJERA	1,389	1,140	21.8%	9,288	11,094	-16.2%						
VALOR TRANSADO EN BOLSA	88,415	76,711	15.3%	3,597,628	1,731,288	107.8%	10	8	102.6%	910	320	183.9%
VALOR TRANSADO EN ACCIONES	2,840	2,294	23.8%	44,588	31,500	41.5%	16	8	102.6%	887	303	192.9%
VARIACION PRECIO DE ACCIONES	10.0%	113.0%		10.0%	113.0%		18.8%	-9.9%		29.9%	24.4%	
RELACIONES												
INVERSI EXTRANJ./ RESERVAS INAL	15.4%	17.2%		50.9%	63.2%		0.0%	0.0%		97.5%	94.6%	
MDO ACCION/ MDO. BURSATIL	3.2%	3.0%		1.2%	1.8%		100.0%	100.0%		30.5%	11.7%	
MDO ACCIONARIO/PIB	7.7%	7.3%		14.0%	11.2%		0.5%	0.3%		31.2%	12.4%	
MDO BURSATIL/PIB	239.0%	245.1%		1120.1%	615.4%		0.5%	0.3%				

CONCEPTO	COLOMBIA			ARGENTINA			KOREA			VENEZUELA		
	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %
INFLACION	25.1%	26.8%		17.0%	172.0%		4.6%	9.3%		32.0%	31.0%	
DEVALUACION	16.7%	11.2%		-	70.0%		3.6%	8.2%		20.2%	20.6%	
TASA DE INTERES INTERNA	27.5%	36.6%		18.0%	25.0%		15.2%	18.5%		35.6%	31.2%	
PRODUCTO INTERNO BRUTO	45,650	44,319	3.0%	200,000	185,185	8.0%	294,500	281,700	4.5%	68,595	63,362	8.8%
RESERVAS INTERNACIONALES	7,919	6,572	20.5%	12,000	7,000	71.4%	17,164	13,733	24.9%	13,475	14,884	-9.5%
INVERSION EXTRANJERA	780	457	72.0%				6,252	4,270	46.4%	2,391	1,914	24.9%
VALOR TRANSADO EN BOLSA	8,500	5,300	60.4%	18,977	ND	ERR	115,714	84,993	36.1%	2,773	3,380	-18.0%
VALOR TRANSADO EN ACCIONES	650	250	160.0%	17,722	4,825	267.3%	114,047	82,235	39.8%	2,600	3,257	-17.4%
VARIACION PRECIO DE ACCIONES	39.0%	258.1%		-24.8%	364.0%		-8.2%	-25.2%		-32.2%	65.6%	
RELACIONES												
INVERSI EXTRANJ./ RESERVAS INAL	10.0%	7.0%		0.0%	0.0%		36.4%	31.1%		17.7%	12.9%	
MDO ACCION/ MDO. BURSATIL	7.6%	4.7%		93.4%	ERR		99.3%	90.8%		97.0%	96.4%	
MDO ACCIONARIO/PIB	1.4%	0.6%		8.9%	2.6%		39.0%	20.2%		4.8%	6.1%	
MDO BURSATIL/PIB	18.6%	12.0%		9.5%	0.0%		39.3%	30.2%		4.7%	6.3%	

INTERNACIONALIZACION DEL MERCADO DE VALORES
ALGUNOS INDICADORES ECONOMICOS Y BURSATILES
(millones de dólares americanos y porcentajes)

CONCEPTO	TAILANDIA			PERU			PARAGUAY			EGIPTO		
	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %
INFLACION	4.2%	5.7%		56.4%	139.2%		17.8%	11.8%			15.9%	
DEVALUACION				62.3%	93.4%		54.3%					
TASA DE INTERES INTERNA	8.5%	10.5%		5.8%	7.6%		24.0%	28.0%			14.0%	
PRODUCTO INTERNO BRUTO	116,215	99,248	17.1%	41,991	42,990	-2.4%						
RESERVAS INTERNACIONALES	21,500	18,400	16.8%	2,451	1,933	26.8%	611	971	17.6%			4.0%
INVERSION EXTRANJERA	9.3%	8.2%		1,430	1,378							
VALOR TRANSADO EN BOLSA	58,305	35,490	64.3%	745	595	25.2%				2,443	1,914	27.6%
VALOR TRANSADO EN ACCIONES	73,030	31,374	132.8%	554	207	167.2%				388	257	39.6%
VARIACION PRECIO DE ACCIONES	25.6%	16.1%		373.0%	288.1%							
RELACIONES												
INVERS EXTRAN./ RESERVAS INAL	0.0%	0.0%		58.3%	71.3%		0.0%	0.0%				
MDO ACCION/ MDO. BURSATIL	125.3%	88.4%		74.3%	34.8%					14.7%	13.4%	
MDO ACCIONARIO/PIB	62.8%	31.0%		1.3%	0.5%							
MDO BURSATIL/PIB	50.2%	35.8%		1.8%	1.4%							

CONCEPTO	COSTA RICA			BRASIL			BOLIVIA		
	1992	1991	VAR %	1992	1991	VAR %	1992	1991	VAR %
INFLACION	17.0%	25.3%		1156.0%	480.2%		10.5%	14.5%	
DEVALUACION	1.5%	30.8%		1059.0%	528.5%		9.3%	10.3%	
TASA DE INTERES INTERNA	19.0%	30.5%		1443.0%	659.8%		18.0%	18.8%	
PRODUCTO INTERNO BRUTO	8,392	5,094	25.5%	389,635	393,282	-0.9%			
RESERVAS INTERNACIONALES	115	178	-35.4%	21,864	9,408	133.5%	240	200	
INVERSION EXTRANJERA	9.3%	8.2%		2,861	1,131		205	377	
VALOR TRANSADO EN BOLSA	5,384	3,448	56.4%	24,788	11,567	114.4%	236	371	
VALOR TRANSADO EN ACCIONES	11	0	20.4%	24,788	11,567	114.4%	0	0	
VARIACION PRECIO DE ACCIONES				1016.0%	2316.0%				
RELACIONES									
INVERS EXTRAN./ RESERVAS INAL	0.1%	0.0%		13.0%	12.0%		86.4%	188.1%	
MDO ACCION/ MDO. BURSATIL	0.2%	0.2%		100.0%	100.0%		0.0%	0.0%	
MDO ACCIONARIO/PIB	0.2%	0.2%		6.4%	2.9%				
MDO BURSATIL/PIB	84.4%	67.7%		6.4%	2.9%				