Panel discussion: The Future of Growth Markets

The road towards achieving the full potential
Largest worldwide capital markets
By equity market cap

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed Markets</th>
<th>Emerging Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>69%</td>
<td>31%</td>
</tr>
<tr>
<td>2030p</td>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>

Source: Goldman Sachs
### Largest worldwide capital markets

**By equity market cap**

<table>
<thead>
<tr>
<th>2010</th>
<th>2030p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. USA</td>
<td>1. China</td>
</tr>
<tr>
<td>2. China</td>
<td>2. USA</td>
</tr>
<tr>
<td>3. Japan</td>
<td>3. India</td>
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<tr>
<td>4. UK</td>
<td>4. Russia</td>
</tr>
<tr>
<td>7. India</td>
<td>8. Brazil</td>
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<tr>
<td>8. Brazil</td>
<td>11. Korea</td>
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<tr>
<td>13. Korea</td>
<td>18. Mexico</td>
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<tr>
<td>14. Russia</td>
<td>23. Malaysia</td>
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<tr>
<td>21. Mexico</td>
<td></td>
</tr>
<tr>
<td>22. Malaysia</td>
<td></td>
</tr>
</tbody>
</table>

Source: Goldman Sachs
Relation between reforms and capital markets development

- Regulation
  - Supervisor agency
  - Investor protection

- Increase investment

- Mitigate information & agency problems

- Improve exchange infrastructure

- Lower transaction costs

- Supply of funds (investors)

- Risk diversification

- Increase liquidity

- Promote stocks dissemination

- Demand of funds (issuers)

- Create funds & increase specialisation
  - Pension funds
  - Mutual funds

- Make foreign capital available

- Increase discipline & efficiency

- Financial liberalisation

- Decrease transaction costs

- Increase discipline & efficiency

- Promote stocks dissemination

- Make foreign capital available

- Increase liquidity

Based on Augusto de la Torre and Sergio L. Schmukler
Relation between reforms and capital markets development

Based on Augusto de la Torre and Sergio L. Schmukler

Regulation
- Supervisor agency
- Investor protection

Demand of funds (issuers)
- Create funds & increase specialisation
  - Pension funds
  - Mutual funds
- Make foreign capital available

Supply of funds (investors)
- Make foreign capital available
- Promote stocks dissemination
  - Privatisation
  - Tax incentives

Capital Markets
- Increase discipline & efficiency
  - Financial liberalisation
- Improve exchange infrastructure
  - Custody, clearing, settlement
  - Trading platforms
- Improve information & agency problems
- Lower transaction costs

Infrastructure
- Regulation
- Investor protection

Regulation
- Supervisor agency
- Investor protection

Infrastructure
- Custody, clearing, settlement
- Trading platforms

Increase liquidity

Increase investment

Increase investment & agency problems
Relation between reforms and capital markets development

Regulation
- Supervision of actors
- Investor protection
- Innovation

FINANCIAL TIMES
April 19, 2011 3:48 pm
Regulation: Solid capital markets environment acts as spur to investors
By Jan Cienski in Warsaw

CONNECTING GLOBAL FINANCE
Relation between reforms and capital markets development

Infrastructure

- Cost efficiency
- Safety and reliability
- Operational excellence
- Technology
Relation between reforms and capital markets development

Issuers participation

- Bank financing vs. capital markets
- SME financing
Relation between reforms and capital markets development

Investors participation

- Attracting retail investors
- Stimulating institutional demand
Relation between reforms and capital markets development

Liquidity

- IPO
- Secondary markets
- Derivatives / Repo markets
Our distinguished panel

Arunma Oteh, Director General, SEC Nigeria
Jae-Hoon Yoo, Standing Commissioner, FSC Korea
Jaime González Aguadé, President, CNBV Mexico
Leonardo P. Gomes Pereira, Chairman, CVM Brazil
Ranjit Ajit Singh, Chairman, SC Malaysia