

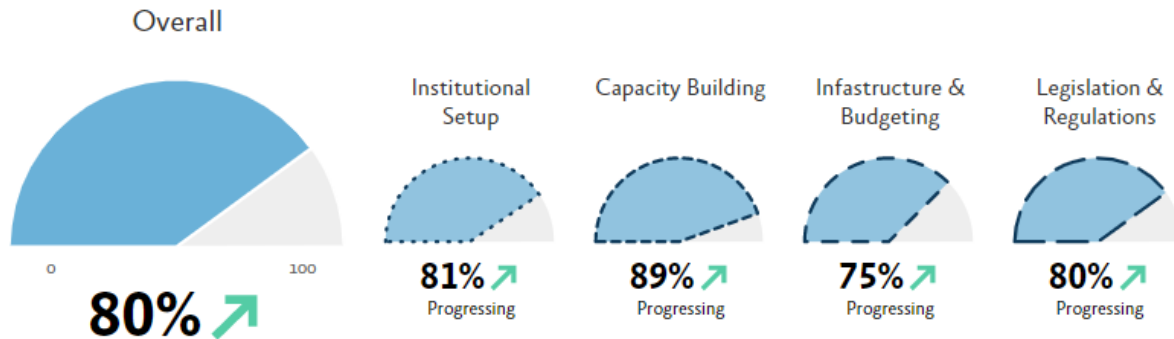
# Capital Market Development

## Phase III

On June 5, 208, Reformer's third phase continued with the evaluation of the capital market development strategy.

**Government research** revealed that at this stage, 80% of the reforms has been implemented. In Phase II, this indicator was at 67.7%.

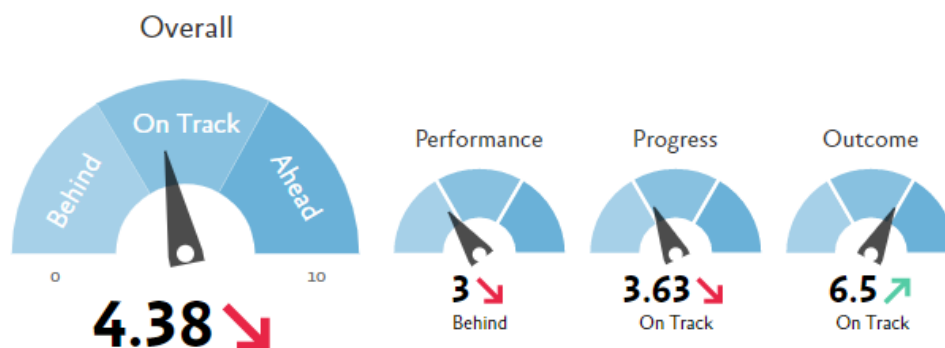
### ACCORDING TO THE GOVERNMENT



During the last year, the international GMRA has been implemented on the internal market. The state debt management strategy has been elaborated, the capital market association has been created and the corporate bonds have been added to the Clearstream link. Additionally, securities have been added to the National Bank payment system. In contrast to the initial plan, it is not intended anymore to cancel the depository practices and the discussion regarding the life insurance being obligatory for mortgage loans, has not started yet.

**The team of stakeholders** evaluated the reform with a score of 4.38 out of maximum 10. This evaluation is lower than that of the previous phase, in which the reform implementation received a score of 5.00.

### ACCORDING TO THE STAKEHOLDERS



**The discussion** was attended by various stakeholders including the representatives of the Ministries of Economy and Finances and the National Bank of Georgia. A number of important opinions regarding the reform implementation have been discussed. More particularly:

- According to the Georgian stock market, retail investors play a tremendous role on the bond market. In order for the number of the retail investors to increase on the bond market – from which the flow will be directed to the corporate market – a few regulatory changes are needed: Opening the Repo-market for retail investors and enacting the law on investment funds that will give the retail investors the opportunity to enter the market using collective investment schemes.
- The regulation for the bonds secured by the state is complete and this is a step forward that will help commercial banks attract more resources and increase their credit portfolios. However, no matter how good the reform is, it does not achieve its main goal: When a bank issues bonds secured by the state, it still maintains these loans on its balance. This directly affects capital adequacy and the bank cannot get rid of risk-weighted assets. Securitization, however, opens opportunities in this regard. This is why it is significant to work on securitization as well.
- Privatization of large state companies will further enhance the share market development since it will translate into higher involvement of the Georgian stock market. Here, it should be decided what is the best strategy: to choose the method of attracting cheaper capital (by using larger stock markets) or to issue shares on local stock market with different prices that will in return stimulate the local market.
- Today, the capital market development is transitioning to its new stage. The existing strategy is already outdated and it is essential to update it. However, it is recommended to involve stakeholders more in the process of forming a strategy.
- Companies mostly issue bonds in USD because they have more trust in this currency. However, it is desirable for the bonds to be issued in EUR since it is characterized by less fluctuations.
- For countries that have Economies of roughly similar scale as Georgia, it is necessary to create a structure of investment supply and to form a long-term local capital in order to compensate for the lack of financing value for the local companies.
- The concept of dual listing is also being discussed. Together with other partner stock markets, it will increase the importance of the Georgian stock market more.

# ReforMeter

Tracking Progress - One Reform at a Time

# Quantitative Indicators

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## Capital Market Development

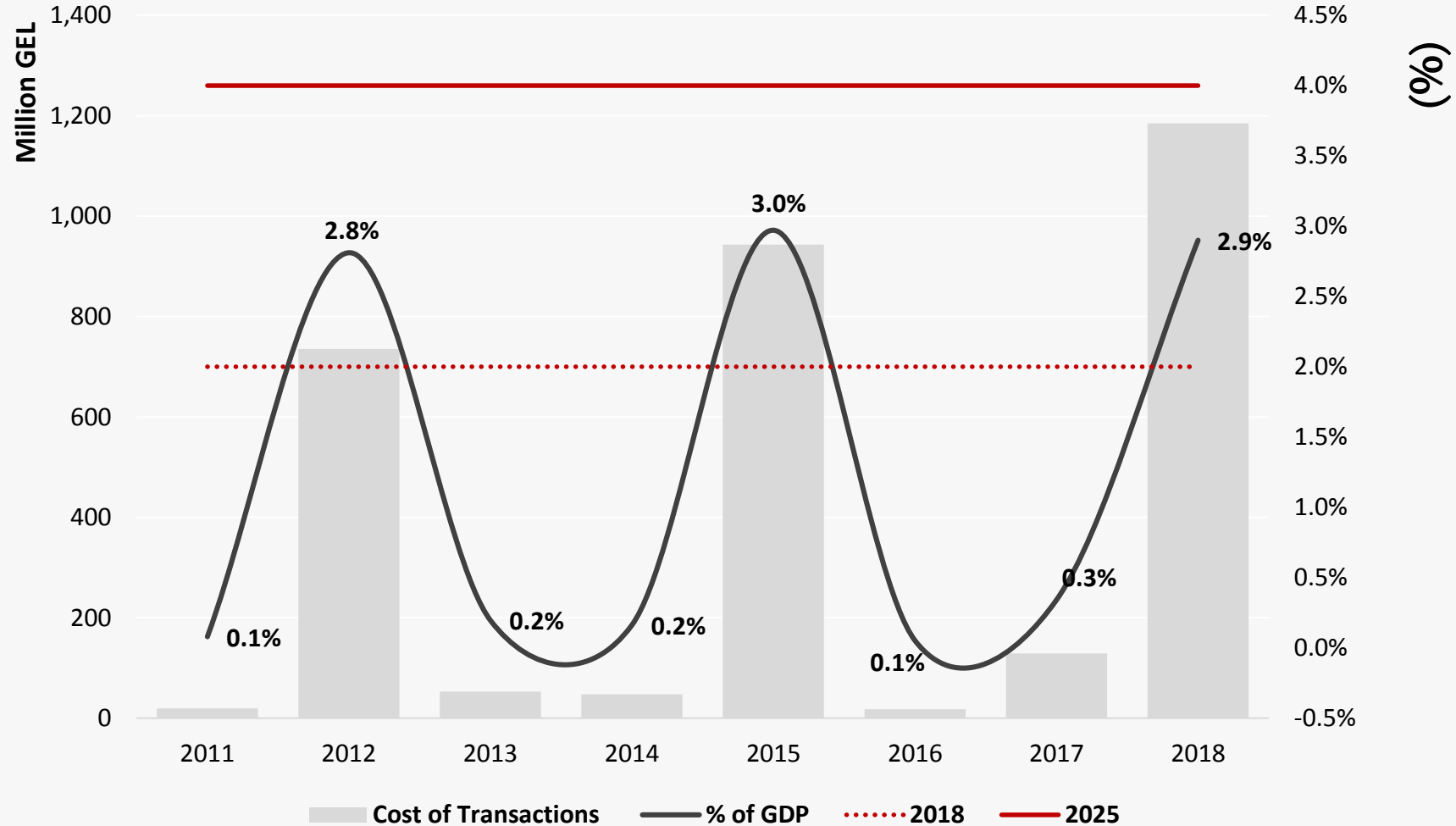
### Phase 3



**ISET**

# Results of shares trade over a year (Trading sessions + OTC Trades)

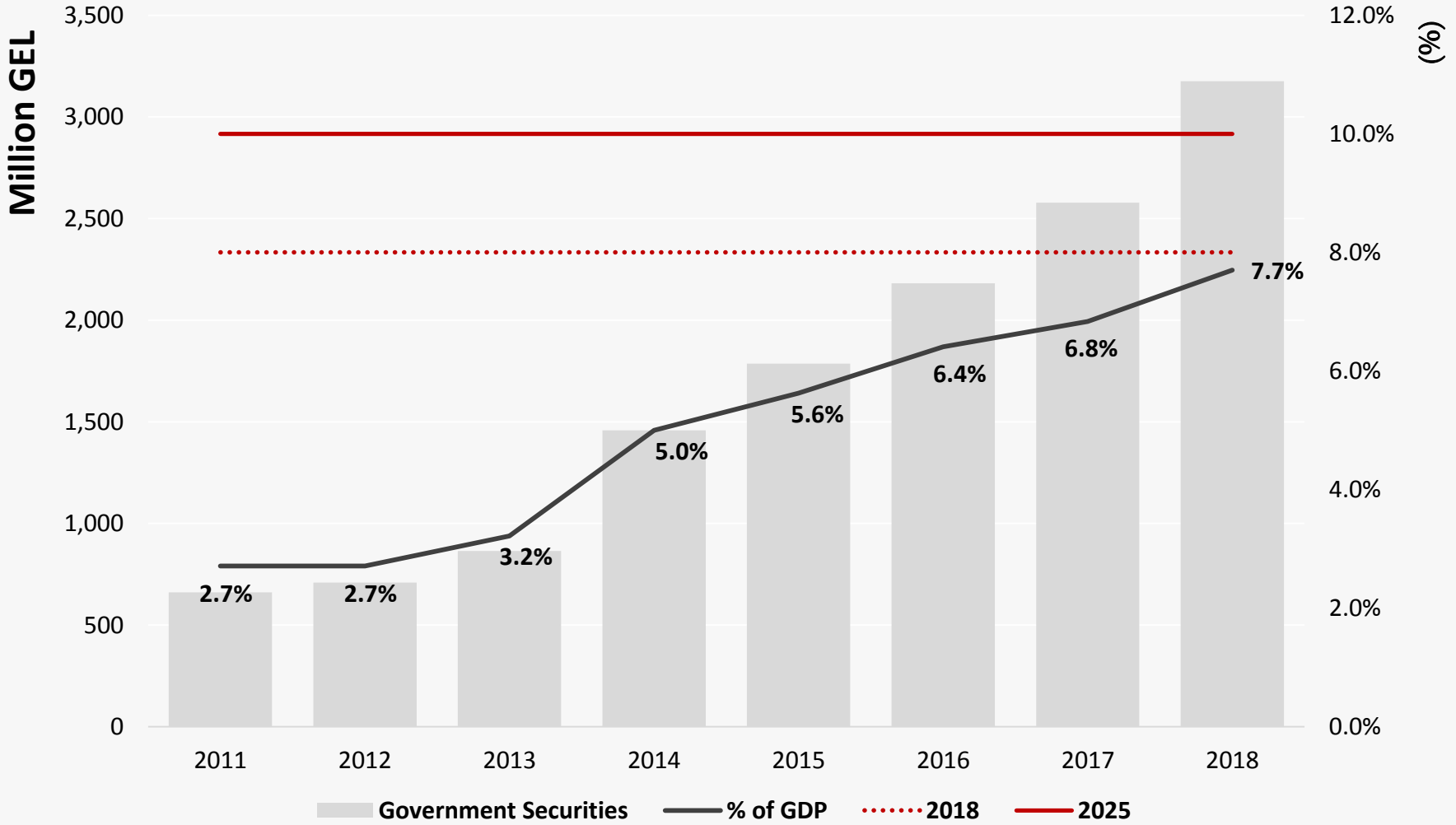
## Stock Market Capitalization



Source: Georgian Stock Exchange

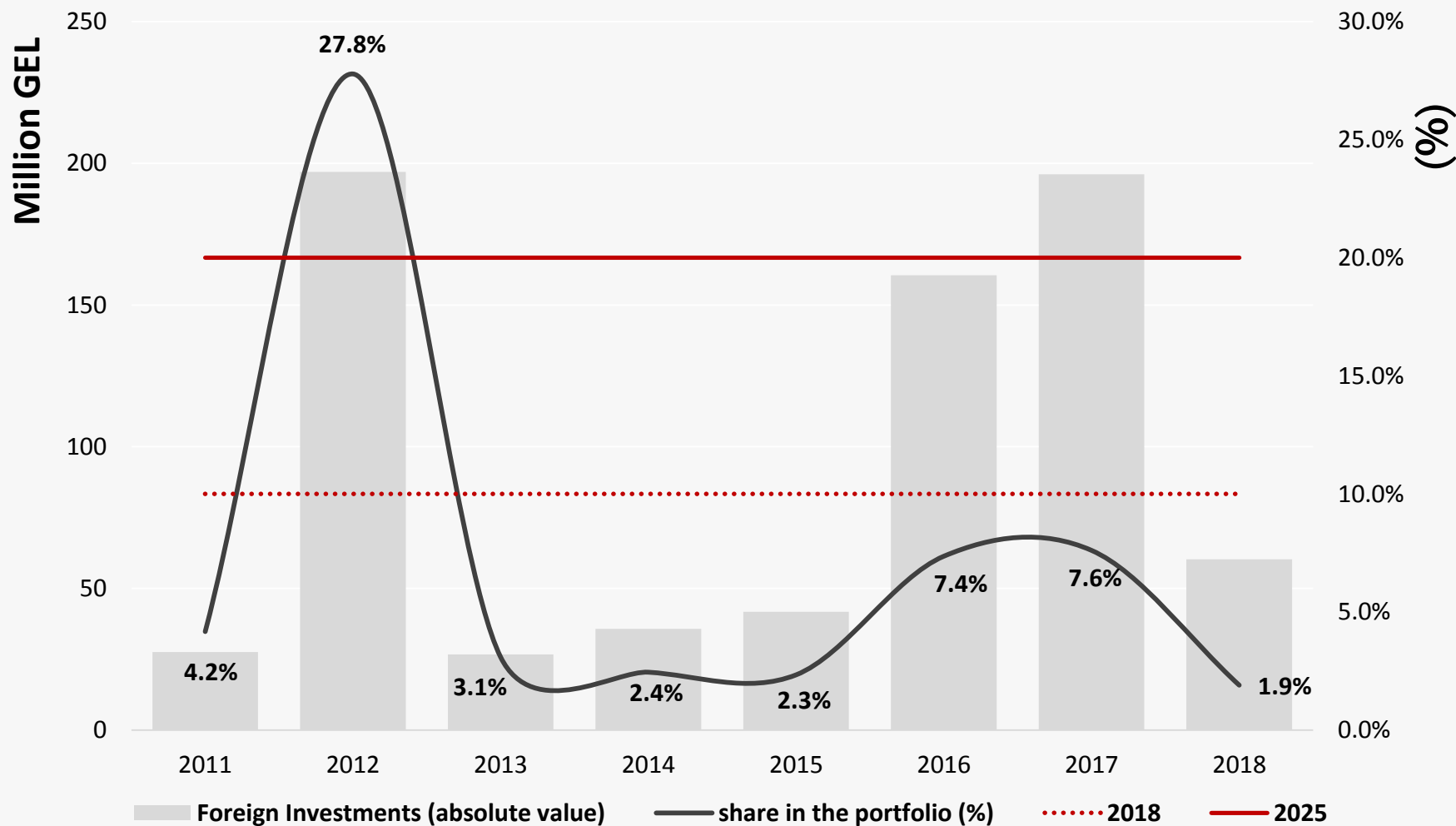
# Government Securities

(at the end of the period)



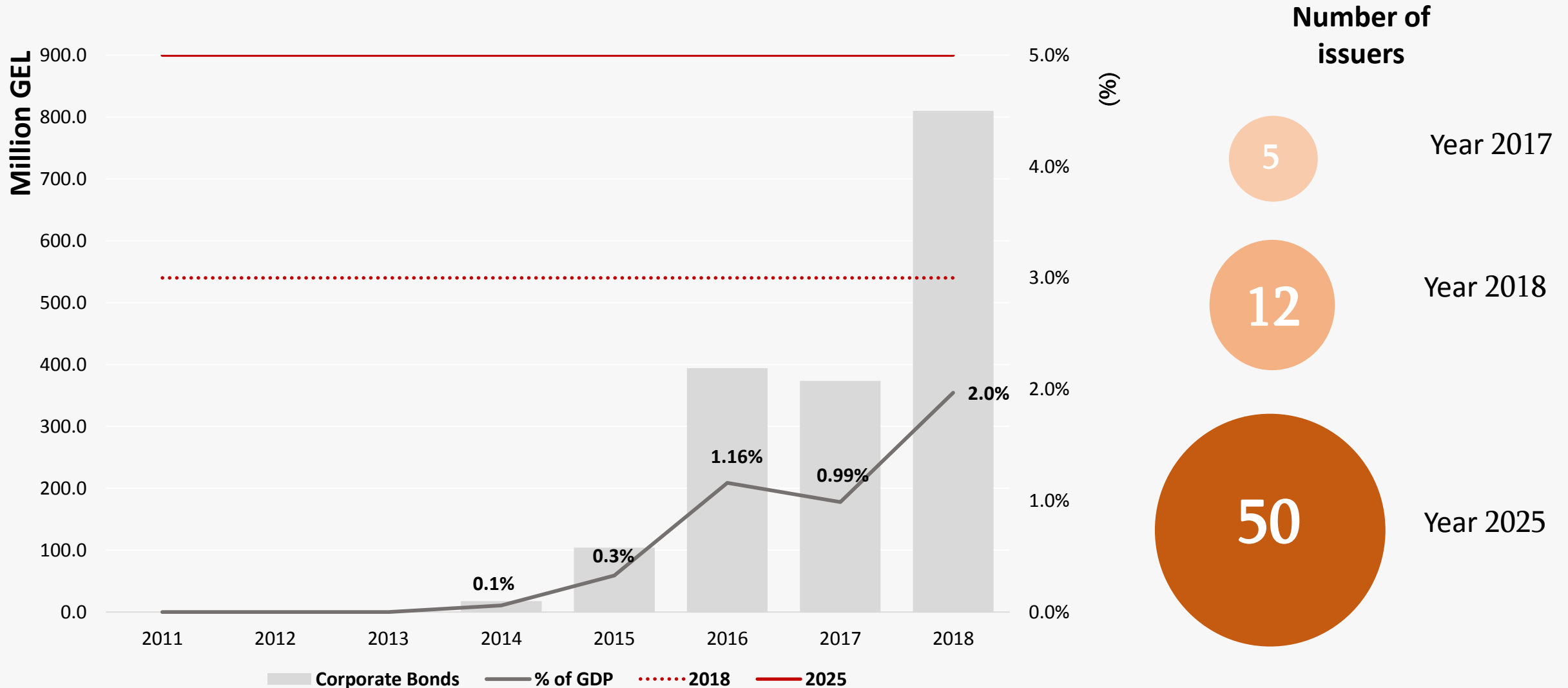
Source: National Bank of Georgia

# Share of Foreign Investors in the portfolio of Government Securities (at the end of the period)



Source: National Bank of Georgia

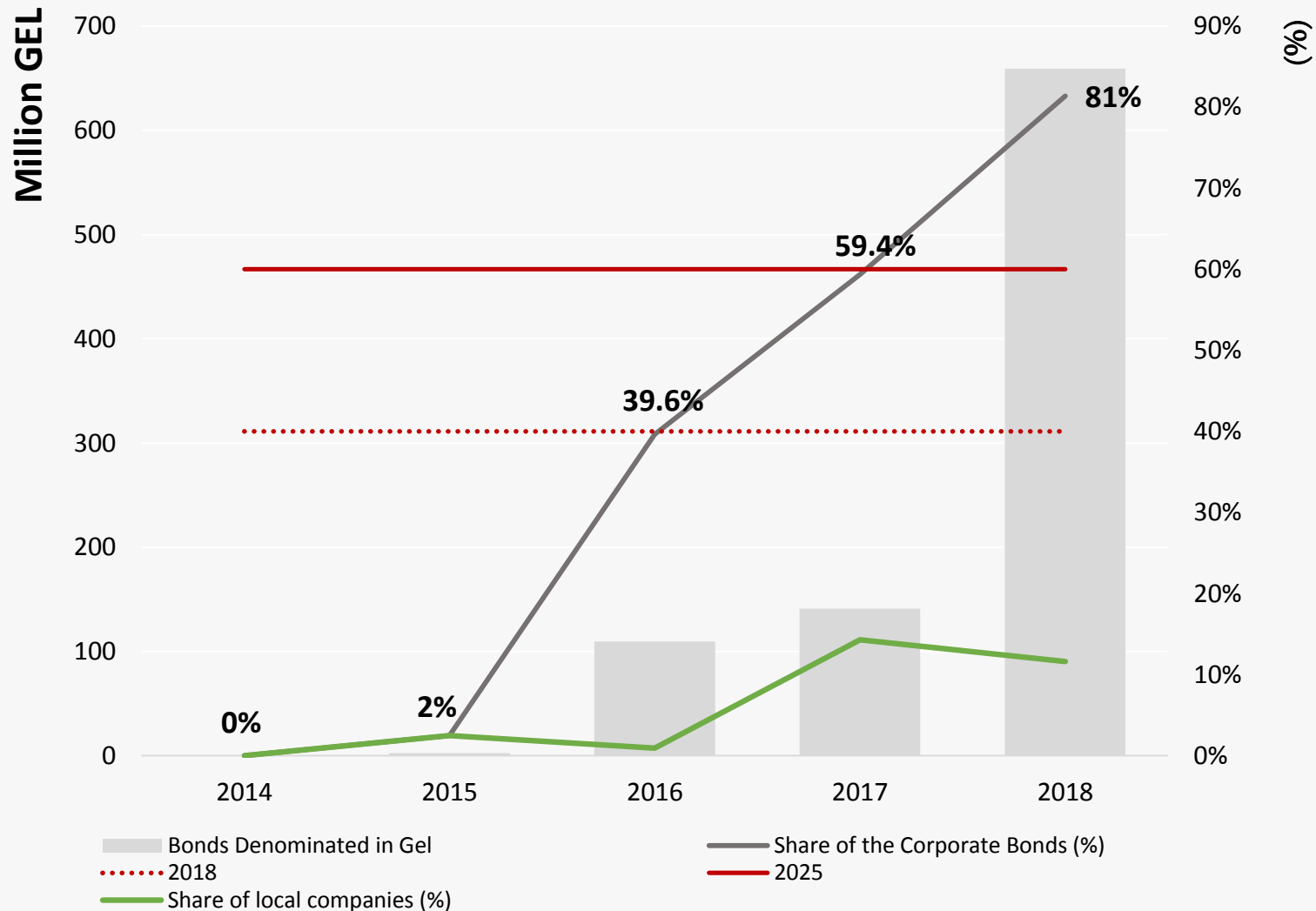
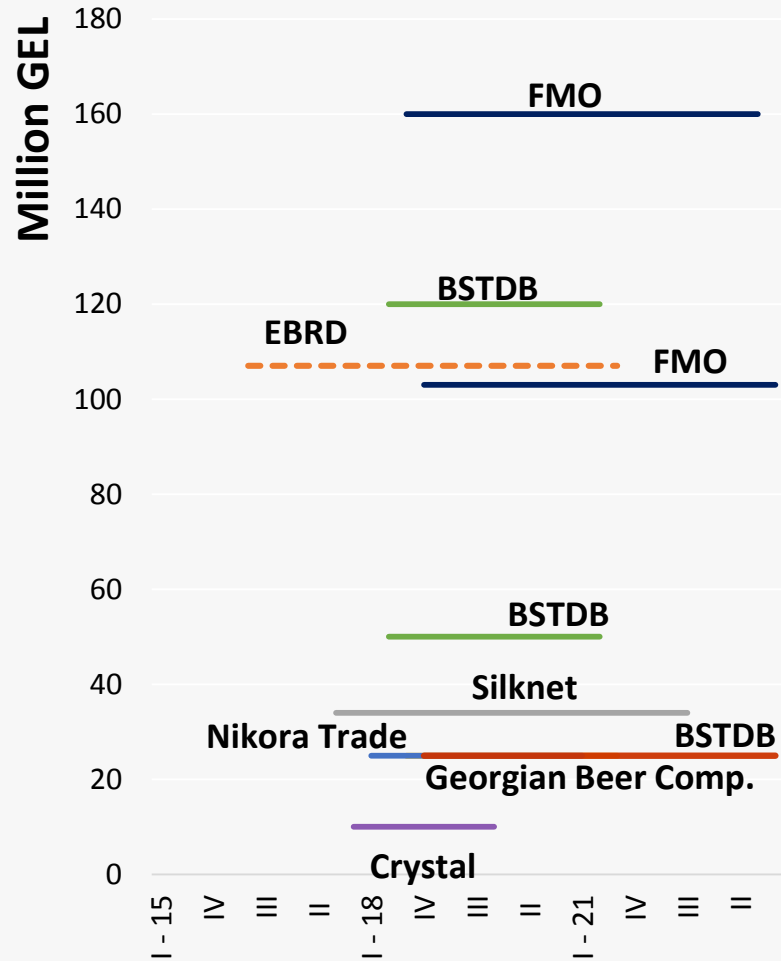
# Capitalization of Corporate Bonds Market



Source: Georgian Stock Exchange

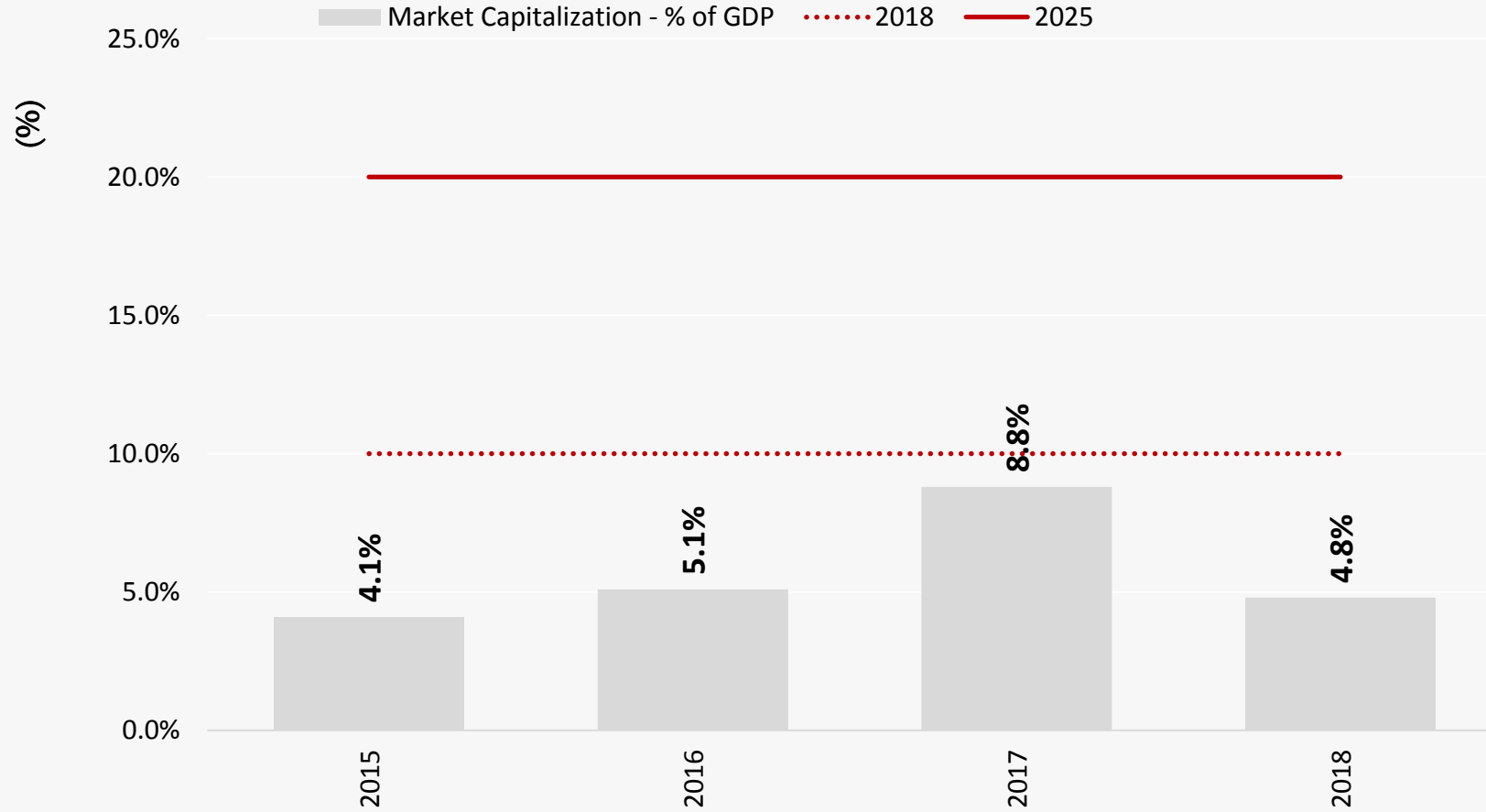


# Corporate Bonds Denominated in GEL



Source: Georgian Stock Exchange

# Capital Market Capitalization



Source: Georgian Stock Exchange

# The Main Indicators of Trade according to the broker companies and registrars

## Broker Companies

1. Galt and Taggart (99.9%)

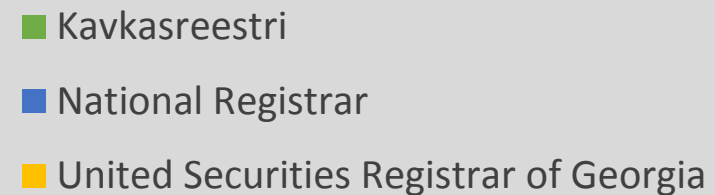
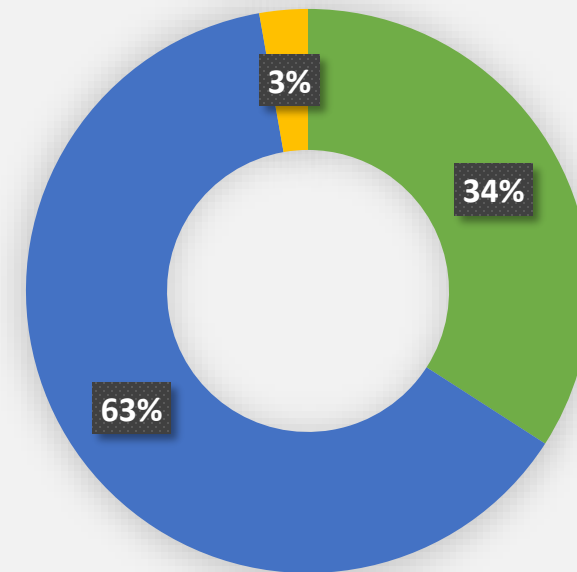
2. Heritage securities

3. Caucasus Capital Group

4. Cartu Broker

5. TBC Capital

## Registrars



წყარო: საქართველოს საფონდო ბირჟა

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