

Stock exchanges: a closer look

The global financial crisis, however, has changed the scale and scope of the capital markets as stock markets around the world have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to create rescue packages to bail out their financial systems.

As a result, stock exchanges around the world have experienced significant falls in 2008 as the financial turmoil and economic slowdown ended the stock market boom. Britain's FTSE 100 had its worst year on record, down 31.3%, with similar falls in Paris and Frankfurt. Shanghai was one of the worst-hit major markets, ending the year 65% lower, which was also a record loss. In New York, the Dow Jones has had its worst year since 1931, after losing almost 34% of its value last year and India's main index in Mumbai has more than halved.

In response to the current turmoil the World Federation of Exchanges (WFE), the organisation that unites 51 regulated exchanges around the world, specified three priorities for 2009, namely, to help the International Organization of Securities Commissions (IOSCO) set best practices for short selling and securities lending, to clarify the use of circuit breakers in volatile markets, ensuring that they are predictable and temporary and to study the effects of fragmentation and its impact on market quality.

For years the world's stock markets have been enjoying unprecedented breadth and growth, with financial institutions routinely moving trillions of dollars of assets including stocks, bonds, and other instruments around the globe. The increasing levels of cross-border capital flows and foreign holdings of financial assets have grown rapidly, which has, to a certain extent, linked individual financial markets into an increasingly integrated global one.

WFE Chairman William J. Brodsky of the Chicago Board Options Exchange (CBOE) said the WFE is making its resources available for the world's policy makers and regulators during a period of global economic stress. "We are at a critical juncture in the evolution of our global markets, and WFE is well positioned to share knowledge of exchanges with international governing bodies" said Mr. Brodsky.

"Our overriding goal is to examine what has and has not worked in the midst of recent market turmoil. Despite unprecedented volatility, our member exchanges have fulfilled their roles as transparent marketplaces, disseminating prices for the essential functions of capital formation and risk management. We believe our collective experience and knowledge can be a valuable resource as global policy makers and regulators grapple with the difficult challenges ahead."

Over the next few pages we take a closer look at some of the key stock exchanges from around the world and speak to some prominent advisers about the issues and challenges they have been facing and the kind of stock exchange related work they have been doing in their jurisdiction.

In 2008, London Stock Exchange Group launched AIM Italia as a distinct market based on the core AIM principles but operated and managed by Borsa Italiana. The exchange provides small and medium sized enterprises (SMEs) with the opportunity to access the community of international investors in a flexible and efficient way.

Luca Peyrano, Director, AIM Italia said: "AIM Italia has been designed to provide SMEs with a simple and flexible route to a quote on a robust and transparent public market, while protecting investors through a principles-based efficient and cost-effective regulatory framework which balances the needs of smaller companies and their investors. In doing this, it opens the way for Italian SMEs to tap into the unrivalled pool of specialised equity investment from the larger and more important financial centres in Europe."

The rules governing AIM Italia, while mirroring the main features of the London Stock Exchange's AIM, have been specifically tailored to suit the Italian economic and business landscape. Guiseppe Labianca from NCTM said: "What renders our economic landscape unique is the fact that Italy's industrial backbone is made up of a number of small and medium sized enterprises that are the natural candidates for listing on AIM. It is therefore fundamental to spread the knowledge of the features of AIM and stress the potentials for growth that listing on AIM may offer."

Mr Peyrano outlined some of the ways AIM Italia is tapping into the huge potential offered by Italy's abundance of SMEs: "Italy retains the highest concentration of SMEs in Europe and we strongly believe the AIM model is best positioned to take advantage of this. As an example, we have just finished a road-show in the main Italian cities,



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meeting more than 300 potential issuers in less than six weeks. We are very satisfied by the high level of interest we saw and are fully committed to keep building on these successes. Many other initiatives will follow in the next few months."

The global economic crisis is having a profound effect on stock markets around the world, including London's AIM market. In light of this volatility, many companies may conclude that now is not the ideal time to be planning a listing on any exchange. Mr Labianca however, said that now is the perfect time for SMEs to consider a listing: "Although the adverse effects from the current economic crisis on Italian stock markets cannot be ignored, we believe that this is the right time for SMEs to think of a possible listing on AIM and thus to start preparing all preliminary activities so as to be ready to be listed when the stock markets recover from the crisis."

He continued: "Our firm is currently assisting companies that are strongly considering a listing on AIM Italia as an opportunity for growth. We are also in contact with Borsa Italiana for marketing initiatives aimed at spreading the knowledge of the opportunities offered by AIM Italia."

Budapest Stock Exchange

The Budapest Stock Exchange (BSE) re-opened in 1990 after a hiatus period which began in 1948, following World War II and the nationalisation of most private Hungarian firms. Since then, the BSE has undergone numerous changes and developments to the operating conditions, organisation and overall function of the exchange.

According to the BSE there are many benefits of listing on the exchange, Richárd Vég, Director of Business Development Division at BSE said: "One of the primary advantages of a listing is the ease of financing by raising additional capital in the capital markets. This method of fundraising has become essential recently as it provides an alternative for borrowing, which is proving to be more difficult in current circumstances.

"In addition, there are certain allowances made in equity listing fees on the BSE. For example, the exchange waives all listing fees in the case of equity listings and as an additional incentive, the exchange also waives listing maintenance fees in the quarter when the equity listing takes place and in the quarter that follows."

Foreign investors have a strong presence on the Hungarian stock market, representing almost 70% of the BSE's equity capitalisation. Foreigners can therefore trade shares on the BSE as easily as on any other large foreign market, which widens the potential investment pool for any company listed on the BSE.

Furthermore, the exchange is home to many foreign companies. Dr. Zoltán Martonyi, managing partner at Martonyi Law Firm in association with Bolton May Ltd., said: "Securities issued by foreign firms listed on the BSE range from large real estate developer firms such as ORCO, the managers of which members of our firm have advised throughout the listing process, to companies in the energy, pharmaceutical, auto and banking sectors. The CEO of our consulting Firm Bolton May Hungary Consulting Kft. has previously been the CEO of AAA Auto, one of the companies recently



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listed on the BSE."

The global economic crisis has affected stock exchanges the world over and the BSE has been no exception. The BSE's official index, the BUX, reached its lowest point (regarding close value) at 9,461 points in March 2009, representing a drop of 63% in the value of the index from the beginning of 2008. As of March 2009 the cash market capitalisation is €46 billion which equates to a 43% decrease compared to the beginning of 2008.

Mr Martonyi said: "The overall performance of the BSE rests largely on the performance of the major European and US exchanges, which have been suffering significantly in the past year. Domestic listed companies, especially in the banking sector, have experienced a steeper decrease in their share prices, which have temporarily submerged under book value levels in the past period. This has made such companies a more attractive investment option, especially following the IMF's recent announcement on the adjusted risk levels for the CEE region."

Martonyi Law Firm has extensive expertise in both domestic and international capital markets. The team is adept at dealing with financing transactions, having represented many of the largest Hungarian credit institutions and mortgage credit institutions in their international capital markets transactions.

Indonesia Stock Exchange

The Indonesian government reactivated its stock exchange in 1977, and it has been growing rapidly ever since, bolstered by the incentives and regulations issued by the government. In 2007 the Surabaya Stock Exchange merged into the Jakarta Stock Exchange (JSX), resulting in the newly-formed Indonesia Stock Exchange (IDX).

The global economic downturn has brought about a change in the activities of both listed companies and investors, and the IDX itself. For example, many corporations have postponed their plans for Initial Public Offering (IPO)s and are undertaking the alternative restructuring instead. In light of this, it is predicted that only 19 Indonesian corporations will go public in 2009.

Ira Eddymurthy from Soewito Suhardiman Eddymurthy Kardono (SSEK) said: "This economic situation has encouraged the IDX to promote the capital market to potential domestic investors. In March 2009, the IDX introduced a new trading system named Jakarta Automated Trading System-Next Generation (JATS-NextG). One of the main features of the new system is the provision of an integrated trading facility for various products, including single operation, single price dissemination and single market supervision. The new system also allows one million orders and 500,000 transactions to be conducted in one day, more than doubled the capacity of the old system."

Ms Eddymurthy outlined the kind of work they have been doing in the absence of the IPOs: "Where public offerings are not favourable, SSEK assists companies with strategic financing alternatives. Due to the crisis, we often assist our public company clients to obtain loans or conduct vertical integrations with their affiliates, which may constitute a material transactions or conflicts of interest and affiliated transactions under the applicable laws. In this case, we provide legal opinions necessary for the clients to get approvals from their shareholders if required. We also assist foreign public companies with the due diligence of their subsidiaries in



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Indonesia, in order to fulfil the listing and disclosure requirements in foreign countries."

Aside from the banking and broadcasting sectors, there are no foreign investment limitations imposed by the Government for investment in the capital markets. In fact foreign investors play a key role in the IDX and just recently, the Government adopted more effective measures to encourage and facilitate such investments.

Ms Eddymurthy said: "SSEK advises foreign clients who wish to acquire an ownership interest in Indonesian public companies on the guidelines and restrictions, such as tender offers and disclosure requirements. We also assist throughout the acquisition process. We have also advised foreign fund managers on offering offshore registered funds to investors in Indonesia."

Indonesia has an Investment Negative List that limits foreign ownership in certain sectors. Although there are no limitations imposed by the Government on foreign investment in the capital markets (except the banking and broadcasting sectors), this Investment Negative List could be a factor that restricts foreign ownership in capital market transactions. Ms Eddymurthy said: "This matter is currently being heavily discussed in the legal community, but there has been no conclusive outcome yet on whether the Investment Negative List will also apply to capital market transactions."

Jamaica Stock Exchange

The Jamaica Stock Exchange (JSE) celebrates its 40th anniversary this year. During that time, it has weathered many domestic and regional crises, and it has learned to be responsive to the needs of its listed companies and the local investment community.

More recently, economies around the world have been battling the ongoing effects of a global economic crisis, which is having a knock on effect for the worldwide capital markets. The JSE however, appears to be bucking this trend as figures released by the JSE show increased performance in all areas of revenue for the nine month period ending September 30th 2008, when compared to the corresponding period in 2007. This improvement can be attributed to an increase in the performance of the market, which saw the volume traded increase to 1.8 billion units, up from 1.6 billion, in comparison to 2007. In the same period the value of ordinary transactions increased significantly to \$20.2 billion, compared to the comparable 2007 value of \$12.5 billion.

A major development in the ongoing growth of the JSE is the launch of a new Junior Market on 2nd April this year. Members of leading local firm, Patterson Mair Hamilton, outlined the Junior Market's primary aims and objectives: "The Junior Market hopes to attract listings of local and Caribbean small and medium sized companies, and to provide a supportive environment in which they can grow. It is supported by various tax incentives aimed at both the companies, and investors in them". "The Junior Market certainly has the potential to act as a growth engine for the JSE and the local and regional economy, even in these difficult times." A significant number of local entities, including both existing and start up companies, have demonstrated their interest in the Junior Market, and the first listing is expected in May 2009.

Patterson Mair Hamilton was selected to act as the JSE's technical adviser in connection with the establishment of the Junior Market. The firm not only provided legal and technical advice on the project, but researched similar Junior Markets in other countries and drafted all the Rules and requisite documentation.

There has been much interest from both investors and companies alike in the new Junior Market, however, there has been a decline in enquiries and/or consultations carried out in relation to IPOs on the main exchange. Patterson Mair Hamilton comment: "The primary effect of the economic crisis, in terms of stock exchange related work is that one or two previously earmarked IPOs have been shelved as a result of the weak market environment. We have seen no companies delisting but secondary issues are also adversely affected. We are however, seeing an up take in corporate distress related work such as credit restructuring."

At present, the JSE is a market for listed companies based primarily in Jamaica and elsewhere in the Caribbean. However, given the current economic crisis, the JSE is working to create more interest in and trading liquidity for those listed companies, whether foreign or otherwise.



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Malta Stock Exchange

The Malta Stock Exchange (MSE) began operations in 1992 and while it is a relatively small exchange, it has been growing in recent years, in both size and importance. The past year has seen some interesting developments for the MSE for example; turnover on the market was higher than it was in 2007 mainly due to the substantial increase in the volume of Treasury Bills traded on the market but also to continued interest in the corporate bond market.

Equity market volumes, on the other hand, continued to contract even further in 2008 accompanied by an overall decline in prices which, in turn, was reflected in the value of the Malta Stock Exchange Index.

The turmoil in the global financial markets has been difficult for economies all around the world. The Maltese economy has been affected; however, the MSE has fared reasonably well, with continued interest from companies looking to make a listing. Dr Simon Tortell from Simon Tortell & Associates said: "Between April 2008 and April 2009 the MSE Index fell from 4640.534 to 2693.312. It is pertinent to note however, that during the same period, seven issues (one equity and six bonds) were listed on the MSE. These issues demonstrate that despite the financial turmoil experienced during the recent months, the appetite for listing on the MSE remains strong."

The global economic crisis has meant that both companies and investors are adapting their strategies and many are considering Malta as a viable location for their operations. Dr Tortell said: "During the past months, we have been approached by investment funds registered or licensed in lightly regulated jurisdictions in order to provide advice on the re-domiciliation process of such funds under the umbrella of the Maltese regulatory framework and the benefits of an eventual listing on the MSE."

The MSE, together with the Malta Financial Services Authority, is focused on the promotion of Malta as a modern and efficient financial services centre and an ideal listing hub for the Southern European and North African regions.



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These two bodies organise and participate in international conferences, which are intended to promote Malta's regulatory and listing framework, contribute in specialised publications and assist the Maltese Government in the scouting of foreign investment opportunities to Malta. Dr Tortell said: "A transparent and EU compliant fiscal package also facilitates foreign investment to Malta. As a law firm we offer a comprehensive suite of services to foreign clients, which includes but is not limited to the setting up of appropriate legal structures, corporate financing and re-structuring as well as regulatory and listing matters. We have also been engaged by foreign clients in order to provide legal and fiscal advice on their participation in local issuers on the MSE."

More recently, the firm has been exploring on behalf of different promoters, the possibility of using the MSE as a (primary or secondary) listing platform for closed-ended fund structures given the developed framework of such a category of investment funds in the Maltese Companies Act, the Investment Services Rules and the MFSA Listing Rules.

Mexico Stock Exchange

The global economic crisis has affected countries around the world in a number of ways. In Mexico the Mexican Stock Exchange (Bolsa Mexicana de Valores - BMV) was hit quite hard and the index plunged 13%. Consequently, Guillermo Prieto Trevino, BMV Chairman has said that there will be no initial public offerings in 2009. In February this year he stated that Mexican companies may resume initial share sales in 2010 as equity prices are expected to rebound toward the end of this year.



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Rafael Robles Miaja from Galicia y Robles, S.C. said: "There have been almost no equity raising via the market since the downturn really hit in 2008 and even the traditionally liquid debt markets have reduced a lot of volume. However, from the exchange perspective transactions continue and volumes of trading remain strong."

The BMV has introduced an exchange-traded fund (ETF) that will invest in private corporate debt. The fund, called the iShares Mexico Corporate Bond TRAC, or iShares Corpotrac, began trading in March this year when Barclays Global Investors (BGI), the largest provider of exchange traded funds in Mexico and around the world, launched the first Mexican corporate bond ETF on the Main Market of the Mexican Stock Exchange.

Copotrac will provide, through a simple transaction in pesos, diversified exposure to the Mexican corporate bond market in pesos, in an efficient, transparent and cost-effective way. It is the first corporate debt ETF trading in Latin America and one of the first such funds available in emerging markets.

Mexico will begin joint trading with Chile's stock exchange by the second half of this year, said Prieto. The exchange is also in talks for combined trading with Brazil, Colombia and Peru.

Galicia y Robles, S.C. participates in every legal aspect of the issuance of securities and other debt instruments, whether in Mexico or abroad, as well as in private and public offerings, tender offers, exchanges and related securities driven transactions. The firm also participates in commercial paper and stock certificate programs. We

have acted as counsel for investment banks, as well as for issuers in public and private offerings of debt or equity securities, and in tender offers. Furthermore, we represent companies dedicated to the placing and attraction of capital in public and private markets.

Mr Robles said: "Our activities include, among others, advising on the day-to-day operations of securities issuers, investment funds, investment policies and agreements. We have broad expertise in the counseling of investment companies and funds operating in Mexico, including their representation, when necessary, before the National Banking and Securities Commission, as well as before other regulatory authorities. Additionally, we actively participate in the analysis and elaboration of the legal framework of the Mexican securities' market and corporate governance of issuers."

Mr Robles advised the BMV and its shareholders in its initial public offering of shares in the market, providing key services that included organizing and establishing the corporate governance of the Exchange

Muscat Securities Market

During the first half of 2008, the MSM 30, the Muscat Securities Market's (MSM) index comprised of blue chip securities, was one of the best performing indices in the world. However, since then, the exchange has been significantly affected by the global liquidity crunch and the fall in crude oil prices.



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Mansoor J. Malik, from Al Busaidy, Mansoor Jamal & Co. said: "The Government of the Sultanate of Oman has established an investment stabilisation fund with a corpus of approximately RO. 150,000,000. In addition to this, the Government has indicated its intention to increase its infrastructure development projects. These moves have to an extent shored up the MSM, however, over the last few months the MSM has remained weak and has been plagued by low liquidity and limited investor interest."

The lack of liquidity in the market means there has been a lack of Initial Public Offerings (IPOs) in the past year. Mr Malik said: "Last year our Capital Markets Team was involved in three major IPO transactions. Two transactions concerning Sohar Power Co. SAOG and Voltamp Energy SAOG were successfully completed during the first half of 2008. The third transaction was scheduled for first quarter 2009 and was proceeding on schedule, however, as a consequence of the turmoil in global capital markets, the transaction was put on hold."

In the place of IPOs, there is now a greater emphasis on secondary fundraising through rights issues and convertible bond issues, debt issues, note programmes and private placements. Al Busaidy, Mansoor Jamal & Co.'s Capital Markets Team handled the rights issues undertaken by National Finance Co. SAOG and Al Batinah Development and Investment Holding Co. SAOG last year.

Mr Malik added: "This year, while the market conditions have not been conducive for IPOs, valuations relative to listed Omani equity have been attractive and we have advised a number of foreign clients on investments into Omani listed

companies. Additionally, we have also advised BankMuscat SAOG in connection with its public issue of RO. 60,000,000 exchange traded subordinated bonds with a coupon of 8%. We also advised the Bank in connection with its 'first-of-a-kind' issue to its shareholders of RO. 32,300,000 exchange traded compulsorily convertible bonds (with a coupon of 7%) as part payment of shareholder dividend for financial year 2009."

In order to encourage investment and boost overall activity in the exchange, the MSM has undertaken a number of initiatives to publicise the MSM and investment in Oman including creating an affiliation with Dow Jones for the establishment of an index, which is known as the Dow Jones MSM Index.

The MSM has also undertaken a number of additional initiatives in order to attract foreign investment into Oman. For example, the MSM is a fully electronic trading system and is run on the basis of IOSCO standards, which means investors are now able to trade electronically through the internet from overseas as well.

National Stock Exchange of India

Incorporated in 1992 and having commenced operations as a stock exchange in the equities segment in 1994, the National Stock Exchange of India (NSE) is one of the largest and most advanced stock exchanges in the world. Over the years, the NSE has remained in the forefront of modernisation of India's capital and financial markets, and its pioneering efforts include being the first national, anonymous, electronic limit order book (LOB) exchange to trade securities in India.



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Mr. Cyril Shroff, Managing Partner, Amarchand Mangaldas outlined some of the more recent developments that have been taking place at the NSE: "In December 2006, foreign investment was allowed in stock exchanges for the first time with the investment limit of 26% for foreign direct investment (FDI) and 23% for Foreign Institutional Investors (FIIs). At present, the NSE has already attracted 26% FDI and with the permission granted to FIIs to invest in unlisted stock exchanges in December 2008, NSE is likely to attract investments from FIIs as well. Additionally, NSE has also introduced various derivative products like Nifty Junior, Nifty Midcap50, CNX 100 and S&P CNX Defty Index. 'Mini Nifty' introduced by the NSE alone generates an average turnover of about INR 650-750 crores a day."

There has been a visible change in the Indian capital market landscape since last year and in particular, the onset of the global economic crisis has caused the IPO market to dry up considerably. Mr Shroff said: "Since 2008, IPOs have been scarce. Instead, rights offerings have significantly gone up along with Foreign Cumulative Convertible Bond buy backs. We are also seeing an increasing interest in Qualified Institutional Placements," he said. "The focus now is on finding innovative ways to raise capital and as a result, the market is looking to experiment with products such as Indian Depository Receipts and shares with differential voting rights (DVRs)."

The Companies Act was amended in 2000 to permit the issue of DVR Shares. However, it wasn't until October 2008 that Tata Motors became the first Indian

company to tap the financial markets with securities having DVRs. This was due to ambiguity in various laws, including the Companies Act, the Securities Contract Regulation Rules, 1957, the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, and the SEBI (Buy Back of Securities) Regulations, 1998.

Mr. Shroff, who supervised the legal team working on this deal, said: "We worked with the issuer company to resolve the regulatory ambiguity by amending its articles of association (Articles) to specifically state the rights and obligations of DVR shareholders in various scenarios including takeover, delisting or buy back of securities. The provisions of the issuer's Articles pertaining to DVRs are now being used as a model framework for other Indian listed companies proposing to issue DVRs."

Amarchand Mangaldas is one of the leading capital markets law firms in India, having fully established its expertise in capital markets transactions and assignments of various kinds. The firm has been involved in several path-breaking innovations in the capital markets on both debt and equity products.

New Zealand Exchange

2007 was a record year for NZX with combined primary and secondary issuance totalling around NZ\$5.5 billion and constituting approximately 50:50 debt:equity. As for many stock markets, liquidity and new equity issuance on the NZX have declined in the face of the credit crunch, with new issues amounting to approximately NZ\$3 billion in 2008.



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NZX has had a record Q1 2009 with approximately NZ\$3.5 billion in new issues so far, although, as expected in the current economic climate, a significant proportion of this relates to debt issuance, as IPO activity is extremely quiet. Listed debt raising on the NZDX has almost eclipsed the figure for all of 2008 in the first four months of 2009.

Matthew Mallett from Russell McVeagh said the NZX has been pro-active in responding to the worsening economic conditions. "Amongst other things, NZX has instigated rule changes to assist issuers in their ability to raise funds in a market where traditional bank debt funding is scarce," he said. "Changes have been implemented to increase the flexibility and speed to market of issuers in raising funds and to increase issue limits to take account of falling market capitalisations."

Mr Mallett added: "Given the current economic climate and the international scarcity and cost of traditional debt funding, we have observed a significant increase in retail debt issues. IPO related work has been replaced by a marked increase in placements, rights issues and retail debt offerings as a means of raising funds. Issuers are also taking this opportunity to buy-back shares as their value has dropped."

NZX plays a key role in attracting foreign investment to New Zealand by ensuring its rules are comparable with those of foreign equity markets and that the rules are adhered to and appropriately enforced. Mr Mallett said: "This assists our overseas clients in leveraging off their familiarity with home markets,

utilising familiar deal structures and, importantly, giving them confidence in the integrity of the New Zealand markets."

NZX, through its listing rules, encourages overseas issuers to list and engage in New Zealand capital markets through recognising certain overseas exchanges and their listing and ongoing compliance requirements for the purposes of NZX's markets. The new Mutual Recognition of Securities Offerings regime recently implemented with Australia now provides a more efficient mechanic for New Zealand and Australian issuers to issue into the Australian and New Zealand markets respectively, based almost exclusively upon the securities documentation and regulatory requirements of the issuer's home jurisdiction.

Mr Mallett said: "It is hoped that this, combined with the fact that Australian issuers are, in certain circumstances, afforded 'overseas listed issuer' status under NZX's listing rules, will lead to an increase in the number of issuers seeking dual listing status on NZX and ASX. We regularly advise Australian based issuers looking to contemporaneously offer securities in both Australia and New Zealand, including, more recently, under the new Mutual Recognition of Securities Offerings regime."

Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE) was established in 1960 and since then it has experienced some major developments. For example, following the introduction of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, which governs the importation of foreign capital into Nigeria for investment purposes and thereby liberalising foreign investment in Nigeria, the NSE has witnessed a tremendous increase in foreign investment in the Nigerian capital markets.

Since that development, the NSE has played an active role in attracting foreign investment to Nigeria. In this regard, the NSE recently introduced five new tradable indices, each based on various criteria, including liquidity. According to the NSE, the introduction of these indices is part of a planned effort to expand the range of products available for investment by foreign investors. These indices are NSE-30 Index, for the 30 biggest listed companies in Nigeria, NSE Food/Beverage 10 index, NSE Banking 10 index, NSE Insurance 10 index, and NSE Oil/Gas 5 index.

The tradable indices are expected to create room for broader diversification of financial products available on the secondary market. They would enable financial derivatives which require special tradable indices for monitoring their market value, to be introduced into the regular secondary market of the NSE.

Mr. Asue Ighodalo of Banwo & Ighodalo highlighted some other techniques the NSE has adopted to boost investments by both foreign and domestic investors. According to him, "the NSE has introduced trading rules for market makers, which essentially introduces a hybrid market model that allows simultaneous operation of quote and order-driven markets. It is also expected to boost liquidity and attract foreign investment. The NSE has also reduced its fees by 50%, which serves as an incentive to engage in transactions."

The need to attract investment through the NSE is becoming increasingly important as the NSE, along with other exchanges around the world, has been reeling from the downturn in the global markets. This is exemplified by a steady decline in market



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capitalisation from N12.64 trillion in May 2008 to N5.027 trillion as at 6th May, 2009.

Mr Ighodalo said this has resulted in a change in the type of activities taking place on the NSE. "The market downturn has witnessed a drastic reduction of private placements, public offers and other primary market equity deals. Activity on the secondary market has also been suffering."

He added, "On the other hand, the debt market has been quite active and we are currently involved in the issue of debt securities by State governments and a few public companies. We are not aware of any delisting from the exchange as a result of the economic crisis, but the stock exchange has issued rules to allow quoted companies to buy back their shares. Since then several companies have been considering the viability of undertaking share buy-backs."

Trinidad & Tobago Stock Exchange

The Trinidad & Tobago Stock Exchange (TTSE) was established in October 1981 under the provisions of the Securities Industry Act 1981 and under the auspices of the Ministry of Finance. Prior to that a securities market had existed informally, but only achieved any significance in the early 1970's when Government decided to localise the foreign owned commercial banking and manufacturing sectors of the economy. The thrust of the policy was to get such companies to divest and sell a majority of their shares to nationals.

The TTSE currently provides facilities for trading in shares of listed companies but does not provide any facility for trading in bonds, notes or similar instruments. Due to the economic crisis, there has been a decline in the demand for securities which has contributed to a fall in the prices of shares on the TTSE. However in comparison to some of the global financial markets, the TTSE has suffered mildly. Ms Donna-Marie Johnson from J.D. Sellier outlined the performance of the exchange in more detail: "At the end of 2008 the Composite Index was down 14.16% and the All T&T Index was down 3.83% year on year as against the end of 2007," she said. "The year 2008 can be compartmentalised into a good first half year and a bad second half year for both the economy in general and the TTSE in particular. The TTSE's Composite Index peaked at 1171.28 at the end of June and closed at 842.93 at December 31, 2008."

Throughout 2008 there were no IPOs or other public offerings of shares, only three listings and two de-listings. To date in 2009 there have been no IPOs or other public offerings of shares.

The TTSE attracts foreign investments to the exchange via the Cross Listing of foreign companies with other exchanges in the Caribbean Community (CARICOM), of which Trinidad & Tobago is a member. In January 2009, the TTSE lowered the Cross Listing Fees to US\$100.00 in order to attract such firms. However, no additional incentives are offered to foreign investors.



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Mr. David Clarke also from J.D. Sellier, recalled a recent case the firm worked on involving the Cross Listing process. "In 2007/8 our firm acted on behalf of an offeror in connection with a contested takeover bid for a Barbados company which is cross-listed on TTSE. The bid gave rise to litigation in Barbados between the Barbados Securities Commission, the offeree company and both offeror companies. The Trinidad and Tobago Securities and Exchange Commission had a watching brief at the hearing of the matter."

Mr Clarke continued: "This case showed the need for harmonisation of the securities legislation of the Caribbean jurisdictions in which Caribbean companies are cross-listed as there were several material differences between the legislation of Trinidad and Tobago and Barbados which impacted on the transaction and the litigation."

Tel Aviv Stock Exchange

The Tel Aviv Stock Exchange (TASE) fulfils a major role in the Israeli economy and has been a key player in the nation's economic growth. However, the downturn in world financial markets has been affecting the Israeli economy and the TASE, despite favourable macro-economic indicators and the stability of Israel's financial sector prior to the crisis.

Avraham Well, from Fischer Behar Chen Well Orion & Co (FBC) outlined the primary effects the downturn is having on the TASE: "Like other countries' markets around the world, as the scope of commerce has narrowed, Israel has seen fewer share issuances and the market has been somewhat volatile. Also, the Israeli Securities Authority (ISA) has been producing various reports to explain the risks and exposures in various issuers."

The recent downturn has brought with it considerable work in specialised capital markets sub-fields. Most notably, there has been an increase in the publication of shelf registration statements, which enable public companies over a two-year period to publish a disclosure document and to issue shares, based on the shelf registration, with advance notice of a few days. Large public companies published shelf registration statements to enable them to take advantage of temporary market opportunities to raise cash.

Mr Well said that the firm has also been representing issuers of complex financial products, who have continued to issue and trade in these products even during the crisis. "These products include index-linked certificates, which track stock and bond indices in Israel and abroad, both as 'long' and 'short' positions, and leveraged certificates, which enable holders to take advantage of movements in the market and to receive returns that are double or triple the changes in the relevant index."

The index-linked certificate market has developed considerably in Israel in recent years and is highly competitive. FBC represents the second largest issuer



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of index-linked certificates in Israel. FBC was also chosen to represent the Association of Issuers of Index-Linked Certificates in a variety of matters, including submission to the ISA, and perhaps most notably, in the joint effort of the ISA and the Association to develop legislation governing index-linked certificates. As part of this process, FBC prepared a comprehensive legal opinion regarding the treatment of index-linked certificates.

Debt restructuring has also been on the rise since the downturn, and in response to this FBC established a practice dedicated to this area. The practice has been representing companies that are in financial distress as well as holders of distressed debt, Mr Well said: "In these matters, we are typically involved in negotiations among the relevant stakeholders and are also responsible for addressing regulatory issues, including representation of the applicable parties before the ISA and the TASE."

FBC's capital markets practice represents issuers, banks and underwriters in large and complex placements of equity and debt securities on the Israeli and international capital markets. The practice advises on a full range of capital raising activities, including public offerings and private placements of debt and equity securities, convertible securities, and structured securities, as well as transactions with interested parties.

Uganda Stock Exchange

Following the listing of its maiden instrument the East African Development Bank (EADB) bond in January 1998, the Uganda Stock Exchange (USE) has over the past decade posted encouraging growth in terms of listings on the USE, growth in market capitalisation, share holder growth and activity turnovers.

There has been a massive improvement in investor participation in the market from both local and foreign investors. The increase in investor numbers is attributed partly to the continued education and awareness campaigns by the USE, capital markets incentives and other investment policies that have been put in place by the Government in an effort to promote long term savings and investments.

More recently however, there has been a muted demand for shares and corporate bonds at the USE as well as Government bonds, which is largely due to the pressures of the global economic crisis. Charles Odere, from Lex Uganda Advocates & Solicitors outlined how the USE and the Ugandan economy is reacting to and addressing the crisis: "Uganda is trying to build a derivatives market under the recently launched five-year Financial Market Development Plan. The Bank of Uganda hoped that foreign investor funds flowing into the country would be used to prop up Uganda's derivatives market, where financial instruments would be used to mitigate risks."

He added: "A derivatives market helps to ease the flow of liquidity and guard against risks. However, the current global economic crisis is expected to leave Bank of Uganda officials rethinking this part of the plan, especially since the same derivative instruments are at the centre of the US financial market crisis."

The USE is in talks with the Nairobi Stock Exchange (NSE) and the Dar es Salaam stock Exchange (DSE) to merge and form a single stock exchange market called the East Africa Stock Exchange. Simon Rutega, chief executive officer



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of the Uganda Securities Exchange, has said the merger will create more scale in the markets, increase economies of scale and reduce the costs of managing trading, clearing and settlement infrastructure in the region. The integration of the exchanges is, amongst other things, intended to encourage cross border investment across the East Africa region.

Foreign investors have long been active in the USE and all are treated the same way and offered the same incentives as domestic investors. Mr Odere said: "A foreign investor currently pays the same taxes paid by a domestic investor. For example, withholding tax on dividends is 10% and taxed at source, corporate tax is 30% and withholding tax for non-listed companies operating in Uganda is set at 15%."

Lex Uganda Advocates & Solicitors has a distinguished track record for advising a diverse base of private and listed national and international clients on a wide range of corporate and commercial matters. Amongst other things, the firm can provide advice on the setting up and structuring of trading activities on the USE, negotiate, prepare and conclude commercial contracts for sale, disposal and purchase of securities and other commercial assets and advise on various trade practices and regulatory issues.