

desirable. In the absence of a sound and structured securities market, the privatisation programme may be restricted.¹¹

2.1.3 Promotion of small and medium size business

Most of the economies of developing countries are marked by a significant lack of availability of capital for the development of smaller and medium-sized businesses, businesses which are thought to be the "engines" for future economic reform and development in these countries.¹² Once again, the securities and stock exchange market is thought to provide a valuable funding source for such businesses. In this respect, the securities market would also provide a vehicle for new issues of stock to support the growth of pre-existing companies or growing smaller and medium-sized businesses. Further, the creation of a market for long-term business finance through the issuance of debt or equity securities would enhance the economic means of production and the sufficient allocation of capital within that particular society.

2.1.4 National savings

A further objective of developing a securities market is to provide alternative vehicles for national savings (e.g., through collective investment schemes, mutual funds, pension funds, etc.). Moreover, the realities of the modern-day financial world clearly indicate that there are no longer traditional marketplace divisions between money markets and capital markets or between financial institutions dealing within each of these markets.¹³ In this light, some form of legal linkage between the money markets and the capital markets would appear desirable.

2.1.5 Attracting foreign investment

The last decade has witnessed a significant change of foreign investment policies in the emerging economies aimed at attracting foreign investors.¹⁴ Establishing a suitable domestic securities and stock exchange regulation structure would provide a highly desirable opportunity to attract direct foreign investment.¹⁵ It should be emphasised that a new issue market will

¹¹ P. Guislain, World Bank Technical Paper No. 186: *Divestiture of State Enterprises: An Overview of the Legal Framework* (1992) pp. 26-27.

¹² See R. Strahota, *Report on Developing the Polish Securities Law* (Securities and Exchange Commission, 1993).

¹³ See, R. Pecchioli, *The Internationalisation of Banking* (OECD, 1983).

¹⁴ See generally, United Nations, Centre on Transnational Corporation, *Formation and Implementation of Foreign Investment Policies* (1992).

¹⁵ Cf. H. Scott and P. Wellons, *International Finance*, Ch. XVII (*Emerging Markets: Privatisation and Industrial Investors*) (1995). For example, Lipper Analytical Services indicates that, at the end of 1991, there were only four emerging market mutual funds in the U.S., but at the end of 1994, there were 47 funds with approximately \$8.8 billion in assets. See also, weekly "Emerging Market Indicators" in the *Economist*.