

**First Central Asia Regional Economic Cooperation (CAREC)  
Capital Market Regulators Forum**

**VPO1 OPENING REMARKS**

Honorable Minister,

Chairman Securities and Exchange Commission of Pakistan,

Guests from Pakistan and other CAREC countries,

Ladies and gentlemen,

A very good morning!

I am pleased to welcome you to this first CAREC Capital Markets Regulators Forum, hosted by the SECP and the Asian Development Bank. Your participation in this two-day Forum underlines the importance all of us attach to development of capital markets in the region. This Forum underscores the need to evolve strong and meaningful cooperation among our capital markets. This will expand access to finance, improve regulatory structures, and support private sector development in the CAREC region.

Since its inception in 2001, CAREC has invested heavily in improving regional connectivity, promoting energy trade, and facilitating regional trade, with a total financing of almost \$34 billion. In 2017, a new long-term strategy CAREC 2030 was adopted by the 11 member countries. This

strategy expands the remit of the program to strengthen economic and financial stability.

So, why is capital market development so important for the economies in the CAREC region? The simple answer is that the region needs much more financing and investments than public sector resources can alone provide. For instance, infrastructure financing needs tens of billions of dollars a year in the region—at a time when public debt levels have grown after the oil price shock and depreciation in exchange rates in many CAREC countries.

In these circumstances, mobilization of private sector funds becomes critical to meeting development financing gaps of the CAREC region.

It is a fact, however, that the financial sector in most CAREC countries is still dominated by banks, and capital markets are lagging. Maturity of capital markets varies considerably across CAREC countries in terms of market size, market participants and institutional and regulatory frameworks. In some countries, there are no organized stock markets. Others have exchange or trade platforms with relatively modest trade volumes.

According to the Global Competitiveness Report 2018, market capitalization rankings of CAREC member countries are at the lower end. While PRC ranks 30th and Pakistan ranks 58th among 140 economies, other CAREC countries are ranked lower.

And what do CAREC countries gain from working together? Integration of capital markets, learning from each other, increased innovation, and stock cross-listing are all good practices.

As a good example, ADB has supported the ASEAN Capital Markets Forum, with a vision to develop an integrated regional capital market. An ASEAN Trading Link has electronically connected the exchanges of Malaysia, Singapore and Thailand. A common platform has been developed to co-ordinate capacity building programs. Also, the ASEAN+3 Asian Bond Markets Initiative successfully channeled savings to investments and helped mitigate currency and maturity mismatches. As a result of the initiative, local currency bonds outstanding in ASEAN+3 increased threefold from just under \$6.6 trillion in 2002 to \$25.1 trillion by 2018.

Some examples of cooperation among stock exchanges also exist in the CAREC region. There are many active cooperation stock exchanges, such as between Pakistan and PRC, Kyrgyz Republic and Kazakhstan, Mongolia and London, and Uzbekistan and the Republic of Korea.

ADB has supported many countries in developing their capital markets. For example, here in Pakistan, we have provided over \$900 million to support a range of fundamental regulatory reforms, and contributed to the establishment of the SECP. In Georgia, too, we have supported capital market development, which enabled ADB and other international financial institutions to issue local currency bonds. Similar support for Uzbekistan is planned.

Ladies and Gentlemen,

I believe that this Forum is a first step towards developing a strong regional capital and bond market for CAREC countries. I hope to see regular meetings of this Forum to build a strong and inclusive network among capital market regulators, stock exchanges, market actors, and investors in the region. We have much to learn from each other. And we have much to contribute to the institutionalization of this Forum over the coming years.

Thank you.