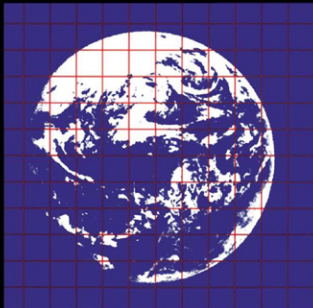


International Capital Markets

Developments, Prospects, and Key Policy Issues



By a Staff Team
led by

Charles Adams, Donald J. Mathieson, and
Garry Schinasi



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The following symbols have been used throughout this volume:

... to indicate that data are not available;

— to indicate that the figure is zero or less than half the final digit shown, or that the item does not exist;

– between years or months (for example, 1997–98 or January–June) to indicate the years or months covered, including the beginning and ending years or months;

/ between years (for example, 1997/98) to indicate a fiscal or financial year.

"Billion" means a thousand million; "trillion" means a thousand billion.

"Basis points" refer to hundredths of 1 percentage point (for example, 25 basis points are equivalent to $\frac{1}{4}$ of 1 percentage point).

"n.a." means not applicable.

Minor discrepancies between constituent figures and totals are due to rounding.

As used in this volume the term "country" does not in all cases refer to a territorial entity that is a state as understood by international law and practice. As used here, the term also covers some territorial entities that are not states but for which statistical data are maintained on a separate and independent basis.



Preface

The *International Capital Markets* report is an integral element of the IMF's surveillance of developments in international financial markets. The IMF has published the *International Capital Markets* report annually since 1980. The report draws, in part, on a series of informal discussions with commercial and investment banks, securities firms, stock and futures exchanges, regulatory and monetary authorities, credit rating agencies, and the staffs of the Bank for International Settlements, the Commission of the European Union, and the International Swaps and Derivatives Association. The discussions leading up to the present report took place in Argentina, Belgium, China, France, Germany, Hong Kong SAR, Hungary, Italy, Japan, Malaysia, Mexico, Poland, Singapore, Switzerland, Turkey, the United Kingdom, and the United States, in early 1999. The report reflects information available up to the end of June 1999.

The *International Capital Markets* report is prepared in the Research Department. The *International Capital Markets* project is directed by Charles Adams, Assistant Director, together with Donald Mathieson, Chief of the Emerging Markets Studies Division, and Garry Schinasi, Chief of the Capital Markets and Financial Studies Division. Coauthors of the report from the Research Department are Peter Breuer, Bankim Chadha, Nada Choueiri, Burkhard Drees, Anne Jansen, Charles Kramer, Subir Lall, William Lee, Joaquim Levy, Alessandro Prati, Anthony Richards, Jorge Roldos, Todd Smith (Visiting Scholar), Subramanian Sriram, Amadou Sy, Peter Tran, and Caroline Van Rijckeghem. Contributors from other departments are Martin Cerisola, Western Hemisphere Department; Cem Karacadag, Monetary and Exchange Affairs Department; and James Morsink, Asia and Pacific Department. Celia Bums, Sheila Kinsella, Rosalind Oliver, Ramanjeet Singh, and Adriana Vohden provided expert word processing assistance. Marina Primorac of the External Relations Department edited the manuscript and coordinated production of the publication.

The study has benefited from comments and suggestions from staff in other IMF departments, as well as from Executive Directors following their discussions of the *International Capital Markets* report on July 29, 1999. However, the analysis and policy considerations are those of the contributing staff and should not be attributed to Executive Directors, their national authorities, or the IMF.

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List of Abbreviations

BIS	Bank for International Settlements
BNL	Banca Nazionale del Lavoro
CAPM	Capital Asset Pricing Model
CAPS	Capital Augmented Preferred Securities
CCBM	correspondent central banking model
DJIA	Dow Jones Industrial Average
DCR	Duff & Phelps Credit Rating Agency
EAF	Euro Access Frankfurt
EBA	European Bankers' Association
ECB	European Central Bank
EFIL	Exchange Fund Investment Limited
EMU	Economic and Monetary Union
EONIA	euro overnight index average
ERM	exchange rate mechanism
EU	European Union
FBA	Federation of Bankers' Associations
FESCO	Forum of European Securities Commissions
FOBAPROA	Fondo Bancario de Protección al Ahorro
FOMC	Federal Open Market Committee
FRC	Financial Reconstruction Committee
FSA	Financial Supervisory Agency
G-7	Group of Seven
G-10	Group of Ten
GITIC	Guangdong International Trust and Investment Corporation
HKMA	Hong Kong Monetary Authority
HLI	highly leveraged institution
IAS	International Accounting Standard
IASC	International Accounting Standards Committee
IFC	International Finance Corporation
IIF	Institute of International Finance
INDRA	Indonesia Debt Restructuring Agency
IOSCO	International Organization of Securities Commissions
IPAB	Instituto de Protección del Ahorro Bancario
ISD	Investment Services Directive
ISDA	International Swaps and Derivatives Association
ITIC	international trust and investment corporation
JGB	Japanese government bonds
KAMCO	Korea Management Corporation
LIBOR	London interbank offered rate
LTCM	Long-Term Capital Management
MRO	main refinancing operations
NCB	national central bank
NDF	nondeliverable forward
NRSRO	Nationally Recognized Statistical Rating Organization
OCC	Office of the Comptroller of the Currency
OTC	over-the-counter
PCA	prompt corrective action
PNS	Paris Net Settlement

LIST OF ABBREVIATIONS

ROE	return on equity
RTGS	real-time gross settlement
S&P's	Standard & Poor's
SAR	Special Administrative Region
SDDS	Special Data Dissemination Standard
SEC	Securities and Exchange Commission
SLIPS	Stapled Limited Interest Preferred Securities
TARGET	Trans-European Automated Real-Time Gross Settlement Express Transfer
TIBOR	Tokyo interbank borrowed rate
VaR	value at risk
Y2K	Year 2000