



^ FUTURE OF GEORGIAN CAPITAL MARKETS

June, 2019
Capital Markets Development and Pension Reform Department
Ministry of Economy and Sustainable Development of Georgia

> MACROECONOMIC TRENDS

The objective of Georgia is to become a multi-dimensional regional center for high quality services:

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> MACROECONOMIC TRENDS

FitchRatings

BB

STANDARD
&POOR'S

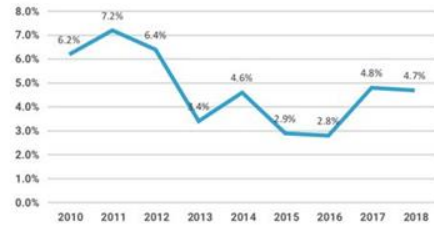
BB- Stable

MOODY'S
INVESTORS SERVICE

Ba2 Stable

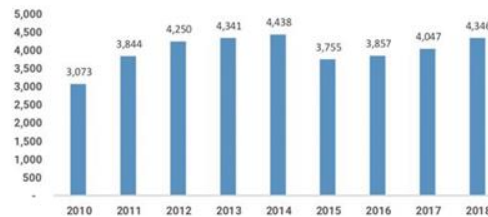
> MACROECONOMIC TRENDS

Real GDP Growth Rate, Y-O-Y (%)



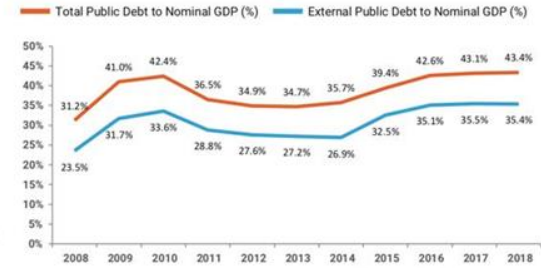
Source: Geostat

Growing GDP Per Capita (USD)



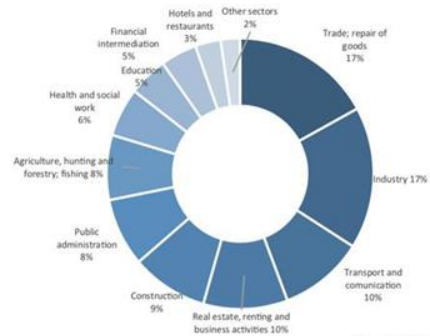
Source: Geostat, MOF

Favorable Public Debt Situation



Source: Geostat, MOF

Diversified Nominal GDP in 2018



Source: Geostat

> MACROECONOMIC TRENDS

Figure 1.1 Headline CPI inflation

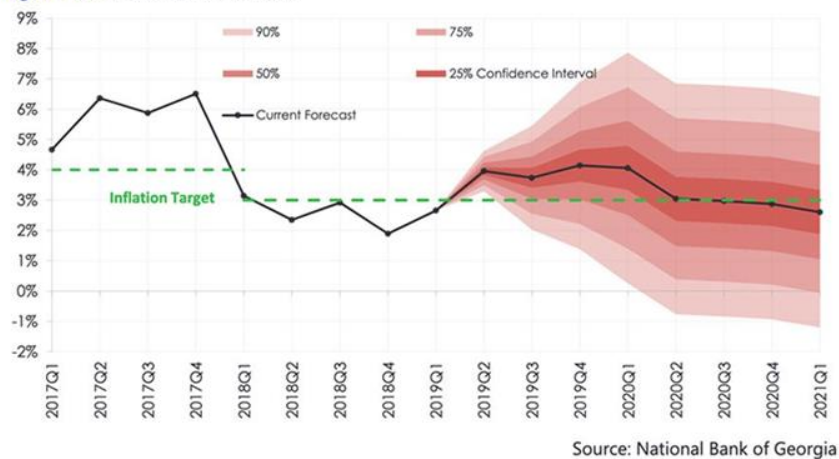
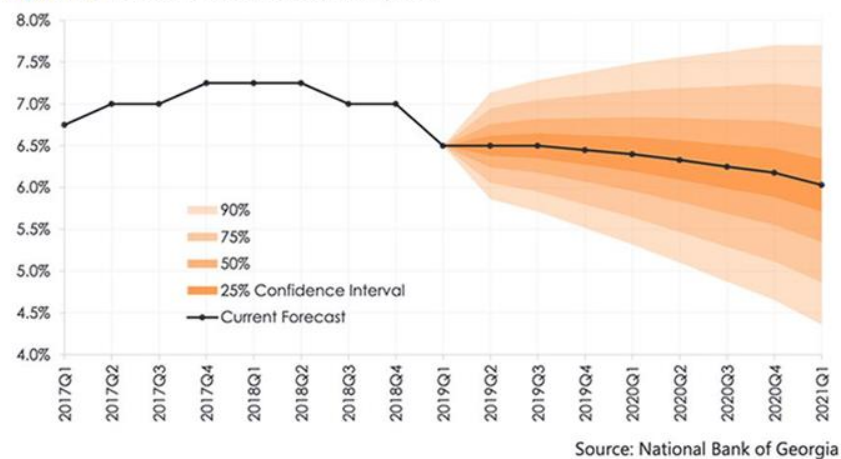
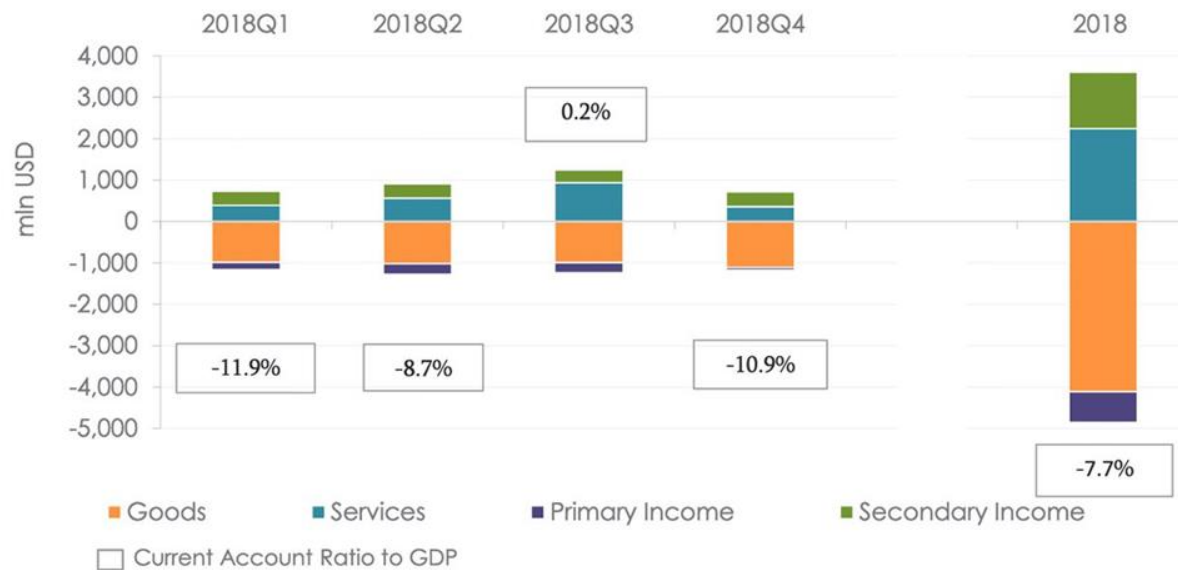


Figure 1.3 Forecast of the monetary policy rate



> MACROECONOMIC TRENDS

Figure 7.8 The current account balance by components



Source: National Bank of Georgia

> MACROECONOMIC TRENDS



The Rise and Rise of the Georgian Banking Sector

March 20, 2018 |



საქართველოს ეროვნული ბანკი
National Bank of Georgia

The Georgian banking system is the most robust in the region, with its two largest banks now listed on the London Stock Exchange and included in the FTSE 250.

> STRUCTURAL TRANSFORMATION

- ^ 1: Long-Term Domestic Money Capital Formation
- ^ 2: Demand from Real Sector for Investments

> CAPITAL MARKET REFORM

- ^ Determinant 1: Many and Diverse Investors Base
- ^ Determinant 2: Many and Diverse Issuers Base
- ^ Determinant 3: Rules of Justice
- ^ Determinant 4: Full-Service Intermediation
- ^ Determinant 5: Trading Infrastructure
- ^ Determinant 6: Risk Management (Derivatives) Infrastructure
- ^ Determinant 7: Governance Structure of Market Development

> DETERMINANT 1: DEEPEN INVESTOR BASE

- ^ Stage 1: Pension Reform, Insurance Reform,
Sovereign Wealth Funds
- ^ Stage 2: UCITS, Alternative Investment Funds
- ^ Stage 3: VCs and Private Equity
- ^ Stage 4: Foreign Portfolio Investments

> DETERMINANT 2: DEEPEN ISSUER BASE

- ^ Stage 1: Government Bonds, Quasi-Government, Municipalities
- ^ Stage 2: State Owned Enterprises and Private Corporations
- ^ Stage 3: Economic Development Policies

> DETERMINANT 3: RULES OF JUSTICE

- ^ 1: **Institutional Framework** = Company law, Insolvency Law, Dispute Resolution Mechanisms
- ^ 2: **Capital Markets** = New Investment Fund Law, Securities Market Law, Securitization, IOSCO standards Approximation Design

> DETERMINANT 4: FULL SERVICE INTERMEDIATION

Develop Full-Service Intermediation.

- ^ Brokerage & Advisory Services
- ^ Investment Banking
- ^ Dealership Services
- ^ Asset Management
- ^ Market Operators
- ^ + Bank Financings

> DETERMINANT 5: TRADING INFRASTRUCTURE

DATA-DRIVEN INTEGRATED EXCHANGE INFRASTRUCTURE

Connect > Exchange > Clear > Settle > Collect > Reinforce

> DETERMINANT 6: RISK MANAGEMENT

DERIVATIVE MARKET DEVELOPMENT POLICY

[See Strategic Document](#)

> DETERMINANT 7: REFORM GOVERNANCE

- ^ Master Plan
- ^ Implementation Plan
- ^ Clear Development Mandates

> KEY TAKEAWAYS

Georgian Government's Degree of
Comittmenet towards reform is
higher than ever