



# Capital Market Development and Corporate Governance

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# Agenda

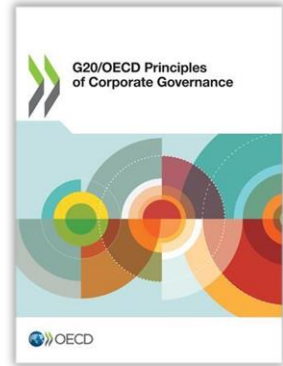
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# G20/OECD Principles of Corporate Governance

The revised **G20/OECD Principles of Corporate Governance** reflect recent evolutions in capital markets and corporate governance policies and practices.

They describe the role of corporate governance in market development, investor protection and promoting trust in markets.



*“Well-designed corporate governance policies can play an important role in contributing to the achievement of broader economic objectives [...]. First, they **help companies to access financing**, particularly from capital markets. By doing so, they **promote innovation, productivity and entrepreneurship**, and foster economic dynamism more broadly. For those who provide capital, either directly or indirectly, good corporate governance serves as an **assurance** that they can **participate and share in the company’s value creation** on fair and equitable terms. It therefore affects the cost at which corporations can access capital for growth [...] Second, [...] transparency and accountability of board members and executives to shareholders helps build **trust in markets**, thereby supporting corporations’ access to finance...”*

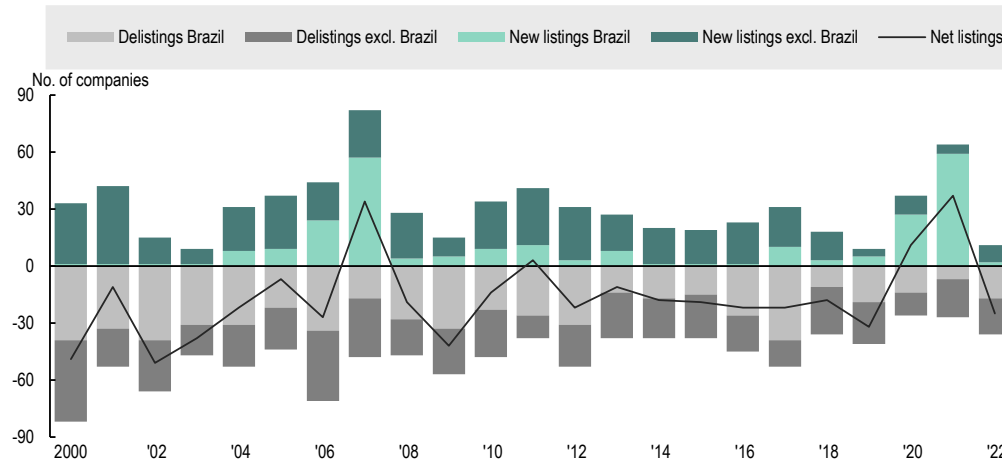
*“About the Principles”*

*“The **corporate governance framework** should be developed with a view to its impact on **corporate access to finance**, overall **economic performance** and **financial stability**, the **sustainability and resilience** of corporations, **market integrity**, and the **incentives** it creates for market participants and the promotion of transparent and well functioning markets. [...] Policy makers and regulators need to consider how the **corporate governance framework may encourage and impact corporate access to market-based financing...**”*

*Subprinciple I.A*

# Public Equity markets in Latin America

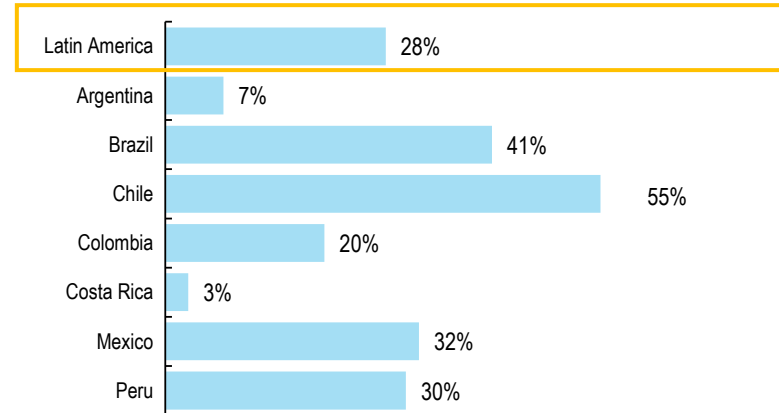
## NEWLY LISTED AND DELISTED COMPANIES IN LATIN AMERICA



Note: Excluding investment funds and REITs.

Source: OECD Capital Market Series dataset, LSEG, and, for up to 2021, Latin American stock exchanges and securities regulators.

## MARKET CAPITALISATION TO GDP (2022)



In 2022, **1 059 companies were listed** in the Latin American equity markets with a total market capitalisation of **USD 1 608 billion**.

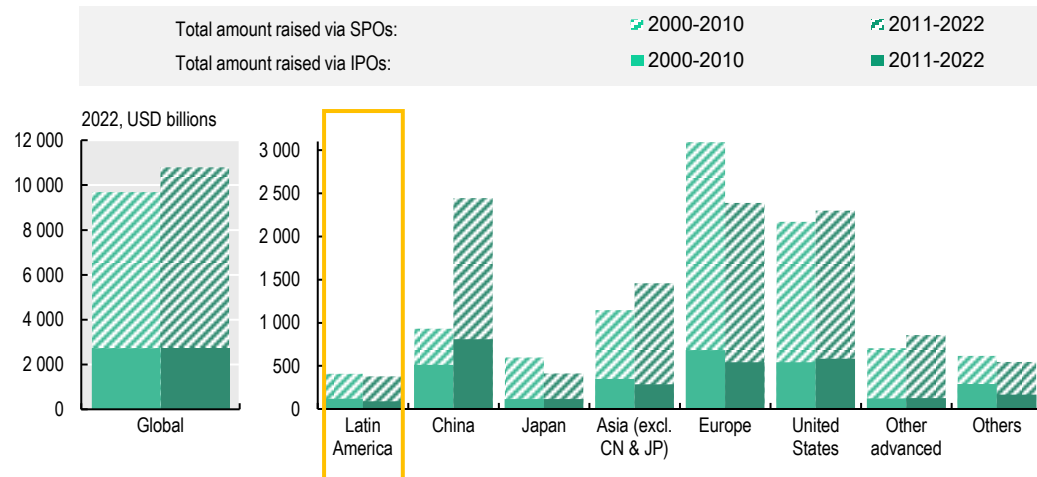
Between 2000 and 2022, **701 new listings and 1 085 delistings** took place in the Latin American equity markets.

**Total market capitalisation to GDP** in Latin America ranges from 3% in Costa Rica to 55% in Chile, which is below the average in all other regions.

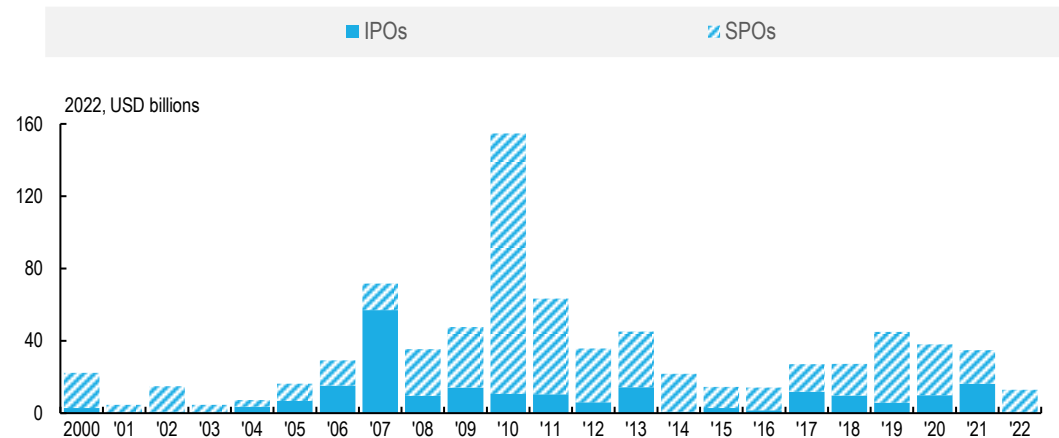
# Public Equity Markets – IPOs and SPOs

## INITIAL PUBLIC OFFERINGS (IPOS) AND SECONDARY PUBLIC OFFERINGS (SPOS), TOTAL AMOUNT RAISED

### REGIONAL DISTRIBUTION



### LATIN AMERICA



Source: OECD OECD Capital Market Series dataset, LSEG.

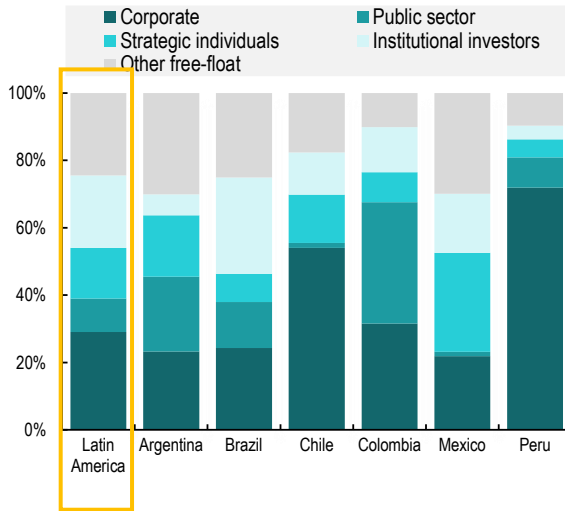
➤ **Globally**, the total amount raised via **IPOs** has remained stable over the past 20 years, while the amount raised via **SPOs** has slightly increased.

➤ In **Latin America**, **SPOs** have been significantly larger than IPOs in terms of the total amount raised.

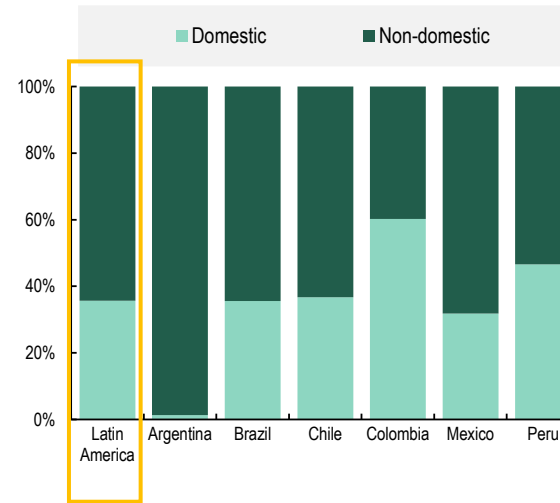
➤ In 2022, **Mexico** recorded two **IPOs**, accounting for USD 117 million out of the USD 123 million raised via IPOs in the entire region.

# Investors and Ownership Structure

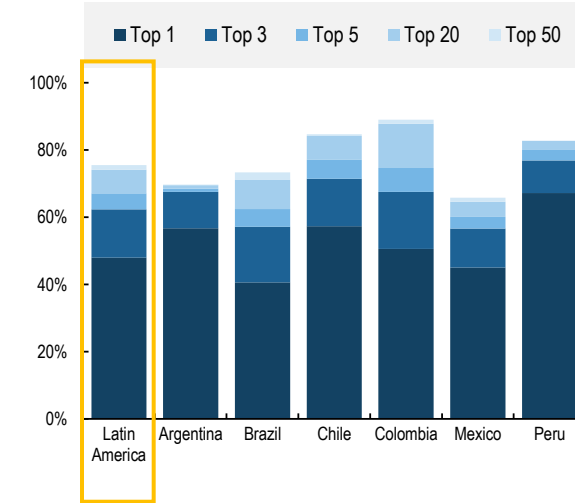
## INVESTOR HOLDINGS AT COUNTRY LEVEL



## DOMESTIC AND NON-DOMESTIC INSTITUTIONAL OWNERSHIP



## OWNERSHIP CONCENTRATION AT THE COMPANY LEVEL

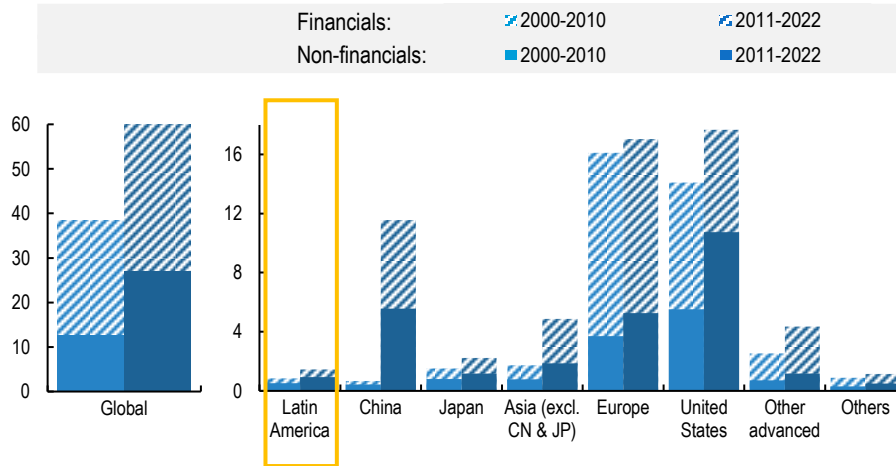


Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg.

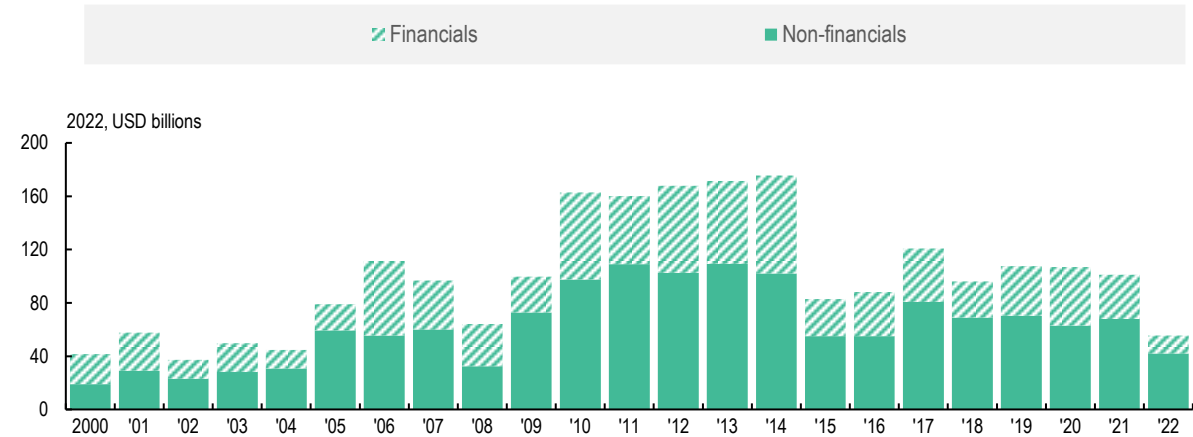
- ▶ **Institutional investors' share of the listed equity totals 21%. Corporations** are predominant in Peru (72%) and Chile (54%), while the **public sector** is an important owner in Colombia (36%), Argentina (22%) and Brazil (14%).
- ▶ **Non-domestic** institutional investors hold a **larger** equity share than **domestic** ones in all major Latin American markets, except Colombia.
- ▶ The **ownership concentration** in the listed sector is **particularly high** in Latin America, with the average combined holdings of the largest shareholder totaling 48%.

# Corporate Bond Markets – Corporate Bond Issuance

## REGIONAL DISTRIBUTION



## LATIN AMERICA



Source: OECD Capital Market Series Dataset, LSEG.

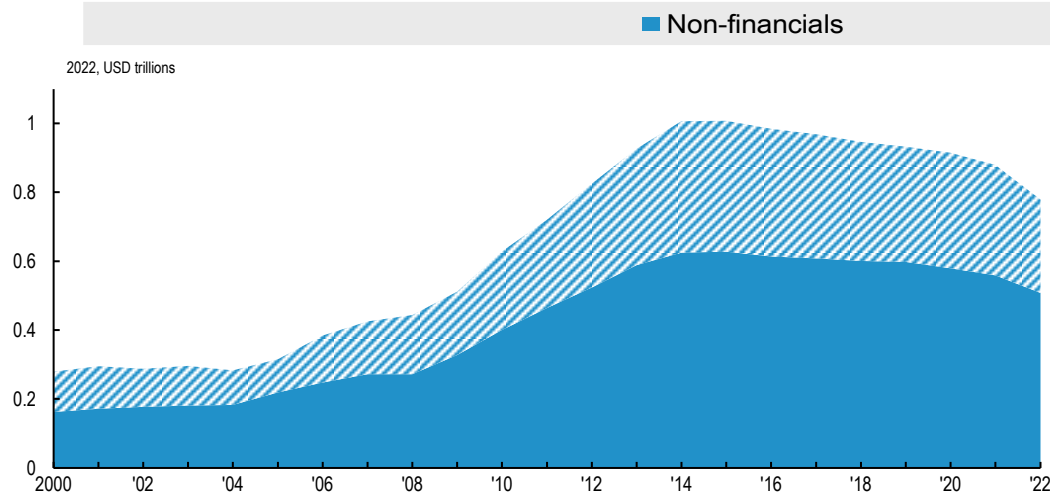
▶ **Globally**, the corporate bond market has grown sharply over the past 20 years, with the global issuance rising from an annual average of USD 1.7 trillion between 2000 and 2010 to USD 2.5 trillion between 2011 and 2022.

▶ In **Latin America**, the issuance of corporate bonds by **non-financial companies** has been predominant over the past 20 years, with the highest amounts recorded from 2010 to 2014.

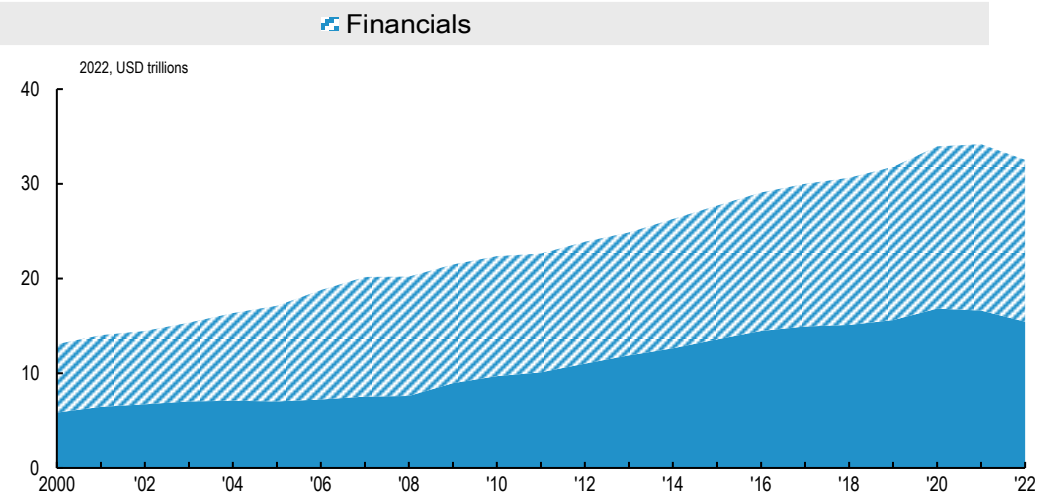
▶ In 2022, **only USD 55.4 billion was raised** in corporate bonds in the region, more than half of which was issued in the Brazilian bond market.

# Corporate Bond Markets – Outstanding Corporate Bonds

## LATIN AMERICA



## GLOBAL



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg

- ▶ The **outstanding amount** of corporate bonds in **Latin America** followed an upward trajectory up to 2015. However, ever since, this amount has **decreased**.
- ▶ In 2022, Latin America's share in the global **outstanding amount** of corporate bonds issued by **non-financial companies accounted for 3.3%**, while the share stood at 1.6% for bonds issued by financial companies.
- ▶ **Globally**, the outstanding amount of corporate **bonds increased consistently** since 2000.



# Israel's Capital Market Overview



**548+91**

Public Companies+Bond  
Companies  
Traded on TASE



**13**

IPOs in 2022  
(only 1 in 2023)



**#18**

Protecting Minority  
Investors,  
Doing Business



**12.3**

B USD  
Capital raised in  
corporate bonds in  
2023



**281**

B USD  
Value of Israeli Bond Market  
(similar to value of Equity Market)



**763**

B USD  
Institutional Investors  
AUM



- ▶ **A corporation may issue bonds only or equity + bonds.**
- ▶ **IPO** for bonds issuance like equity. **Listing and trading** like equity - continuous simultaneous trading (TACT).
- ▶ **Bond issuers must appoint a Trustee** for each bond series. The trustee may be replaced by a majority of bond holders.

The trustee represents bond holders in negotiations with the issuer over the **trust deed** and any change in it; may claim the immediate repayment of the indebtedness when conditions require it, or may realize pledges or other securities when relevant.

- ▶ **Disclosure obligation** of debt corporations under securities laws are similar to those for public companies. Several additional disclosure obligations relate to the certificates of indebtedness, the trustee and when there are “red lights” –cash flow forecast.
- ▶ **Bond rating** is not required but recommended and regarded a market practice. ISA incentivizes double rating.
- ▶ **Corporate Governance** very similar to public companies (board structure and committees, RPT regulation etc.) except for GM MOM votes which are not relevant.

# Dual Listing on TASE – Affiliate Markets



# Dual Listing on TASE



- ▶ **Market benefits:** local listing of Israeli companies that made to the “major league”.
- ▶ **Companies benefit:** “home bias” of investors, especially institutional; minimal regulatory requirements; increase in trading volume and liquidity; longer day trade over continents.
- ▶ **No prospectus** – only registration form. **Disclosure** according to foreign market regime,
- ▶ **Corporate Governance** – several local CG provisions relaxed when foreign CG applied.

**52**

Dual Listed  
Companies  
(<10%)

**25%**

of total  
trading  
volume on  
TASE

**37%**

Volume on TASE out  
of trading volume  
worldwide

**29.5%**

value of TASE  
equity market

**10**

Companies  
Issued Bonds  
on TASE



# Thank you for your attention!

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