

# WORLD EQUITY

## G30 survey highlights Eastern European progress

**E**astern European markets have done a better job of complying with G30 recommendations than some of their western counterparts, as a recent study reveals, says *Helen Davidson*.

An analysis of nearly 100 of the world's securities markets reveals that only patchy progress has been made in complying with the Group of Thirty's nine recommendations on reducing settlement risks and improving market efficiency.

Last month Thomas Murray, the custody consultancy, published its annual *Worldwide Securities Market Report*. Among other things, the report details which of the G30 recommendations (listed below) have been adopted by different markets.

The firm discovered that there is much work to be done. Close to 70% of the 98 countries surveyed still fail to comply with more than two-thirds of the recommendations for equity investment, while 14% have not implemented any at all. Russia, Vietnam, Venezuela and Botswana rank among this group of reprobates.

Viewed on a regional basis the real laggard is Africa, where countries have typically enforced only between one and three of the recommendations. However Asia, the Middle East and Latin America do not fare much better, scoring on average only between four and six recommendations. Even Chile, for all its solid reputation among international investors, complies only with the three recommendations on *direct trade comparison, delivery versus payment and rolling settlement on T+3*.

The star performers on G30 recommendations are the recently revived bourses of Eastern Europe. The Czech Republic scores eight recommendations, failing only on the securities lending category, while Slovenia

also fulfills eight recommendations, slipping up on trade comparison between indirect participants.

"Last year we found that Latvia had met all the recommendations except for securities lending ... the only problem was that there was only a handful of stocks listed on the exchange," says Derek Duggan, a director of Thomas Murray, who believes the Eastern European bourses have done well by copying the best features of established exchanges.

Some markets which might have been expected to meet all the G30 recommendations are dragging their feet. Austria, Belgium, France and Spain all fail to provide trade comparison for indirect participants, while France and Iceland, alone out of all European and Scandinavian markets, do not provide standardised ISIN electronic numbering for securities.

### G30 recommendations

The nine recommendations for improving the international securities industry's efficiency set down seven years ago are:

1. Trade comparisons for direct market participants within T+1;
2. A comparison system for indirect participants, such as institutional investors, giving speedy affirmation of trade details;
3. A central securities depository to promote settlement efficiency;
4. A trade netting system, to ease investors' credit exposure;
5. Delivery vs payment to reduce the danger of failed trades;
6. "Same day" convention: seller may use cash on the day it arrives in his account;
7. Rolling settlement of T+3;
8. Securities lending and borrowing;
9. ISIN electronic numbering system for securities.

