



# AN OPPORTUNITY FOR GROWTH. CAPITAL MARKETS IN SOUTHEASTERN EUROPE OPEN UP THROUGH INTEGRATION AND REGIONAL CO-OPERATION

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Southeast Europe, a region with great economic potential, huge opportunities and ambitious players, strives to become an attractive market for foreign investors. What can be the successful strategy or integration model for the future?

The Bulgarian Stock Exchange (BSE) has always put significant efforts to develop the co-operation among stock exchanges in Southeast Europe. Ever since regional stock exchanges were set up in the early 90's the policy of the BSE has been to promote all forms of links and partnership between these new institutions.

The BSE has been well aware that globalization puts great pressure on smaller markets with low liquidity, scarce amount of public offerings and limited products range. Therefore, it was only logical that through regional consolidation the local markets could become more stable, competitive and visible. Of course, all partner exchanges in the region were well aware that in order to achieve this goal there were some serious barriers to be overcome such as:

- **Legal and regulatory hurdles;**
- **Clearing and settlement problems;**
- **Accounting differences;**
- **Cultural and linguistic differences.**

Nevertheless, throughout the last decade and a half there was a common will among the exchanges to push co-operation further and achieve tangible results. The first major steps were to facilitate the flow of information and data, to exchange experience and know-how on a regular basis and send positive signals

to the investment world. Unfortunately, the global financial crisis in 2007 hit the markets in Southeast Europe particularly hard and as a result the regional ties were seriously perturbed in the following three-year period.

Now, as the world is coming out of the crisis and the positive trends are becoming more and more visible in Southeast Europe, the time seems to be right to reiterate the efforts to push forward the regional co-operation. It is with this intent that the BSE launched in 2010 a new regional initiative with the aim of improving the flow of trading data among the exchanges. The agreements that the BSE signed with the Macedonian Stock Exchange and the Belgrade Stock Exchange provide for the release of end-of-the-day data about the daily trade, which is accessible by all market participants through the Internet-sites of the three exchanges. Other exchanges in the region, like the Zagreb stock exchange, have shown interest in joining the initiative, which has received positive acclaim by foreign investors.

Another well received initiative is the organization of road-shows in different European capitals, during which exchanges, issuers and investment intermediaries from the region have the possibility to present themselves to leading global investors. The first such event took place in November, 2010 in Vienna and among the participants were representatives of the capital markets of Macedonia, Serbia, Slovenia, Croatia, Montenegro, Bosnia and Herzegovina, Romania and Bulgaria.

Ties have been strengthening also with the older and more developed stock exchanges in the region – the Athens and Istanbul exchanges. Throughout the last 20 years they have taken active part in the regional developments and have shared their experience with the younger exchanges.

As was mentioned before, there are still too many legislative and regulatory hurdles to be overcome in order to raise the regional co-operation to a higher level. There is, however, one element, which in the years to come will eventually facilitate the process of consolidation in the region and that is the membership in the European Union. In relation to EU membership right now there are three groups of countries in Southeast Europe: members – Bulgaria, Romania, Slovenia and Greece; countries with advanced negotiations for membership – Croatia, Serbia and Macedonia and countries with more distant perspectives for joining the EU – Turkey, Bosnia and Herzegovina, Montenegro and Kosovo.

The big chance for the region is that in the foreseeable future the majority of the countries in this region will have adopted EU legislation and applied all the

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European Directives, including those pertaining to the capital markets field. At that point of time it will be much easier to contemplate cross-listings, cross-membership, common “blue chip” segments and indices, efficient clearing and settlement systems. The Bulgarian Stock Exchange has the ambition to play a major role in this process and even serve as a regional “hub” in order to facilitate the entry of strategic global players in Southeast Europe that will, hopefully, boost the performance of the whole regional market. An ambition driven not only by the competitive geographic positioning of Bulgaria, but by the profound experience, innovative spirit and agile adaptability of the Bulgarian Stock Exchange team and the strong positive influence of the vibrant investment society.

The Bulgarian Stock Exchange

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