

LEGAL VALUES FOR AN INVESTOR FRIENDLY LEGAL REGULATORY FRAMEWORK

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INTRODUCTION

- The timing of this discourse;
- Appropriate form of legal regulation required to develop and harness capital markets
- The ironies of and sometimes contradictions of Capital Markets;
- Spectacular collapse;
- Balance between open and closed markets
- Acceptable parameters of liberalization ?

MARKET RULES

- **“Markets Follow Returns “**..Optimization of capital is at the core of any capital market.
- Aversion to unidentified and unmanageable risks
- At the heart of this, lies the authority structure of firms too :-
 - who lays claims to the cash flows?
 - how it is distributed and
 - how decisions are made
- the quality of the legal regulatory framework aimed at protecting investors is core.

IMPERICAL OBSERVATIONS ON REGULATORY FRAMEWORKS

- Key factor in developing capital markets;
- Determines the levels of ownership concentration;
- Public market for example tends to be linked with strong investor protections;
- encourage broadened ownership base;

IMPERICAL OBSERVATIONS ON REGULATORY FRAMEWORKS

- Encourages dispersion with increased capital market participation
- Encourages participation from smallest to biggest investor
- lower investor protection are characterized by high concentration of equity ownership;
- There is lack of significant public equity markets

REGULATORY RISK FACTORS

- **ASSUMPTION** “there is an alignment of interest between providers of debt capital and other investors,”
- **Expropriation**
 - state
 - oppression of minorities
 - expropriation of cash flows by managers or directors.
- **Information Asymmetry**
 - Opaque information
 - between foreign and domestic investors

THE MINIMUM CORE LEGAL VALUES

- **Accountability**
- **Sustainability**
- **Transparency**
- **Minority Protection**

THE MINIMUM CORE LEGAL VALUES

- **Protection of creditors**
- **Delinquent directors**
- **Competition regulation;**
- **Efficient Dispute resolution mechanism**