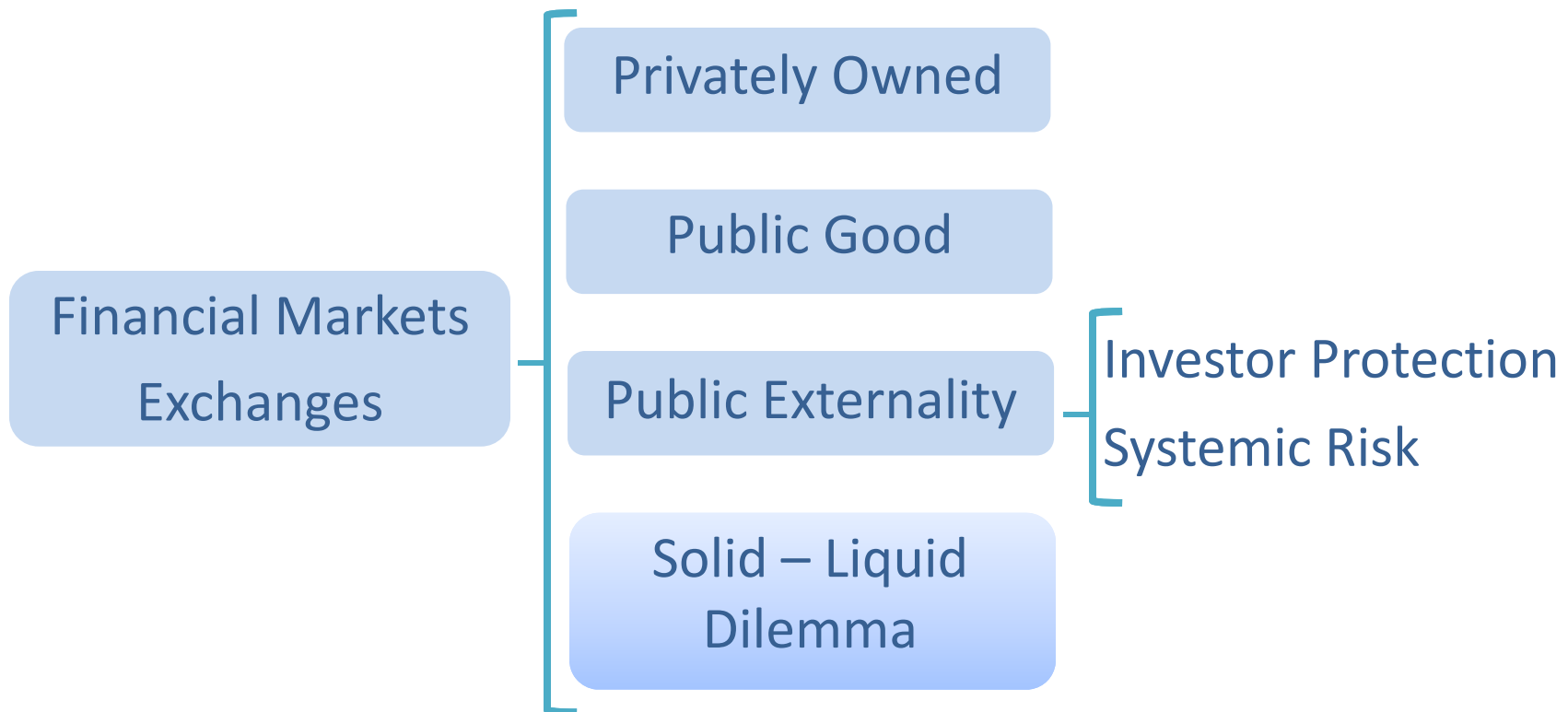




FINANCIAL MARKETS INTEGRATION

THE ROLE OF DEVELOPMENT BANKS

Juan A. Ketterer



DYNAMICS OF MARKET INTEGRATION

Private Incentives



Public Incentives

PRIVATE INCENTIVES FOR MARKET INTEGRATION

(Cost Benefit Analysis)

Benefits

↓ Cost of Trading X-Border

↓ Cost of C+S+P, X-Border

↑ Value of Exchange

```
graph LR; A[↑ Value of Exchange] --> B[Intrinsic]; A --> C[Global M+A]
```

↓ Cost of Regulatory Compliance

Note: C+S+P = Clearing, Settlements, Payments.

PRIVATE INCENTIVES FOR MARKET INTEGRATION

(Cost Benefit Analysis)

↑ Client Base

- Reception X-Border Orders
- ↑ Orders from Existing Domestic Clients willing to trade X-Border
- New Clients Working to Trade X-Border
- ↑ Worldwide Visibility
- ↑ Products – e.g. ETF's

PRIVATE INCENTIVES FOR MARKET INTEGRATION

(Cost Benefit Analysis)

Costs

↑ Competition

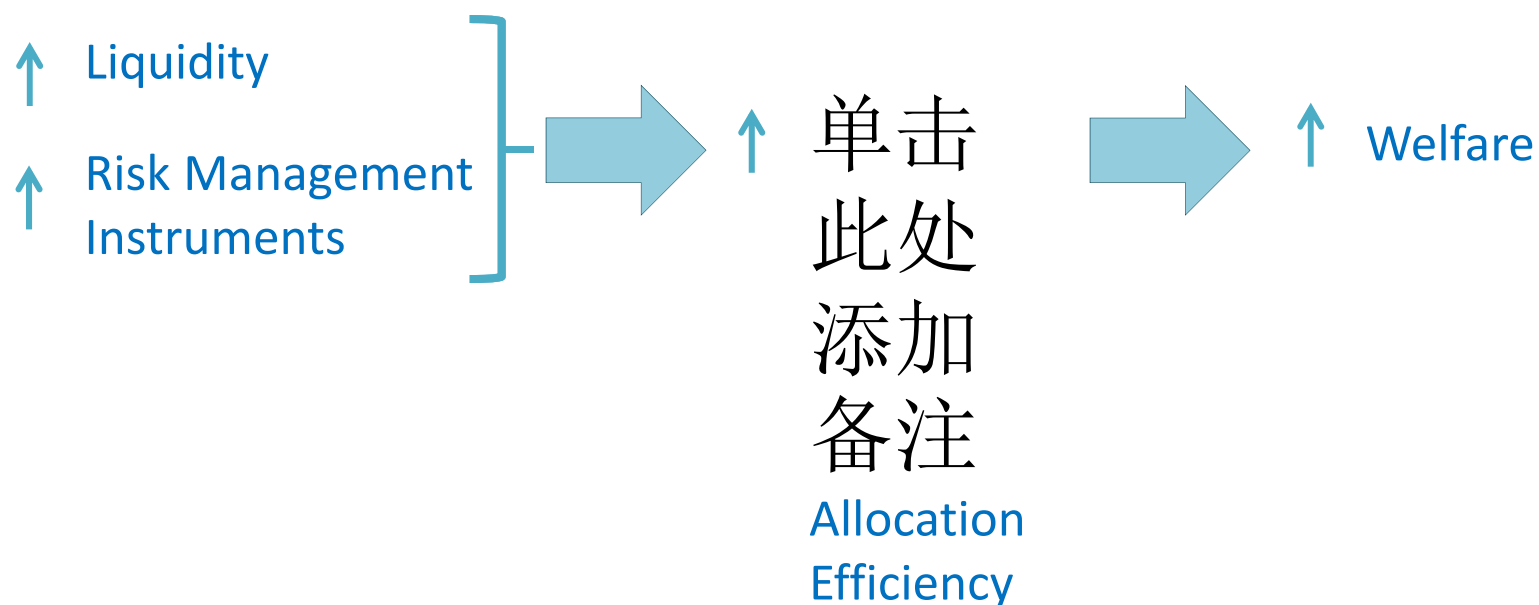
↑ Operational Costs (Including Investments)

↓ Value of Control

PUBLIC INCENTIVES FOR MARKET INTEGRATION

(Cost Benefit Analysis)

Benefits



PRIVATE INCENTIVES FOR MARKET INTEGRATION

(Cost Benefit Analysis)

Costs

↑ Systemic Risk (Potential for Contagion)

↑ Cost of X-Border Supervision

THE LADDER OF LINKAGES



Note on Cross Listing: Liquidity Splitting

SUPERVISION CHALLENGES



ROLE OF IDB

**Honest
Broker**

Road Map

**Remove
Obstacles**

**T.A for
Regulation**

**X-Border
Institution**

**X-Border
C+S+P
Facility
Guarantee**