
Most of Participants of RA Stock Market Do Not See Threat of Entry of Commercial Banks in Corporate Equity Market.

Arminfo

30/3/2007

The most of financial analysts and participants of Armenia's stock market do not see a threat of entry of the commercial banks in the corporate equity market. This is the result of voting upon completion of yesterday's "English debates" in the "Marriott Armenia", organized by an independent Rating Agency AmRating, a member of the international Global Rating Group. The debates with participation of over 40 banks, Heads of Investment Companies and experts were dedicated to the subject "Entry of Commercial Banks in the Corporate Equity Market - a Threat of Financial Stability and Development of the Market. Is it true?". The debates were held under support of the USAID, the EAST WEST MANAGEMENT INSTITUTE within the frames of the "Partners for Financial Stability" Programme.

In his speech, an independent expert and a management specialist Harutiun Mesropyan reminded the participants that after several unsuccessful attempts to create a civilized stock market in Armenia, the matter now concerns a more extended model that envisages an activation in the market of banking Institutes. In his opinion, the admittance of the banks to the corporate equity market will be accompanied by risks and threats. "The practice shows that if we want to create a free market in a limited space, where everyone knows each other, and many of those aware do not say about it, some undercover problems for this market creation arouse here. The involvement of the banking system in a non-formed stock market means an appearance of additional risks in the banking activities. A strong market monopolization and oligarchy exist in Armenia", he said.

In the opinion of the member of the Board of RA Central Bank, Vache Gabrielyan, the stock market at the present stage of development is necessary not only for the economy in whole, but for the banking system, in particular.

According to him, the financial world had forgotten the times of depression long ago, that entailed a separation of the investment and commercial banking. It is groundless to beware of the fact that the banking system will not be able to manage the risks of the stock market that just starts to appear in the country. Moreover, the legislative experience, accumulated by Armenia's regulator within the latest 15 years, and the whole world practical experience show that the risks can be managed, while the regulation mechanisms are well studied and are successfully applied in many countries. "At the present stage of development, the stock markets are necessary not only for the economy in whole, but for the banking system as well, since the banking sector of Armenia without the more or less developed stock markets will not grow with such high rates that are presently observed ", V. Garbrielyan stressed.

Along with it, in the opinion of the Head of the "Cascade Investment" company, Haik Papyan, the participation of banks and other mortgage companies in a stock market is welcomed, but only provided that common regulative rules are available. He is sure that there should be no privileged participants in the market. He noted that the draft legislation puts the banking and mortgage companies in a priority position that threatens the financial stability. "The one that

participates in this market should obey the same legislation, that is, there should be no privileged participants", the expert said. "I would not like for you to be given an impression that the banks are striving for the stock market", he stressed addressing the audience.

The chairman of the board of ArmSwissBank Gevork Machayan supported the market regulator project as giving commercial banks access to the investment market. At the same time, he pointed out that all participants must be given equal opportunities. "We have been marking time for already 15 years. It is time to take specific actions. If we do everything correctly, we will succeed. We all should change our views and start proposing new products. It is always like this on the market: some people lose, some people gain," Machayan said.

Speaking of the stock market development in Armenia, the co-director of AEPLAC Tigran Jrbashyan pointed out that the country has strong informal institutions and a very conservative market. What we have today is not a securities market or stock exchange and even if we push the banks they will not go to this market as they have nothing to do there. In the coming three years Armenia will hardly have a developed corporate stock market but we should start developing it, linking it with other markets (possibly Russian and European) with technologies and laws.

It is necessary to integrate the Armenian stock market into the global stock market. At first, we should trade not in the shares of Armenian corporates but in the shares of the markets they will be connected with. As soon as the Armenian companies realize that they can invest, get profit and carry out transactions, they will enter the market. Only 5-10 companies will act on this market in the coming 10 years. For example, in some 3-5 years companies like ArmenTel, ArmRosgazprom, Electric Network of Armenia, Zangazour Copper-Molybdenum Factory, Armenal may appear on the market with corporate securities. Today we should realize that we have no stock market and by letting banks in we will stimulate its development.

The representative of IFC in Armenia Nerses Karamanukyan pointed out the necessity of enlarging the number of potential market participants and supporting banks in their work with clients. The banks should encourage their clients to enter the market with their own shares. We should train clients, inform them about stock market and its advantages.

The chief editor of Delovoy Express newspaper Eduard Nagdalyan said that the past 15 years of stock market stagnation, huge shadow economy and high rate of monopolization inspire little hope for success. "I doubt that this is the right moment. There is a big danger that we may discredit good ideas once again," he said.

The president of Global Rating Group Richard Hainsworth pointed out that similar measures have already been carried out in Eastern and South-Western Europe. This is a good ground for partner relations and exchange of experience and this is good for financial stability. This is very important for the markets of the countries who have different situations but common roots - something they should use to find the right way.
