

Sada Reddy: Grow your company, grow the economy – have you considered the capital markets

Opening address by Mr Sada Reddy, Governor of the Reserve Bank of Fiji, to the Capital Markets & Listing Seminar, Suva, 18 August 2010.

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Good afternoon ladies and gentlemen. I thank you all for accepting the RBF's invitation to today's seminar on the topic "*Grow your company, grow the economy: have you considered the capital markets.*"

Just a little over 12 months ago, on August 19, 2009, the administration of the Capital Markets Development Authority (CMDA) was transferred to the Reserve Bank under the Capital Markets Decree 2009. I am pleased to say that the work on developing the capital markets has continued and in many respects strengthened by the change that has occurred. The capital markets unit has successfully integrated into the Reserve Bank family and has added a different dimension and skills-set to the Bank. I am happy to say that we can expect some major activities and events for the capital markets in the future.

In March this year, the Reserve Bank established the first Capital Markets Development Taskforce. The members are Daryl Tarte, Bob Niranjana, Norman Wilson, Pradeep Patel, Lisa Apted and myself as Chair. This Taskforce is a "think tank" for the capital markets development work of the Reserve Bank.

Let me now turn to today's event.

The development of the secondary trading and the stock exchange is a key factor to developing the capital markets in Fiji.

One of the core functions of a stock exchange is to connect entities with surplus funds to others who require capital. An exchange also facilitates the entire continuous trading and wealth creation process; thus stimulating economic growth and development. The stock market fulfils a number of vital functions. These include:

1. Price discovery through the generation of transparent prices
2. Facilitate efficient allocation of resources
3. Promote sound risk management and corporate governance structures within publicly listed organisations.

Consequently, a well functioning capital markets requires the support of strong institutions backed by a well developed legal, accounting, legislative and regulatory framework and a supportive private sector.

Ladies and gentlemen, the SPSE has been challenged and continues to be challenged with many issues, some of which are:

1. A number of investors in the share market are large institutional investors who buy and hold, instead of making market with their stocks;
2. Our mums-and-dads investors, who are generally risk averse, have not embraced the stock market as a wealth creation opportunity, unlike in many countries where this section of the population is very actively participating in the stock market;
3. An under developed brokerage community; and
4. A business community apprehensive of listing for various reasons.

What can be done to mitigate these challenges?

It is important that the business enablers (such as the Reserve Bank, Commercial Banks, FTIB, FIRCA and other regulatory agencies) and the private sector players like yourselves, view the capital markets, and by extension the SPSE, as a mechanism for business and economic development in Fiji.

The Reserve Bank will do whatever it can to ensure the development of the capital market and will play a pivotal role in public education and investor awareness programs to foster confidence in the markets. We will also spearhead initiatives, whether with Government or other agencies, which seek to develop the market and raise these issues at the political/ministerial level so that these reach successful conclusions. Here, I wish to mention that following Cabinet approval, reviews are currently underway to amend the Capital Markets and Unit Trusts legislation.

Government has offered a reduced corporate tax of 20% to companies who list on the SPSE which would not only facilitate economic development but improve the governance structures of companies. So why haven't more companies grasped this opportunity to grow their businesses? I hope we can discuss some of these issues today.

Ladies and Gentlemen, today we have present in this room, investment advisers, brokers, lawyers and accountants, and also FIRCA, who can assist you and answer your questions in relation to the capital markets and the stock exchange. We have purposely also included presentations from people and companies who have successfully utilised the capital markets to take their companies to the next level so that you all have the opportunity to hear it from the "horse's mouth".

I urge you to use this opportunity to get the information you need and make contact with our licensed intermediaries.

Ladies and Gentlemen, thank you very much for your time and attention and I wish you a good evening.