



# 2021 G20 Rome Summit Final Compliance Report

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**Feedback, as always, is welcome and is kept anonymous.  
We encourage readers to send comments to  
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## Contents

<b>Preface</b> .....	3
Research Teams .....	4
Toronto G20 Research Group Team .....	4
G20 Research Group Lead Analysts .....	4
G20 Research Group Analysts .....	4
CIIR G20 Research Team .....	5
Introduction and Summary .....	6
Methodology and Scoring System .....	6
Commitment Breakdown .....	6
Selection of Commitments .....	6
Final Compliance Scores .....	7
Final Compliance by Member .....	7
Final Compliance by Commitment .....	7
Table 1: 2021 G20 Rome Summit Commitments Selected for Compliance Monitoring .....	8
Table 2: 2021 G20 Rome Summit Final Compliance Scores .....	10
Table 3: 2021 G20 Rome Summit Final Compliance by Member .....	11
Table 4: 2021 G20 Rome Summit Final Compliance by Commitment .....	12
Table 5: G20 Compliance by Member, 2008-2021 .....	13
Conclusions .....	15
Future Research and Reports .....	15
Considerations and Limitations .....	15
Appendix: General Considerations .....	16
1. Macroeconomics: Inclusive Growth .....	17
2. Macroeconomics: Local Currency Capital Markets .....	88
3. Trade: Fair Competition .....	114
4. Digital Economy: Challenges .....	147
5. Digital Economy: Artificial Intelligence .....	182
6. International Taxation: Base Erosion and Profit Shifting .....	211
7. Crime and Corruption: Financial Action Task Force .....	211
8. Labour and Employment: Social Inclusion .....	256
9. Infrastructure: Public-Private Partnerships .....	283
10. Gender: Sustainable Development Goals .....	331
11. Development: Inclusive Recovery .....	407
12. Food and Agriculture: Malnutrition .....	559
13. Health: Vaccines .....	635
14. Health: One Health .....	687
15. Health: Digital Innovations .....	772
16. Energy: Coal .....	801
17. Environment: Land Degradation .....	818
18. Environment: Natural Resources .....	869
19. Climate Change: Paris Agreement .....	909
20. Climate Change: Developing Countries .....	985
21. Climate Change: National Plans .....	1020

## 2. Macroeconomics: Local Currency Capital Markets

“[We reiterate our commitment to strengthening long-term financial resilience and supporting inclusive growth, including through] ...developing local currency capital markets.”

*G20 Rome Leaders' Declaration*

### Assessment

	No Compliance	Partial Compliance	Full Compliance
Argentina			+1
Australia			+1
Brazil			+1
Canada			+1
China			+1
France			+1
Germany			+1
India			+1
Indonesia			+1
Italy	-1		
Japan			+1
Korea			+1
Mexico			+1
Russia			+1
Saudi Arabia			+1
South Africa		0	
Turkey			+1
United Kingdom			+1
United States	-1		
European Union			+1
Average		+0.75 (88%)	

### Background

The G20 leaders first addressed the issue of inclusive economic growth at the 2014 Brisbane Summit, calling for two per cent of economic growth to be directed towards supporting “development and inclusive growth” and helping “to reduce inequality and poverty” by 2018.<sup>391</sup>

At the 2015 Antalya Summit, G20 leaders agreed that inclusive growth requires “the use of all policy tools and strong engagement with all stakeholders” and that inclusive growth should be “inclusive, job-rich” and benefit “all segments of our societies.”<sup>392</sup> The issue of using “all policy tools” to work towards bolstering inclusive growth has remained a priority since the Antalya Summit.

At the 2016 Hangzhou Summit, G20 leaders further committed to advancing “sustainable, balanced, and inclusive growth,” outlining in the Hangzhou consensus policies and actions that members should take to promote inclusive growth. The actions and policies outlined followed four main themes: vision, integration, openness and inclusiveness. These four themes lay the foundation of what inclusive growth

<sup>391</sup> G20 Leaders' Communique, RANEP (Moscow) 16 November 2014. Access Date: 13 December 2021. <https://www.ranepa.ru/images/media/g20/2014brisbane/G20%20Leaders%E2%80%99%20Communicu%C3%A9%20Brisbane%20Summit,%2015-16%20November%202014.pdf>

<sup>392</sup> G20 Leaders' Communique. Antalya Summit 15-16 November 2015, RANEP (Moscow) 16 November 2015. Access Date: 13 December 2021. <https://www.ranepa.ru/images/media/g20/2015Antalya/000111117.pdf>

would look like moving forward, including sustainability, cooperation, fairness and removing inequalities in the international economic system.<sup>393</sup>

At the 2017 Hamburg Summit, G20 leaders reiterated their commitment to inclusive growth, stating that “strong, sustainable, balanced and inclusive growth ... remains our highest priority.” Once again, leaders committed to using “all policy tools” in advancing inclusive growth. The leaders also focused on international investment, digitalization, empowering women and equal access to financial and economic systems as important components of promoting inclusive growth. The G20 Africa Partnership was also discussed as a vehicle to advance and promote inclusive growth amongst African economies.<sup>394</sup>

At the 2018 Buenos Aires Summit, G20 leaders continued the theme of prior summits by committing to “use all policy tools to achieve strong, sustainable, balanced, and inclusive growth.” One of the summit’s priority areas, infrastructure, was also promoted as a significant factor in advancing inclusive growth.<sup>395</sup> In the Buenos Aires Action Plan, G20 leaders outlined the primary areas to focus and improve on in promoting inclusive growth, and also offered previously implemented measures in areas such as tax, education, social security reform, financial regulation and labour that had a positive impact on advancing inclusive growth.<sup>396</sup>

The central theme of using “all policy tools” to achieve inclusive growth continued at the 2019 Osaka Summit, where G20 leaders reaffirmed their committed to use them “to achieve strong, sustainable, balanced and inclusive growth, and safeguard against downside risks, by stepping up our dialogue and actions to enhance confidence.” G20 members identified that “carefully calibrated macroeconomic and structural policies tailored to country-specific circumstances” are imperative in order to achieve this commitment. In addition, central banks were included as vital actors in promoting inclusive growth and safeguarding against “downside risks,” and leaders called upon central banks to promote “flexible and growth-friendly” fiscal policies to maintain stability and sustainability on the path to inclusive growth.<sup>397</sup>

In 2020, amid economic constraints put by the COVID-19 pandemic, G20 leaders highlighted the necessity to provide sustainable capital flows and foster domestic capital markets development to ensure economic recovery and growth after the pandemic is over.<sup>398</sup>

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<sup>393</sup> G20 Leaders’ Communique. Hangzhou Summit, RANEPa (Moscow) 5 September 2016. Access Date: 13 December 2021. use <https://www.ranepa.ru/images/media/g20/2016Hangzhou/G20%20Leaders%E2%80%99%20Communique%20Hangzhou%20Summit.pdf>

<sup>394</sup> G20 Leaders’ Declaration, Shaping an interconnected world, RANEPa (Moscow) 8 July 2017. Access Date: 13 December 2021.

[https://www.ranepa.ru/images/media/g20/2017hamburg/G20%20Hamburg%20leaders\\_%20communique%C3%A9.pdf](https://www.ranepa.ru/images/media/g20/2017hamburg/G20%20Hamburg%20leaders_%20communique%C3%A9.pdf)

<sup>395</sup> G20 Leaders’ Declaration, RANEPa (Moscow) 1 December 2018. Access Date: 13 December 2021.

[https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos\\_aires\\_leaders\\_declaration.pdf](https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos_aires_leaders_declaration.pdf)

<sup>396</sup> Buenos Aires Action Plan, RANEPa (Moscow) 1 December 2018. Access Date: 13 December 2021.

[https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos\\_aires\\_leaders\\_plan.pdf](https://www.ranepa.ru/images/media/g20/2018buenosaires/buenos_aires_leaders_plan.pdf)

<sup>397</sup> G20 Osaka Leaders’ Declaration, RANEPa (Moscow) 29 June 2019. Access Date: 13 December 2021.

[https://www.ranepa.ru/images/News\\_ciir/Project/G20\\_new\\_downloadings/FINAL\\_G20\\_Osaka\\_Leaders\\_Declaration.pdf](https://www.ranepa.ru/images/News_ciir/Project/G20_new_downloadings/FINAL_G20_Osaka_Leaders_Declaration.pdf)

<sup>398</sup> Leaders’ Declaration, RANEPa (Moscow) 22 November 2020. Access Date: 13 December 2021.

[https://www.ranepa.ru/ciir/sfery-issledovaniy/gruppa-dvadtsati/dokumenty-gruppy-dvadtsati/saudovskoe-predsedatelstvo-2020/G20%20Riyadh%20Summit%20Leaders%20Declaration\\_EN.pdf](https://www.ranepa.ru/ciir/sfery-issledovaniy/gruppa-dvadtsati/dokumenty-gruppy-dvadtsati/saudovskoe-predsedatelstvo-2020/G20%20Riyadh%20Summit%20Leaders%20Declaration_EN.pdf)

At the 2021 Rome Summit, the leaders retained the priority of developing local currency capital markets as a means to strengthen long-term financial resilience and support inclusive growth.<sup>399</sup>

### **Commitment Features**

The commitment requires the G20 members to develop local currency capital markets. The “capital market” generally refers to “an organized market that provides facilities for dealing in stocks and shares and through which (along with special financial institutions dealing therein) new capital could be raised by the offer of securities to the public.”<sup>400</sup> “Local currency” in this context refers to the domestic market of a particular jurisdiction, which operates using its national currency. “Development” refers to “process in which someone or something grows or changes and becomes more advanced.”<sup>401</sup> “Resilience” is defined as the “ability to recover from or adjust easily to misfortune or change.”<sup>402</sup> In the context of this commitment, financial resilience refers to the ability of the financial markets to recover from negative impacts. “Inclusive growth” is defined by the OECD as “economic growth that is distributed fairly across society and creates opportunities for all.”<sup>403</sup>

The G20 members are required to take actions that make their domestic capital markets stronger against economic constraints caused by the COVID-19 pandemic. As it is proposed by the Bank for International Settlements,<sup>404</sup> possible actions may include, but are not limited to:

- Strengthening legal and judicial systems for investor protection. For example, easing access to legal recourse; lowering litigation costs; promoting well defined property and contracting rights; giving minority shareholders more information and access to information, etc.
- Enhancing regulatory independence and effectiveness, that implies strengthening legal foundations to raise operational independence; ensuring adequate staffing and resources; raising disclosure and accounting standards, etc.
- Deepening the domestic institutional investor base. This aspect refers to provision of tax benefits for institutional investors; increasing transparency and investors education to facilitate effective choices among investment options, etc.
- Pursuing bi-directional opening to international participation while preparing for spillovers that implies lifting barriers to foreign participation; implementation of policies aimed at reduction of spillover risks, etc.

This commitment has a depth component of how strong the action taken by the G20 member is. A G20 member must take significant action to register full compliance. For strong actions, a G20 member would have to initiate a program or new law, and/or contribute financial or technical resources to develop local

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<sup>399</sup> G20 Rome Leaders Declaration, RANEPА (Moscow) 31 October 2021. Access Date: 13 December 2021. <https://www.ranepa.ru/ciir/sfery-issledovanij/gruppa-dvadtsati/dokumenty-gruppy-dvadtsati/italyanskoe-predsedatelstvo-2021/G20-ROME-LEADERS-DECLARATION.pdf>

<sup>400</sup> The Developments of Capital Markets in Africa, with Particular Reference to Kenya and Nigeria, IMF (Washington, D.C.). Access Date: 13 December 2021. [https://www.elibrary.imf.org/view/IMF024/14861-9781451947335/14861-9781451947335/14861-9781451947335\\_A006.xml?language=env](https://www.elibrary.imf.org/view/IMF024/14861-9781451947335/14861-9781451947335/14861-9781451947335_A006.xml?language=env)

<sup>401</sup> Cambridge Dictionary. Access Date: 13 December 2021. <https://dictionary.cambridge.org/dictionary/english/development>

<sup>402</sup> Merriam-Webster (Springfield). Access Date: 13 December 2021. <https://www.merriam-webster.com/dictionary/resilience>

<sup>403</sup> What is Inclusive Growth, Organisation for Economic Co-operation and Development (Paris) 6-7 May 2014. Access Date: 13 December 2021. <https://www.oecd.org/inclusive-growth>

<sup>404</sup> Establishing viable capital markets, BIS (Basel) 23 January 2019. Access Date: 13 December 2021. <https://www.bis.org/publ/cgfs62.pdf>

currency capital markets in line with at least one of the aforementioned action areas.<sup>405</sup> Weak actions for partial compliance could include verbal reaffirmation of the commitment or attending meetings that discuss relevant issues.

### Scoring Guidelines

-1	G20 member has not taken any actions to develop local currency capital markets
0	G20 member has only taken weak actions to develop local currency capital markets
+1	G20 member has taken strong actions to develop local currency capital markets

*Compliance director: Alexander Ignatov*

*Lead analyst: Andrey Sheleпов*

### Argentina: +1

Argentina has fully complied with the commitment to develop local currency capital markets.

On 20 December 2021, the Ministry of Finance based on the premise of further strengthening local currency financing offered a diverse basket of instruments with a monetary value of approximately ARS429 million, achieving a refinancing rate of 149 per cent.<sup>406</sup>

On 21 December 2021, Minister of Agriculture, Livestock and Fisheries Julián Domínguez launched bonus rate financing for livestock producers and the meat industry amounting to ARS100 billion. According to him, “the aim is to finance increased production, boost exports and industrial capacity and suitability in meat, milk and its by-products.”<sup>407</sup>

On 27 December 2021, President Alberto Fernández headed the signing of a new “Fiscal Consensus for 2022” with governors from all over the country. This initiative aims to create a tax structure oriented towards encouraging investment, economic growth, formal employment in the private sector and narrowing the gap in economic and social development between different regions of the country.<sup>408</sup>

On 30 December 2021, the Central Bank of the Argentine Republic (BCRA) under the “Special Regime for the Creation of SME Mutual Funds” allowed financial institutions to invest in mutual funds for small and medium-sized enterprises (SMEs). This measure aims to stimulate SME financing through direct credit lines as well as through the capital market.<sup>409</sup>

On 30 December 2021, the BCRA approved the “Objectives and plans for 2022” in the field of monetary, financial and foreign exchange policy. They aim to prevent imbalances that could directly or

<sup>405</sup> Compliance Coding Manual for International Institutional Commitments, G7 and G20 Research Groups (Toronto) 12 November 2020. Access Date: 13 December 2021.

[http://www.g7.utoronto.ca/compliance/Compliance\\_Coding\\_Manual\\_2020.pdf](http://www.g7.utoronto.ca/compliance/Compliance_Coding_Manual_2020.pdf)

<sup>406</sup> Public debt instruments, Ministry of Economy (Buenos Aires) 20 December 2021. Translation provided by DeepL Translate. Access Date: 24 February 2022. <https://www.argentina.gob.ar/noticias/economia-coloco-en-noviembre-instrumentos-de-deuda-publica-por-un-total-de-428949-millones>

<sup>407</sup> Plan GanAr, Ministry of Agriculture, Livestock and Fisheries (Buenos Aires) 21 November 2021. Translation provided by DeepL Translate. Access Date: 7 March 2022. <https://www.argentina.gob.ar/noticias/plan-ganar-julian-dominguez-lanzo-la-financiacion-tasa-bonificada-para-productores>

<sup>408</sup> Step towards ensuring balanced growth throughout Argentina, Casa Rosada Presidency (Buenos Aires) 27 December 2021. Translation provided by DeepL Translate. Access Date: 3 March 2022. <https://www.casarosada.gob.ar/slider-principal/48358-estamos-dando-un-paso-en-favor-de-garantizar-un-crecimiento-equilibrado-en-toda-la-argentina-dijo-el-presidente>

<sup>409</sup> Banks Allowed to Invest in SME Mutual Funds, BCRA (Buenos Aires) 30 December 2021. Translation provided by DeepL Translate. Access Date: 3 March 2022. <http://www.bkra.gob.ar/Noticias/los-bancos-podran-invertir-fondos-comunes-PYMES-i.asp>

indirectly affect the economy, maintain external competitiveness, and ensure sufficient liquidity and solvency for financial institutions.<sup>410</sup>

On 6 January 2022, the BCRA adopted a set of measures to realign monetary policy instruments to support the recovery and improve monetary, exchange rate and financial stability conditions. Such decisions are designed to realign the interest rate framework and optimize systemic liquidity management.<sup>411</sup>

On 3 March 2022, the BCRA has simplified access to the forex market for importers. The measure “gives priority to the use of foreign currency in the Argentine economy within a scheme based on maximizing its social and economic impact, and aims at building up international reserves to strengthen the monetary and foreign exchange policy.”<sup>412</sup>

On 27 April 2022, Minister of Productive Development Matías Kulfas announced financing tools for ARS16 billion to deepen financial inclusion and improve the conditions of access to credit for more micro, small and medium enterprises, small businesses and enterprises.<sup>413</sup>

On 12 May 2022, Minister Kulfas signed an agreement to implement a financing package for a total amount of ARS18 billion for micro, small and medium-sized enterprises. This initiative means financing SMEs to make them more competitive in the development, to generate more employment, more productive activity and contribute to a more solid macroeconomic system. The agreement also provides for the launch of a line of microcredits, which will finance working capital and investments for the purchase of tools, equipment, materials and inputs.<sup>414</sup>

On 24 May 2022, President Fernandez announced the Foreign Exchange Access Regime for the hydrocarbon sector to encourage investment and production, facilitate companies’ access to special equipment and create new foreign exchange rules. This initiative determines the creation of Regime for Access to Foreign Exchange for Incremental Oil Production; Regime for Access to Foreign Exchange for Incremental Natural Gas Production; Regime for the Promotion of Employment, Labour and the Development of Regional and National Suppliers of the Hydrocarbons Industry.<sup>415</sup>

On 2 June 2022, the BCRA has created a foreign exchange availability scheme for service exporters. Individuals who export services are able to dispose of up to ARS12,000 a year in accounts in local

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<sup>410</sup> 2022 Objectives and Plans Report, BCRA (Buenos Aires) 30 December 2021. Translation provided by DeepL Translate. Access Date: 3 March 2022. <http://www.bcra.gob.ar/Noticias/fondos-billeteras-virtuales-permaneceran-encajados-en-bcra-i.asp>

<sup>411</sup> Monetary Policy Instruments to Improve the Conditions for Macroeconomic Stability, BCRA (Buenos Aires) 6 January 2022. Translation provided by DeepL Translate. Access Date: 3 March 2022. <http://www.bcra.gob.ar/Noticias/El-BCRA-modifica-los-instrumentos-de-politica-monetaria-i.asp>

<sup>412</sup> The BCRA Ensures Foreign Currency Availability for Economic Activity, BCRA (Buenos Aires) 3 March 2022. Translation provided by DeepL Translate. Access Date: 6 March 2022. <http://www.bcra.gob.ar/Noticias/El-BCRA-modifica-los-instrumentos-de-politica-monetaria-i.asp>

<sup>413</sup> Kulfas announced that \$16.000M will be allocated to strengthen financial inclusion of small enterprises, businesses and MSMEs, Ministry of Productive Development (Buenos Aires) 27 April 2022. Translation provided by DeepL Translate. Access Date: 17 June 2022. <https://www.argentina.gob.ar/noticias/kulfas-anuncio-que-se-destinaran-16000m-para-fortalecer-la-inclusion-financiera-de-pequenos>

<sup>414</sup> Agreement with Banco Nación to implement \$18 billion in financing facilities, Ministry of Productive Development (Buenos Aires) 12 May 2022. Translation provided by DeepL Translate. Access Date: 17 June 2022. <https://www.argentina.gob.ar/noticias/acuerdo-con-el-banco-nacion-para-implementar-lineas-de-financiamiento-por-18000-millones>

<sup>415</sup> The government announced the Foreign Exchange Access Regime for the hydrocarbon sector to encourage investment and production, Casa Rosada Presidencia (Buenos Aires) 24 May 2022. Translation provided by DeepL Translate. Access Date: 17 June 2022. <https://www.casarosada.gob.ar/slider-principal/48787-el-gobierno-anuncio-el-regimen-de-acceso-a-divisas-para-el-sector-hidrocarburifero-para-favorecer-las-inversiones-y-la-produccion>

financial institutions without the requirement of settlement in pesos. The benefit is extended to companies in the sector, which will have foreign currency available for the payment of wages for a percentage of the increase in foreign sales.<sup>416</sup>

On 13 June 2022, Minister of Economy Martín Guzmán announced a progressive tax rate on copper exports, which aims to encourage production and exports. The new optional regime will allow the replacement of the current 4.5 per cent rate with a variable rate, ranging from 0 to 8 per cent. In this sense, an optional regime will be established so that new copper investments that wish to replace the fixed rate currently in force (4.5 per cent) can opt for a progressive export duty scheme based on price.<sup>417</sup>

On 29 July 2022, the National Securities Commission issued legislation that introduced a series of changes and improvements that impact the guaranteed and non-guaranteed financing regime through higher issuance amounts and better access to information. The measure seeks to provide investors with relevant information regarding the situation of the guarantee entities that operate in the capital market through the modification of the current Guarantee Entities Regime.<sup>418</sup>

Argentina has taken strong actions to develop local currency capital markets. The government partly strengthened legal and judicial system by adopting initiative to create a tax structure oriented towards encouraging investment, economic growth, formal employment in the private sector and simplifying access to the forex market for importers. Argentina adopted a set of measures to realign monetary policy instruments in order to continue to support the recovery and improve monetary, exchange rate and financial stability conditions.

Thus, Argentina receives a score of +1.

*Analysts: Elena Alekseeva and Irina Popova*

### **Australia: +1**

Australia has fully complied with the commitment on developing local currency capital markets.

On 1 December 2021, the government presented a Commonwealth Evaluation Policy and supporting toolkit following the Australian public service reform program. The toolkit is designed as to support better practice evaluation across the policy cycle and thus increase effectiveness of government policy. New instrument does not create any new obligatory requirements regarding the evaluation process.<sup>419</sup>

On 11 February 2022, the Department of Finance initiated the Commonwealth Risk Management Policy amendment process. The decision came after the review conducted in the second half of 2021. Key Commonwealth entities executives took part in the review and presented a list of five concluding

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<sup>416</sup> The BCRA has created a foreign exchange availability scheme for service exporters, BCRA (Buenos Aires) 2 June 2022. Translation provided by DeepL Translate. Access Date: 17 June 2022. <http://www.bcra.gov.ar/Noticias/regimen-disponibilidad-exportadores-de-servicios.asp>

<sup>417</sup> The government establishes an optional regime for copper export duties and offers a progressive export duty rate, Ministry of Economy (Buenos Aires) 13 June 2022. Translation provided by DeepL Translate. Access Date: 17 June 2022. <https://www.argentina.gob.ar/noticias/el-gobierno-establece-un-regimen-optativo-para-los-derechos-de-exportacion-de-cobre-y>

<sup>418</sup> Legislation promotes the use of the capital market to leverage SMEs throughout the country, Government of Argentina (Buenos Aires) 29 July 2022. Translation provided by the analyst. Access Date: 3 October 2022. <https://www.argentina.gob.ar/noticias/normativa-impulsa-el-uso-del-mercado-de-capitales-para-apalancar-las-pymes-de-todo-el-pais>.

<sup>419</sup> Evaluation in the Commonwealth (RMG 130), Australian Government Department of Finance (Canberra) 1 December 2021. Access Date: 6 April 2022. <https://www.finance.gov.au/government/managing-commonwealth-resources/planning-and-reporting/commonwealth-performance-framework/evaluation-commonwealth-rmg-130>



recommendations, namely: 1) draw together risk management requirements, guidance and initiatives; 2) establish a sub-committee of the Chief Operating Officers to conduct persisting risks management on continuous basis across the Commonwealth; 3) form a working group to develop a roadmap to improve risk culture across the Australian Public Service; 4) seek the views of independent advisors to inform the management of risk; 5) simplify the Commonwealth Risk Management Policy language and better define responsibility for managing risk to specifically include requirements for key risk responsibilities.<sup>420</sup> In September 2022, the public consultations on the document's content were concluded and the amended policy was scheduled to come into effect on 1 January 2023.<sup>421</sup>

On 2 August 2022, the government updated the Developing performance measures relevant to officials of corporate and non-corporate Commonwealth entities. The accountable authorities of Commonwealth entities are required to provide regular measurement and assessment of an entity's activities as support in achieving its goals. The guidance has been streamlined to focus on characteristics of performance measures requirements underlined in relevant acts. It discusses each of the characteristics and offers practical examples for each requirement. It also provides tools, techniques and considerations for developing performance measures.<sup>422</sup>

Australia has taken strong actions to develop local currency capital markets by enhancing regulatory independence and effectiveness.

Thus, Australia receives a score of +1.

*Analyst: Alexander Ignatov*

### **Brazil: +1**

Brazil has fully complied with the commitment to develop local currency capital markets.

On 7 December 2021, Securities and Exchange Commission (CVM) launched its 2022 Regulatory Agenda, listing regulatory priorities for the year. Three topics were proposed for public hearing (in which market participants and society as a whole participate with suggestions and comments): transfer of custody, review of products destined for retail investors and the concept of qualified investor and specific regulation of Investment Funds in Agro-industrial Production Chains.<sup>423</sup>

On 30 December 2021, the new legal framework for the Brazilian foreign exchange market was published in the "Official Gazette" of the Union, which aims to modernize, simplify and consolidate existing legislation. It improves the business environment and reduces bureaucracy in foreign trade operations. It allows new market participants and contributes to greater international use of the real.<sup>424</sup>

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<sup>420</sup> PGPA Newsletter 76, Australian Government Department of Finance (Canberra) 14 January 2022. Access Date: 6 April 2022. <https://www.finance.gov.au/about-us/newsletters/2022/pgpa-newsletter-76#commonwealth-risk-management-policy-update>

<sup>421</sup> Commonwealth Risk Management Policy, Australian Government Department of Finance (Canberra) 20 September 2022. Access Date: 29 September 2022. <https://www.finance.gov.au/government/comcover/commonwealth-risk-management-policy>

<sup>422</sup> Developing performance measures (RMG 131), Australian Government Department of Finance (Canberra) 2 August 2022. Access Date: 29 September 2022. <https://www.finance.gov.au/government/managing-commonwealth-resources/developing-performance-measures-rmg-131>

<sup>423</sup> CVM launches Regulatory Agenda for 2022, Brazilian Government (Brasilia) 7 December 2021. Translation provided by the analyst. Access Date: 4 April 2022. <https://www.gov.br/cvm/pt-br/assuntos/noticias/cvm-lanca-agenda-regulatoria-para-2022>.

<sup>424</sup> New legislation modernizes the legal framework of the foreign exchange market and international capital, Brazilian Central Bank (Brasilia) 30 December 2021. Translation provided by the analyst. Access Date: 4 April 2022. <https://www.bcb.gov.br/detalhenoticia/599/noticia>.

On 18 February 2022, the CVM and the Chartered Financial Analyst Institute signed a memorandum of understanding. The purpose of the document is to record the parties' intention to explore various areas of collaboration with a view to producing greater impact in the fields of capital market development and financial literacy.<sup>425</sup>

On 16 March 2022, President Jair Bolsonaro issued a provisional measure that improves the mechanisms for raising funds by the Brazilian insurance market and the normative framework related to certificates of receivables and securitization operations. The measure will contribute to the development of the capital market and the insurance market in Brazil, allowing the dissipation of risks and greater fundraising, as well as having the potential to diversify the sources of financing through the transfer of certificates of receivables and securitization operations.<sup>426</sup>

On 20 September 2022, the CVM issued Resolution 168, which deals with aspects related to the composition of management bodies of publicly held companies and plural voting. The new standard is associated with measures to improve the business environment in the country, inspired by the methodology used by the World Bank, then adopted when the report called Doing Business was published.<sup>427</sup>

Brazil has taken strong actions to develop local currency capital markets.

Thus, Brazil receives a score of +1.

*Analyst: Irina Popova*

#### **Canada: +1**

Canada has fully complied with the commitment to develop local currency capital markets.

On 14 January 2022, Minister responsible for the Federal Economic Development Agency for Southern Ontario Helena Jaczek announced a non-repayable contribution of over CAD5.4 million for a collaboration between the National Angel Capital Organization (NACO) and Angel Investors Ontario (AIO) to support entrepreneurs and early-stage businesses and strengthen angel investment in southern Ontario. This collaboration will improve the NACO and the AIO's services and resources for angel groups and investors to increase the amount of capital available to the region's innovative start-up businesses. NACO will provide funding for up to 20 southern Ontario angel groups to support their ability to attract and retain investors. NACO and AIO will also deliver training, workshops and events, aimed at enhancing investment readiness of entrepreneurs.<sup>428</sup>

On 26 January 2022, the Bank of Canada held its target for the overnight rate at the effective lower bound of 0.25 per cent, with the Bank Rate at 0.5 per cent and the deposit rate at 0.25 per cent. With overall economic slack absorbed, the Bank removed its exceptional forward guidance on its policy interest rate.

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<sup>425</sup> CVM and CFA Institute sign letter of intent for collaboration between institutions, Brazilian Government (Brasilia) 18 February 2022. Translation provided by the analyst. Access Date: 4 April 2022. <https://www.gov.br/cvm/pt-br/assuntos/noticias/cvm-e-cfa-institute-assinam-carta-de-intencoes-para-colaboracao-entre-as-instituicoes>.

<sup>426</sup> MP improves fundraising mechanisms by the Brazilian insurance market, Brazilian Government (Brasilia) 16 March 2022. Translation provided by the analyst. Access Date: 4 April 2022. <https://www.gov.br/secretariageral/pt-br/noticias/2022/marco/mp-aprimora-mecanismos-de-captacao-de-recursos-pelo-mercado-securitario-brasileiro>.

<sup>427</sup> New rule regulates provisions of Law 6,404 on plural voting and the composition of the management bodies of publicly-held companies, Brazilian Government (Brasilia) 20 September 2022. Translation provided by the analyst. Access Date: 3 October 2022. <https://www.gov.br/cvm/pt-br/assuntos/noticias/nova-norma-regulamenta-dispositivos-da-lei-6-404-sobre-voto-plural-e-a-composicao-dos-orgaos-de-administracao-das-companhias-abertas>.

<sup>428</sup> Government of Canada supports start-up businesses across Southern Ontario, Government of Canada (Toronto) 14 January 2022. Access Date: 20 February 2022 <https://www.canada.ca/en/economic-development-southern-ontario/news/2022/01/government-of-canada-supports-start-up-businesses-across-southern-ontario.html>

The Bank is continuing its reinvestment phase, keeping its overall holdings of Government of Canada bonds roughly constant.<sup>429</sup>

Canada has taken strong actions to develop local currency capital markets by improving investment environment.

Thus, Canada receives a score of +1.

*Analyst: Nikita Shilikov*

### **China: +1**

China has fully complied with the commitment on developing local currency capital markets.

On 2 December 2021, Chinese tax authorities temporarily exempted foreign institutions' income from interest payments to hold bonds in the domestic market from corporate income tax and value-added tax from 7 November 2021 to 31 December 2025. The new rules also lifted restrictions on the retention of funds raised by panda bonds (bonds issued by foreign institutions in China).<sup>430</sup>

On 27 May 2022, the People's Bank of China (PBOC) announced that from 30 June 2022 qualified foreign institutional investors, including central banks, sovereign funds, commercial banks and pension funds, would be allowed to invest in bonds on the Chinese exchange market on order to "help expand capital inflows to China."<sup>431</sup>

China has taken strong actions to develop local currency capital markets.

Thus, China receives a score of +1.

*Analyst: Andrey Shelepov*

### **France: +1**

France has fully complied with the commitment to develop local currency capital markets.

On 19 January 2022, Minister of Higher Education, Research and Innovation Frédérique Vidal, Minister Delegate in charge of Industry Agnès Pannier-Runacher, Secretary of State for Digital Transition and Electronic Communications Cédric O and Secretary General for Investment Guillaume Boudy detailed the public support strategy for industrial and deep tech start-ups. Resulting from the France 2030 plan, this strategy will remove the obstacles that hinder the emergence, innovation and industrialization of start-ups in France. Since 2017, government policy has made support for industrial and deep tech start-ups a priority. EUR3.25 billion are mobilized between 2021 and 2025 for the ecosystem of start-ups and innovative companies on various mechanisms: innovation competitions, structuring R&D projects, the regionalized PIA or aid counters including deep tech aids. As part of France 2030, an additional EUR2.3 billion has been mobilized to support these start-ups through to industrialization and accelerate the emergence of high-density technology start-ups. This strategy will make it possible to concretize in the coming years the industrialization of the start-ups supported on our territory. This strategy is based on

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<sup>429</sup> Bank of Canada maintains policy rate, removes exceptional forward guidance, Bank of Canada (Ottawa) 26 January 2022. Access Date: 20 February 2022 <https://www.bankofcanada.ca/2022/01/fad-press-release-2022-01-26/>

<sup>430</sup> More policies luring investors to bonds, the State Council of the People's Republic of China (Beijing) 4 December 2021. Access Date: 1 April 2022.

[https://english.www.gov.cn/policies/policywatch/202112/04/content\\_WS61aacda9c6d0df57f98e6071.html](https://english.www.gov.cn/policies/policywatch/202112/04/content_WS61aacda9c6d0df57f98e6071.html).

<sup>431</sup> China Opens Exchange Bond Markets to Overseas Investors, Bloomberg 27 May 2022. Access Date: 1 October 2022.

<https://www.bloomberg.com/news/articles/2022-05-27/china-opens-exchange-bond-markets-to-overseas-investors?leadSource=verify%20wall>.

several new systems, operated by Bpifrance, to strengthen the pool of industrial start-ups, finance their industrialization projects, support them in removing the obstacles to their development.<sup>432</sup>

France has taken strong actions to develop local currency capital markets.

Thus, France receives a score of +1.

*Analyst: Nikita Shilikov*

### **Germany: +1**

Germany has fully complied with the commitment on developing local currency capital markets.

On 10 November 2021, the state-owned KfW development bank launched LAGreen, a new fund for environmentally and climate-friendly investments in Latin America and officially presented it to the public at the climate conference in Glasgow. LAGreen is a structured fund that prepares green bonds in cooperation with local issuers. Green bonds are fixed-interest bonds used by actors in climate finance, such as state and private banks or project developers of renewable energy projects. The bonds are assigned to environmentally friendly projects and are subject to binding and comprehensible criteria that are also monitored. The aim of the new fund is to mobilise private capital for climate-friendly investments and thereby contribute to achieving the Nationally Determined Contributions. A first investment in a green bond of a bank in Costa Rica had already been made. The bond proceeds will be used to finance a green real estate development project with sustainable use of industrial, office and commercial space.<sup>433</sup>

Germany has taken strong actions to develop local currency capital markets.

Thus, Germany receives a score of +1.

*Analyst: Andrey Shelepov*

### **India: +1**

India has fully complied with the commitment on developing local currency capital markets.

On 12 November 2021, Prime Minister Narendra Modi launched two customer centric initiatives of the Reserve Bank of India (RBI): the RBI Retail Direct Scheme and the Reserve Bank - Integrated Ombudsman Scheme. The RBI Retail Direct Scheme is aimed at enhancing access to government securities market for retail investors. It offers them a new way for directly investing in securities issued by the Government of India and the State Governments. Investors will be able to easily open and maintain their government securities account online with the RBI, free of cost. The Reserve Bank - Integrated Ombudsman Scheme aims to further improve the grievance redress mechanism for resolving customer complaints against entities regulated by RBI. There will be a single point of reference for customers to file their complaints, submit the documents, track status and provide

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<sup>432</sup> France 2030: the Government presents its public support strategy for industrial and deep tech start-ups, Government of France (Paris) 19 January 2022. Translation provided by Google Translate. Access Date: 20 February 2022 <https://www.gouvernement.fr/france-2030-le-gouvernement-presente-sa-strategie-de-soutien-public-aux-start-ups-industrielles-et>

<sup>433</sup> Launch of green bonds in Latin America, KfW Development Bank (Berlin) 10 November 2021. Access Date: 1 April 2022. [https://www.kfw-entwicklungsbank.de/About-us/News/News-Details\\_680576.html](https://www.kfw-entwicklungsbank.de/About-us/News/News-Details_680576.html).

feedback. A multi-lingual toll-free number will provide all relevant information on grievance redress and assistance for filing complaints.<sup>434</sup>

India has taken strong action to develop local currency capital markets.

Thus, India receives a score of +1.

*Analyst: Andrey Shelepov*

### **Indonesia: +1**

Indonesia has fully complied with the commitment to develop local currency capital markets.

On 12 November 2021, the Bank Indonesia (BI) reported it was taking steps to strengthen consumer protection by monitoring the conduct of service providers in the payment system, money market and foreign exchange market, cash services as well as other parties under the regulation and supervision of BI. Supervision and oversight are performed directly and/or indirectly concerning the behavior of service providers based on a market conduct approach focusing on the design, compilation and presentation of information, product and/or service offerings and agreements as well as complaint handling and resolution. Supervising the conduct of service providers will complement existing prudential oversight at BI to simultaneously create and maintain financial system stability by safeguarding consumer protection. Strengthening consumer protection by monitoring market conduct will ensure implementation of the seven Consumer Protection Principles by service providers: (i) equity and fair treatment, (ii) disclosure and transparency, (iii) education and literacy, (iv) accountable business conduct, (v) protection of consumer assets against misuse, (vi) protection of consumer data and/or information, and (vii) effective complaint handling and resolution.<sup>435</sup>

On 17 November 2021, the BI reported issuance of regulations for Bank Indonesia-Fast Payment (BI-FAST) payment system infrastructure operated by Bank Indonesia to facilitate retail payments continuously (24/7) and in real time for nonbank financial institutions and other parties that meet the predetermined criteria. The regulation includes participant requirements, participant obligations, BI-FAST infrastructure management mechanisms and transaction processing using the BI-FAST system.<sup>436</sup>

On 15-16 December 2021, the BI's Board of Governors meeting was held with a number of important decisions made to maintain exchange rate and financial system stability, while supporting national economic recovery. In particular, it was agreed that (i) monetary policy in 2022 would be oriented towards maintaining stability, while pro-growth macroprudential and payment system policies would focus on driving economic growth together with money market deepening; (ii) rupiah exchange rate policy would be maintained to preserve stability in line with the currency's fundamental value and market mechanisms; (iii) strategy for monetary operations will be further strengthened to reinforce the effectiveness of the accommodative monetary policy stance.<sup>437</sup>

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<sup>434</sup> PM to launch two innovative customer centric initiatives of RBI on 12 November, Indian Prime Minister's Office (New Delhi) 11 November 2021. Access Date: 1 April 2022.

<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1770829>

<sup>435</sup> Strengthening Consumer Protection, Bank Indonesia Monitors Conduct of Payment System And Financial Service Providers, BI (Jakarta) 15 November 2021. Access date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2329821.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2329821.aspx)

<sup>436</sup> BI Issues Bi-Fast Guidelines, BI (Jakarta) 17 November 2021. Access date: 31 March 2022.

[https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2330321.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2330321.aspx)

<sup>437</sup> BI 7-Day Reverse Repo Rate Held At 3.50%: Synergy Maintaining Stability and Strengthening Recovery, BI (Jakarta) 16 December 2021. Access date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2333221.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2333221.aspx)

On 21 December 2021, the BI officially launched its BI-FAST payment system as backbone of retail payment system infrastructure moving forward, thus accelerating digitalization of the national economy and finance.<sup>438</sup>

On 24 December 2021, BI's National Working Group on Benchmark Reform released a practical guide on the London Inter-bank Offered Rate (LIBOR) transition for Indonesia market participant in order to support a smooth and orderly transition; the guide consists of background information concerning LIBOR discontinuation, timeline for LIBOR discontinuation, implication on LIBOR transition, as well as preparation guide and LIBOR transition recommendation as a reference for market participant. The LIBOR Transition Guide shall be a valuable information for market participant to address and prepare LIBOR transition, thereby maintaining financial system stability in Indonesia.<sup>439</sup>

On 28 January 2022, Minister of Finance Sri Mulyani, the BI's Governor Perry Warjiyo, Chairman of Financial Services Authority Board of Commissioners Mahendra Siregar and Chairman of Indonesia Deposit Insurance Corporation Board of Commissioners Heru Budiargo agreed joint commitments to strengthen synergy towards maintaining financial system stability and economic recovery momentum at the first Financial System Stability Committee meeting of 2022.<sup>440</sup>

On 1 March 2022, the BI amended the Macroprudential Inclusive Financing Ratio for conventional commercial banks, sharia banks and sharia business units; the amendment was a follow-up action to the Board of Governors Meeting in January 2022 taken to strengthen the accommodative macroprudential policy stance in 2022 by increasing bank loans/financing to the corporate sector, thus reinforcing the national economic recovery and maintaining financial system stability.<sup>441</sup>

On 16-17 March 2022, BI's Board of Governors meeting was held with a number of important decisions made to maintain exchange rate and financial system stability, while supporting national economic recovery. In particular, it was agreed that (i) exchange rate policy would be strengthened to maintain rupiah stability in line with market mechanisms and economic fundamentals, (ii) the availability and distribution of rupiah currency throughout the archipelago will be safeguarded, and (iii) Payment System Providers would be prepared for National Open API Payment Standard implementation to support interlinkages between the banking and FinTech industries.<sup>442</sup>

On 25 June 2022, the Indonesian Financial Services Authority (OJK) enacted regulation concerning Consumer and Public Protection in the Financial Services Sector (POJK 6 of 2022). The POJK came into force on 18 April 2022, but micro-financial institutions are exempted for the next five years. The newly enacted POJK provides a comprehensive legal framework for consumer protection by taking into account the life cycle of financial products — including their design, the provision and delivery of information, marketing, the drafting of agreements, the offering of financial services and compliance

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<sup>438</sup> BI Launches Bank Indonesia Fast Payment, BI (Jakarta) 21 December 2021. Access date: 31 March 2022.

[https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2333421.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2333421.aspx)

<sup>439</sup> National Working Group on Benchmark Reform (NWGBR) Launches Guide to Libor Transition For Market Players, BI (Jakarta) 24 December 2021. Access date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_2333821.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2333821.aspx)

<sup>440</sup> KSSK Meeting Q4/2021: Synergy Strengthening Economic Recovery and Maintaining Financial System Stability, BI (Jakarta) 2 February 2021. Access date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_243222.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_243222.aspx)

<sup>441</sup> Bank Indonesia Amends the Macroprudential Inclusive Financing Ratio (RPIM), BI (Jakarta) 1 March 2021. Access date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_246922.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_246922.aspx)

<sup>442</sup> BI 7-Day Reverse Repo Rate Held At 3.50%: Synergy Maintaining Stability And Strengthening National Economic Recovery, BI (Jakarta) 17 March 2021. Access Date: 31 March 2022. [https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp\\_248322.aspx](https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_248322.aspx)

settlements. This new approach means that financial institutions may face additional regulatory requirements and obligations when conducting business.<sup>443</sup>

On 22 September 2022, the OJK issued three new regulations to create orderly, fair, and efficient capital market activity while protecting the interests of investors and the public. The first regulation stipulates the mechanism for stock splits and reverse stock splits by public companies. If the shares of a public company are listed on the Stock Exchange, the public company must obtain principal approval for any planned stock splits or reverse stock splits from the Stock Exchange where the public company is listed. The second regulation serves as a guideline for investment managers to avoid misconduct in terms of investment manager independence while helping to ensure rational investment decisions, appropriate conduct in terms of securities transactions in the interest of the customer, the marketing of investment products, information disclosure regarding investment products, as well as relating to the receipt of gifts and other benefits. The third regulation stipulates that Issuers or Public Companies with an effective registration statement must submit Periodic Financial Statements to OJK and publish them to the public. Periodic Financial Statements must be submitted via the OJK electronic reporting system.<sup>444</sup>

Indonesia has taken strong actions to develop local currency capital markets.

Thus, Indonesia receives a score of +1.

*Analyst: Pavel Doronin*

#### **Italy: -1**

Italy has failed to comply with the commitment to develop local currency capital markets.

No information on Italy's steps to develop local currency capital markets made during the monitoring period was found.

Thus, Italy is awarded a score of -1.<sup>445</sup>

*Analyst: Andrei Sakbarov*

#### **Japan: +1**

Japan has fully complied with the commitment to develop local currency capital markets.

During the compliance period, the Bank of Japan (BOJ) has held three Monetary Policy Meetings.

On 17 December 2021, decided that it was appropriate to extend the Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus (COVID-19) by additional six months until September 2022; the decision covers both government-supported and non-government-supported loans to SMEs to provide liquidity. BOJ also decided to continue additional purchases of corporate papers and bonds, through starting from April 2022 the amounts of purchases

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<sup>443</sup> Indonesia's financial sector needs more consumer protection, East Asia Forum (Canberra) 25 June 2022. Access Date: 5 August 2022. <https://www.eastasiaforum.org/2022/06/25/indonesias-financial-sector-needs-more-consumer-protection/>

<sup>444</sup> OJK Issues 3 New Regulations to Strengthen Capital Market, OJK International Information Hub (Jakarta) 22 September 2022. Access Date: 1 October 2022. <https://www.ojk.go.id/iru/policy/detailpolicy/9460/press-release-ojk-issues-3-new-regulations-to-strengthen-capital-market>

<sup>445</sup> This non-compliance was determined after searching the following websites: <https://www.governo.it/en>, <https://www.bancaditalia.it/homepage/index.html?com.dotmarketing.htmlpage.language=1>, <https://senato.it/en/parliamentary-business/parliament>, <https://www.gazzettaufficiale.it>, <https://www.mef.gov.it>, <https://en.camera.it>

should decrease gradually to the pre-pandemic levels. Additionally, BOJ decided to apply a negative interest rate of minus 0.1 per cent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank; to purchase a necessary amount of Japan Government Bonds (JGB) without setting an upper limit so that 10-year JGB yields will remain at around zero per cent; to purchase exchange-traded funds (ETFs) and Japan real estate investment trusts (J-REITs) as necessary with upper limits of about JPY12 trillion and about JPY180 billion, respectively, on annual paces of increase in their amounts outstanding; and to purchase corporate papers and corporate bonds with an upper limit on the amount outstanding of about JPY20 trillion in total until the end of March 2022.<sup>446</sup>

On 18 January 2022 and subsequently on 18 March 2022, two meetings of the BOJ concluded with decisions to apply a negative interest rate of minus 0.1 per cent to the Policy-Rate Balances in current accounts held by financial institutions at the Bank; to purchase a necessary amount of Japan Government Bonds without setting an upper limit so that 10-year JGB yields will remain at around zero per cent; to purchase ETFs and J-REITs as necessary with upper limits of about JPY12 trillion and about JPY180 billion, respectively, on annual paces of increase in their amounts outstanding; and to purchase corporate papers and corporate bonds with an upper limit on the amount outstanding of about JPY20 trillion in total until the end of March 2022. BOJ stressed at both meetings that it would continue to maintain stability in financial markets through the Special Program to Support Financing in Response to the COVID-19, an ample provision of yen and foreign currency funds without setting upper limits, and additional easing measures if necessary. It was also noted that from April onward BOJ would purchase these assets at about the same pace as prior to the COVID-19 pandemic, so that their amounts outstanding will gradually return to pre-pandemic levels, namely, at about JPY2 trillion for corporate papers and about JPY3 trillion for corporate bonds.<sup>447</sup>

On 28 February 2022, the Financial Services Agency (FSA) reported that as many as 321 institutional investors had signed up to Japan's Stewardship Code – the Principles for Responsible Institutional Investors.<sup>448</sup>

On 15 March 2022, the FSA announced finalization of the amendments to the regulatory notice concerning the “designated International Financial Reporting Standards,” stipulated in the “Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements”; the amendments define the international accounting standards by the International Accounting Standards Board as “designated international accounting standards” to be applied within the Regulation on Consolidated Financial Statements.<sup>449</sup>

On 23 March 2022, the FSA and European Commission's Directorate-General for Financial Stability, Financial Services and Capital Markets Union adopted the regulatory cooperation framework adding practical arrangements to the Regulatory Cooperation on Financial Regulation of the Agreement between the European Union and Japan for an Economic Partnership.<sup>450</sup>

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<sup>446</sup> Statement on Monetary Policy, BOJ (Tokyo) 17 December 2021. Access Date: 31 March 2022.  
[https://www.boj.or.jp/en/announcements/release\\_2021/k211217a.pdf](https://www.boj.or.jp/en/announcements/release_2021/k211217a.pdf)

<sup>447</sup> Statement on Monetary Policy, BOJ (Tokyo) 18 March 2022. Access Date: 31 March 2022.  
[https://www.boj.or.jp/en/announcements/release\\_2022/k220318a.pdf](https://www.boj.or.jp/en/announcements/release_2022/k220318a.pdf)

<sup>448</sup> Stewardship Code: 321 institutional investors have signed up to the Principles for Responsible Institutional Investors as of February 28, 2022, FSA (Tokyo) 28 February 2022. Access Date: 31 March 2022.  
<https://www.fsa.go.jp/en/refer/councils/stewardship/20160315.html>

<sup>449</sup> FSA Weekly Review No.482, FSA (Tokyo) 25 March 2022. Access Date: 31 March 2022.  
<https://www.fsa.go.jp/en/newsletter/weekly2022/482.html>

<sup>450</sup> FSA and European Commission (DG FISMA) adopted the regulatory cooperation framework established under Annex 8-A of the EU-Japan Economic Partnership Agreement, FSA (Tokyo) 25 March 2022. Access Date: 31 March 2022.  
<https://www.fsa.go.jp/en/news/2022/20220325/20220325.html>



On 31 August 2022, the government announced that would step up surveillance of banks' risk control as interest rises abroad create latent losses in their foreign bond holdings, reflecting concerns about the impact of U.S. monetary tightening on the country's financial system.<sup>451</sup>

On 31 August 2022, the Bank of Japan decided to implement the following measures concerning the Securities Lending Facility (SLF) to ensure stability in the market by easing excessive tightening in supply and demand of Japanese government securities in the repo market. The changes below are effective from September 1, 2022. Among them are: 1) Increase in the Upper Limit on the Consecutive-day Purchases of the Same Issue 2) Expansion of the Issues Applicable to the Relaxed Conditions for the Delivery of the Cheapest-to-Deliver Issues.<sup>452</sup>

Japan has taken strong actions to develop local currency capital markets.

Thus, Japan receives a score of +1.

*Analyst: Pavel Doronin*

### **Korea: +1**

Korea has fully complied with the commitment to develop local currency capital markets.

On 25 February 2022, the local financial regulator presented KRW2 trillion support package designed as to “cushion local businesses from economic woes” arose due to political crisis.<sup>453</sup>

On 29 March 2022, the government unveiled details on expecting tax cuts for 2022. The government plans to stabilize inflation and growing prices by means of KRW3.6 trillion tax exemptions and incentives.<sup>454</sup>

On 5 April 2022, the government announced its intention to lower fuel taxes as to curb growing prices and inflation.<sup>455</sup>

On 30 May 2022, Korea passed the 2023 extra budget concentrated on providing extra fiscal capabilities to facilitate post-COVID-19 economic recovery. The expenditure for 2023 was set on KRW62 trillion that includes some subsidies for vulnerable population groups suffering from inflation and growing consumer prices. Also, the government announced a series of regulation relaxes on public activities as to foster consumption.<sup>456</sup>

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<sup>451</sup> Japan regulator to enhance bank surveillance as foreign interest rates rise, Reuters (London) 31 August 2022. Access Date: 1 October 2022. <https://www.reuters.com/business/finance/japan-regulator-enhance-bank-surveillance-foreign-interest-rates-rise-2022-08-31/>

<sup>452</sup> Relaxation of the Terms and Conditions for the Securities Lending Facility for the Cheapest-to-Deliver Issues, Bank of Japan (Tokyo) 31 August 2022. Access Date: 1 October 2022. [https://www.boj.or.jp/en/announcements/release\\_2022/rel220831h.pdf](https://www.boj.or.jp/en/announcements/release_2022/rel220831h.pdf)

<sup>453</sup> Korea to launch W2tr biz support program to counter Russia-Ukraine crisis if needed, Korea Herald (Seoul) 25 February 2022. Access Date: 20 June 2022. <https://www.koreaherald.com/view.php?ud=20220225000498&np=36&mp=4>

<sup>454</sup> S. Korea to offer more tax incentives this year, Korea Herald (Seoul) 29 March 2022. Access Date: 20 June 2022. <https://www.koreaherald.com/view.php?ud=20220329000233&np=25&mp=3>

<sup>455</sup> S. Korea to expand fuel tax cuts amid surging energy prices, Korea Herald (Sejong) 5 April 2022. Access Date: 20 June 2022. <https://www.koreaherald.com/view.php?ud=20220405000205&np=22&mp=3>

<sup>456</sup> South Korea's Largest-Ever Extra Budget Approved by Parliament, Bloomberg (Seoul) 30 May 2022. Access Date: 20 June 2022. <https://www.bloomberg.com/news/articles/2022-05-29/south-korea-s-largest-ever-extra-budget-approved-by-parliament>

On 16 June 2022, the government announced that it would ease regulations and lower tax rates as to promote private-led economic growth. The measure comes as the first of kind enacted by recently inaugurated President Yoon Suk-yeol.<sup>457</sup>

On 19 June 2022, the government presented an emergency policy package designed to contain rising inflation rate. The package includes higher income tax deduction for public transport use and additional fuel tax cuts. These measures are said to provide extra protection against growing oil prices.<sup>458</sup>

On 20 June 2022, the Financial Supervisory Service addressed banks and urged them to increase their loss-absorbing capabilities and take steps to improve foreign liquidity management “amid rising uncertainty.”<sup>459</sup>

On 11 August 2022, President Yoon held a meeting with relevant ministries on the eve of Chuseok national holiday on emergency inflation taming planning. The meeting concluded with a comprehensive plan including “the largest holiday subsidy ever” worth KRW42.6 trillion (approximately USD29.7 million) to microbusinesses and small and medium-sized enterprises and earlier tax refund.<sup>460</sup>

On 5 September 2022, Prime Minister Choo Kyung-ho chaired a meeting on proposed economic reform package. The government hopes to attract KRW800 billion to support emerging industries by easing some regulatory requirements regarding electronic vehicles and factory load floor, hydrogen cell production, operation of autonomous robot vehicles operation.<sup>461</sup>

Korea takes steps as to stabilize local currency amid foreign shocks and thus increase attractiveness of local currency capital market.

Thus, Korea receives a score of +1.

*Analyst: Alexander Ignatov*

### **Mexico: +1**

Mexico has fully complied with the commitment to develop local currency capital markets.

On 25 March 2022, the National Banking and Securities Commission of Mexico announced that it works on a secondary regulatory framework focused on corporate governance, technology and care for the environment in order to adapt to the current situation. The Commission seeks to make the

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<sup>457</sup> S. Korea to ease regulations, cut taxes under new economic policy road map, Yonhap News Agency (Seoul) 16 June 2022. Access Date: 20 June 2022. <https://en.yna.co.kr/view/AEN20220616002501320?section=market/economy>

<sup>458</sup> S. Korea to expand fuel tax cuts in emergency step to curb inflation, Yonhap News Agency (Seoul) 19 June 2022. Access Date: 20 June 2022. <https://en.yna.co.kr/view/AEN20220619002151320?section=market/economy>

<sup>459</sup> FSS chief urges banks to intensify loss-absorbing capabilities, better manage foreign liquidity, Yonhap News Agency (Seoul) 20 June 2022. Access Date: 20 June 2022. <https://en.yna.co.kr/view/AEN20220620003200320?section=market/economy>

<sup>460</sup> Government Works to Tame Inflation Ahead of Chuseok Holiday, Ministry of Economy and Finance (Sejong-si) 11 August 2022. Access Date: 29 September 2022.

<https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5397>

<sup>461</sup> TF Meeting on Economic Regulatory Reforms to Boost the Economy and Promote Promising Industries, Ministry of Economy and Finance (Sejong-si) 5 September 2022. Access Date: 29 September 2022.

<https://english.moef.go.kr/pc/selectTbPressCenterDtl.do?boardCd=N0001&seq=5407>

authorization processes more transparent and timely for the financial institutions that operate in Mexico.<sup>462</sup>

On 9 September 2022, Banco de México submitted for public consultation the draft provisions to modify the Rules for the execution of derivative transactions. The purpose of these amendments is to broaden the type of counterparties with which banks may enter into credit derivative transactions. As a result, banks may enter into Credit Derivative Transactions with brokerage firms, investment funds, specialized retirement fund companies, insurance companies and other institutional investors whose regimes allow it, as well as hedge funds, limited to Credit Default Swaps and Total Return Swaps without leverage (fully funded).<sup>463</sup>

Mexico has taken strong actions to develop local currency capital markets by broadening the access to credit derivatives transactions.

Thus, Mexico receives a score of +1.

*Analyst: Irina Popova*

### **Russia: +1**

Russia has fully complied with the commitment to develop local currency capital markets.

On 22 March 2022, the Central Bank of Russia launched the “Know Your Client” platform and issued a recommendation to credit institutions to apply for the new service. The platform allows to accelerate information processing regarding potential borrowers’ accounts with a special attention given to risky cases.<sup>464</sup>

On 15 April 2022, the Central Bank issued a recommendation to local banks regarding providing better protection against fraud. The regulator recommended financial operators to suspend suspicious operations and temporary prohibit remote access to bank accounts as to prevent a malefactor’s usage of a client’s finance.<sup>465</sup>

On 12 August 2022, the Central Bank presented the Monetary Policy Strategy for 2023 and 2024–2025 period. In the second half of 2022, the Central Bank would consider further lowering of the key interest rate as to keep the annual inflation rate lower 4 per cent. Optimal scenario predicts average key interest rate between 10.5 per cent to 10.8 per cent in 2022, 6.5 per cent to 8.5 per cent in 2023, and 6.0 per cent to 7.0 per cent in 2024. However, high uncertainty persists as a key challenge.<sup>466</sup>

On 7 September 2022, the Central Bank announced a set of measures designed as to stimulate growth of merchandise trade systems by easing regulatory requirements. The regulator cancels requirements

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<sup>462</sup> CNBV seeks to adapt resolution to technological changes, Milenio (Mexico City) 25 March 2022. Translation provided by the analyst. Access Date: 4 April 2022. <https://www.milenio.com/negocios/cnbv-busca-adaptar-regulacion-cambios-tecnologicos>.

<sup>463</sup> Public consultation on the draft amendments to the Rules for the execution of derivative transactions, contained in Circular 4/2012 of Banco de México, Banxico (Central Bank of Mexico) (Mexico City) 9 September 2022. Translation provided by the analyst. Access Date: 3 October 2022. <https://www.banxico.org.mx/publicaciones-y-prensa/miscelaneos/%7BC7920870-F220-97C8-A317-156442CE9B58%7D.pdf>.

<sup>464</sup> Bank of Russia Starts to Connect Credit Organizations to “Know Your Client” Platform, Central Bank of Russia (Moscow) 22 March 2022. Translation provided by the analyst. Access Date: 10 June 2022. <https://www.cbr.ru/press/event/?id=12770>

<sup>465</sup> Bank of Russia to Recommend New Methods to Prevent Frauds, Central Bank of Russia (Moscow) 15 April 2022. Translation provided by the analyst. Access Date: 10 June 2022. <https://www.cbr.ru/press/event/?id=12808>

<sup>466</sup> Key Monetary Policy Directions Strategy for 2023 and 2024–2025 period was presented, Central Bank of Russia (Moscow) 12 August 2022. Translation provided by the analyst. Access Date: 29 September 2022. <https://www.cbr.ru/press/event/?id=14080>

regarding maintenance of reserve hardware/software systems, conduction of operational audit, and formation of technical committee that is said to lower operational costs of targeted platforms and thus stimulate growth and market competition.<sup>467</sup>

Russia has taken strong actions to develop local currency capital markets.

Thus, Russia receives a score of +1.

*Analyst: Alexander Ignatov*

### **Saudi Arabia: +1**

Saudi Arabia has fully complied with the commitment on macroeconomics.

On 14 October 2021, the Saudi Arabia's Capital Markets Authority (CMA) had developed an updated version of the Investor Protection Guideline as a complementing step to its strategic initiatives related to enhancing confidence in the capital market; the Guideline:

Is aimed to protect investors in securities against unfair or improper practices, foster the integrity of the capital market, and develop the necessary procedures to limit the risks related to securities transactions;

Increases the awareness level of agents of the capital market's institutions through several instructions and advice that accompany investors gradually on their investment journey that is governed by the relation with capital market institution and the most important information that they need throughout this investment relationship that has to be characterized by transparency and confidence among all sides;

Covers a set of instructions and advice for shareholders in the listed companies, which guarantee framed ties between shareholders and the company, in a way that enhances complementary and fruitful ties between the company and its advisory and supervisory systems and the shareholders;

Provides details on a number of general instructions for investors willing to subscribe in the collective investment programs "Investment Funds" that are offered and run by the capital market's institutions licensed by the CMA;

Gives the instructions necessary to warn and alert all current and future investors from dealing with financial institutions and people unlicensed to practice financial investment in the Kingdom of Saudi Arabia.<sup>468</sup>

On 10 January 2022, the Saudi Arabia Monetary Authority's (SAMA) General Secretariat of the Committees for Banking and Financial Disputes and Violations announced the launch of the Banking and Financial Disputes Ombudsman Center; the Center aims to put in operation Alternative Dispute Resolution methods to settle disputes arising from banking and financial transactions between licensed financial institutions and their clients; the services for the dispute settlement resolution based on statutory basis and judicial

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<sup>467</sup> Bank of Russia to Create Growth Stimulus for Merchandise Trade Systems, Central Bank of Russia (Moscow) 7 September 2022. Translation provided by the analyst. Access Date: 29 September 2022. <https://www.cbr.ru/press/event/?id=14138>

<sup>468</sup> CMA: Investor protection guideline limits risks related to securities transactions, Saudi Gazette (Riyadh) 14 October 2021. Access Date: 31 March 2022. <https://saudigazette.com.sa/article/612212/SAUDI-ARABIA/CMA-Investor-protection-guideline-limits-risks-related-to-securities-transactions>

precedents and principles are available online, and allows for the settlement of disputes in a short turnover period with lower costs for disputing parties.<sup>469</sup>

On 11 January 2022, it was announced by SAMA that it had updated the rules for practicing debt crowdfunding activities, as part of efforts to develop the finance sector and to keep abreast of recent development in the finance industry; the updated rules aim to redefine the beneficiary to include all commercial establishments registered in the Kingdom of Saudi Arabia that seek to obtain financing through the debt crowdfunding platform, and adding the definition of aggregate accounts to ensure complete separation between the funds of the participants in the financing process and the funds of the crowdfunding facility.<sup>470</sup>

On 9 March 2022, it was reported that SAMA jointly with the Financial Academy in Riyadh had launched a training program in the field of loss adjustment (including essential principles of insurance and settlement, claim handling, and principles of professional practice) for Saudi employees working in the insurance sector in a bid to prepare national qualified cadres as part of the financial sector development program under Saudi Vision 2030.<sup>471</sup>

On 13 March 2022, SAMA announced opening a public consultation (via Public Consultations Platform) on the draft principles and rules for the financial consumers' protection, as part of SAMA's on-going efforts to preserve the rights of consumers in getting fair and transparent treatment in financial services, commensurate with global best practices in this regard.<sup>472</sup>

On 21 March 2022, it was reported that SAMA jointly with the Communication and Financial Knowledge Center in the Ministry of Finance of the Kingdom of Saudi Arabia would hold a number of monetary awareness raising events for the Saudi public, in particular youth and children, during the Global Money Week in Riyadh (21-27 March 2022), to enable them make sound financial decisions.<sup>473</sup>

On 6 April 2022, a draft of the consumer protection law was issued, covering both the concept of consumer rights and the concept of operator's rights. The law will ensure a successful experience for both parties, thus positively impacting the economy in the Kingdom. This draft law aims to achieve a fair balance in rights and duties between the economic operator and consumers, protecting consumers from harmful, defective or unsafe products and services, disseminating and promoting a culture of consumer rights. It also educates consumers about their rights and duties and encourages a sustainable consumption culture.<sup>474</sup>

On 21 September 2022, SAMA has decided to raise the rate of Repurchase Agreement (Repo) by 75 basis points to 3.75 per cent, and the rate of Reverse Repurchase Agreement (Reverse Repo) by 75 basis points to 3.25 per cent.<sup>475</sup>

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<sup>469</sup> General Secretariat of The Committees Launches Banking And Financial Disputes Ombudsman Center, SAMA (Riyadh) 10 January 2022. Access Date: 31 March 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-728.aspx>

<sup>470</sup> Saudi Central Bank Updates Rules For Practicing Debt Crowdfunding Activities, SAMA (Riyadh) 11 January 2022. Access Date: 31 March 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-729.aspx>

<sup>471</sup> Saudi Central Bank Launches CILA Diploma Program, SAMA (Riyadh) 9 March 2022. Access Date: 31 March 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-742.aspx>

<sup>472</sup> Saudi Central Bank Opens Public Consultation On Principles And Rules For Financial Consumers Protection, SAMA (Riyadh) 13 March 2022. Access Date: 31 March 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-744.aspx>

<sup>473</sup> Saudi Central Bank Organizes Numerous Awareness Raising Events On The Global Money Week (GMW), SAMA (Riyadh) 13 March 2022. Access Date: 31 March 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-747.aspx>

<sup>474</sup> New consumer protection law in Saudi Arabia, Arab News (Riyadh) 13 March 2022. Access Date: 1 August 2022. <https://www.arabnews.com/node/2057606>

<sup>475</sup> SAMA decision on repo and reverse repo rates, Saudi Central Bank (Riyadh) 21 September 2022. Access Date: 1 October 2022. <https://www.sama.gov.sa/en-US/News/Pages/news-781.aspx>

Saudi Arabia has taken strong actions to develop local currency capital markets.

Thus, Saudi Arabia receives a score of +1.

*Analyst: Pavel Doronin*

### **South Africa: 0**

South Africa has partially complied with the commitment to develop local currency capital markets

On 29 November 2021, the government opened consultations on reviewing the country's monetary policy implementation framework (MPIF). The MPIF provides guidelines for implementing the monetary policy decisions; thus, target inflation rate, repo rate, etc. shall not be amended.<sup>476</sup> The amended MPIF was presented on 26 May 2022.<sup>477</sup>

On 11 May 2022, the South African Reserve Bank presented a revised schedule for the Basel recommendations Implementation Dates. As because of the COVID-19 pandemic and its consequences, it was decided to delay proposed regulatory reforms such as interest rate risk in the banking book, disclosure requirements, etc. until 2023–2024 and 2028 in some cases.<sup>478</sup>

On 22 September 2022, the Monetary Policy Committee of the Reserve Bank decided to increase the repurchase rate by 75 basic points to 6.25 per cent per year. The committee plans to facilitate credit demand in near term with the current view of inflation risks and thus keep inflation closer to mid-point target. The new repurchase rate becomes effective immediately after the announcement.<sup>479</sup>

South Africa takes actions to improve its monetary policy, but none of the implemented measures could be regarded as strongly contributing to local capital market development.

Thus, South Africa receives a score of 0.

*Analyst: Alexander Ignatov*

### **Turkey: +1**

Turkey has fully complied with the commitment to develop local currency capital markets.

On 11 January 2022, Turkey included corporate foreign currency and gold deposit accounts converted to lira in a scheme that protects local currency savings against exchange rate volatility; the dollars, euros, pounds or gold in corporate deposit accounts as of the end of 2021 may be converted to lira deposits

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<sup>476</sup> South African Reserve Bank on reforming South Africa's monetary policy implementation framework, South African Government (Pretoria) 29 November 2021. Access Date: 20 June 2022. <https://www.gov.za/speeches/policy-implementation-framework-29-nov-2021-0000>

<sup>477</sup> A new framework for implementing Monetary Policy in South Africa, South African Reserve Bank (Pretoria) 26 May 2022. Access Date: 20 June 2022. <https://www.resbank.co.za/en/home/publications/publication-detail-pages/media-releases/2022/A-new-framework-for-implementing-Monetary-Policy-in-South-Africa>

<sup>478</sup> Proposed implementation dates in respect of specified regulatory reforms, South African Reserve Bank (Pretoria) 11 May 2022. Access Date: 20 June 2022. <https://www.resbank.co.za/en/home/publications/publication-detail-pages/prudential-authority/pa-deposit-takers/banks-guidance-notes/2022/G4-2022-Revised-Basel-Implementation-Dates>

<sup>479</sup> Statement of the Monetary Policy Committee September 2022, South African Reserve Bank (Pretoria) 22 September 2022. Access Date: 29 September 2022. <https://www.resbank.co.za/content/dam/sarb/publications/statements/monetary-policy-statements/2022/statement-of-the-monetary-policy-committee-sept2022/Statement%20of%20the%20Monetary%20Policy%20Committee%20September%202022.pdf>

with a maturity of six months to a year to be included under the scheme.<sup>480</sup> The measure is intended to support financial stability through providing an incentive to domestic legal persons holding deposits and participation funds in the event that their foreign exchange and gold deposit accounts and participation funds are converted into Turkish lira time deposit accounts at the account holder's request.<sup>481</sup>

On 27 January 2022, the Central Bank of the Republic of Turkey (CBRT) highlighted that comprehensive review of the policy framework was being conducted with the aim of encouraging permanent liraization in all policy tools of the CBRT, and that the focus of this process will be on developing policy instruments to support the improvement of the Turkish lira deposits, to increase the Turkish lira-denominated assets in the collateral structure of the open market operations funding, to gradually reduce the volume of swaps and to strengthen foreign exchange reserves; it was further added that the CBRT would continue to follow a liraization oriented approach that also addresses risks to financial stability. Additionally, it was noted that the effects of the liquidity and distribution developments of the Turkish lira on deposits and loan pricing, the lagged effects of exchange rate developments on inflation expectations, and the impact of the developments regarding foreign exchange protected deposit products on reverse currency substitution, the depth and stability of the foreign exchange market and price stability are being analyzed and necessary policy measures are being taken.<sup>482</sup>

On 3 February 2022, Turkey's Capital Markets Board (CMB) had published its Communiqué on the Procedures and Principles on the Issuance of Secured Capital Market Instruments numbered II-31/B.1; the Communiqué regulates the concept of the security agent and its responsibilities, together with the general principles of the issuance of secured capital market instruments. With this new regulation, the capital markets instruments to be determined by the CMB will be secured with the assets listed in the communiqué by the CMB. It was prohibited to subject these assets to seizure, pledge, provisional attachment and preliminary injunction by setting the framework of these assets. Terms of the Security Management Agreement have been determined;

The security agent was defined as the investment institution having general custody authorisation of the security in accordance with Turkish capital markets legislation and powers and duties of the security agent have been regulated.<sup>483</sup>

On 15 March 2022, Turkey's stock exchange Borsa Istanbul launched physically delivered government bond futures contracts to be traded on the derivatives market; the underlying assets of the government bond futures contracts will be government debt securities with a maturity of 2023, 2026 and 2030, which have the ability to represent the market and high liquidity within the market making system in government debt securities. The new product will enable the financial sector and institutional investors

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<sup>480</sup> Turkey includes corporate deposits under lira protection scheme against FX, Reuters 11 January 2022. Access Date: 31 March 2022. <https://www.reuters.com/markets/rates-bonds/turkey-includes-corporate-deposits-under-lira-protection-scheme-against-fx-2022-01-11/>

<sup>481</sup> Press Release on Encouraging Conversion to Turkish Lira Time Deposits, Turkey's Central Bank (Ankara) 11 January 2022. Access Date: 31 March 2022. <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Announcements/Press+Releases/2022/ANO2022-03>

<sup>482</sup> Summary of the Monetary Policy Committee Meeting, CBRT (Ankara) 27 January 2022. Access Date: 31 March 2022. <https://www.tcmb.gov.tr/wps/wcm/connect/EN/TCMB+EN/Main+Menu/Announcements/Press+Releases/2022/ANO2022-08>

<sup>483</sup> A New Regulation From The Capital Markets Board, Gen & Temizer Ozer Law Firm (Istanbul) 3 February 2022. Access Date: 31 March 2022. <https://www.gentemizerozzer.com/insights/detail/152/a-new-regulation-from-the-capital-markets-board>

to manage their interest rate risks more effectively, increase the depth in the debt securities market by ensuring the interaction between the spot/futures market, and create more efficient prices.<sup>484</sup>

On 29 July 2022, it was reported that the government, the CBRT and the Banking Regulation and Supervision Agency took steps to limit loans to companies except those that are net exporters, as part of an economic plan that seeks to flip the big current account deficit to a surplus. ISO had earlier complained that the new regulations created a “bottleneck” for companies accessing financing. But this week Reuters reported, citing people familiar the plans, that Ankara will forge on with the policies. Speaking at ISO headquarters, Chairman Erdal Bahcivan repeated that the rules were hurting companies.<sup>485</sup>

On 22 September 2022, the central bank opted for a 100 basis point cut, bringing the key one-week repurchase rate from 13 per cent to 12per cent. In August, the inflation rate in Turkey was recorded at 80.2 per cent, quickening for the 15th consecutive month and the highest level in 24 years. The CBRT said the cut was necessary as growth and demand continued to slow and also cited “escalating geopolitical risk.” The policy direction has long stunned investors and economists, who say the refusal to tighten policy is a result of political pressure from Turkish President Recep Tayyip Erdogan, who has long railed against interest rates and turned against economic orthodoxy by insisting that lowering rates are the way to bring down inflation.<sup>486</sup>

Turkey has taken strong actions to develop local currency capital markets.

Thus, Turkey receives a score of +1.

*Analyst: Pavel Doronin*

### **United Kingdom: +1**

The United Kingdom has fully complied with the commitment to develop local currency capital markets.

On 3 November 2021, the government announced about backing 477 locally led, innovative projects that “will help breathe new life into towns, villages and coastal communities across the UK” as part of a mission to improve the nation’s level and commitment to net zero.<sup>487</sup>

On 3 November 2021, the government announced that more than 30 projects across Northern Ireland would “receive a share of over GBP12 million to help people into work, boost productivity and grow

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<sup>484</sup> Turkey's Borsa Istanbul introduces new contracts, Yeni Şafak (Istanbul) 15 March 2022. Access date: 31 March 2022. <https://www.yenisafak.com/en/economy/turkeys-borsa-istanbul-introduces-new-contracts-3591682>

<sup>485</sup> Central bank, companies clash over Turkey's new loan rules, Reuters (London) 29 July 2022. Access Date: 1 October 2022. <https://www.reuters.com/world/middle-east/central-bank-companies-clash-over-turkeys-new-loan-rules-2022-07-29/>

<sup>486</sup> Turkey cuts interest rates again as country struggles under 80% inflation, CNBC (New Jersey) 22 September 2022. Access Date: 1 October 2022. <https://www.cnbc.com/2022/09/22/turkey-cuts-interest-rates-again-as-country-struggles-under-inflation.html>

<sup>487</sup> £200 million boost to help level up communities across the UK, UK Government (London) 3 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/200-million-boost-to-help-level-up-communities-across-the-uk>



local economies.”<sup>488</sup> The government announced an “investment of more than GBP173 million directly into communities in Scotland.”<sup>489</sup>

On 4 November 2021, the government published the Finance Bill 2021-22 for tax changes which would “deliver a stronger economy for the British people through driving growth, securing public finances and levelling up employment opportunities, crack down on tax avoidance and deliver a simpler tax system.”<sup>490</sup>

On 11 November 2021, International Trade Secretary Anne-Marie Trevelyan presented the “Clean Growth” programme to “encourage more UK exporters to tap into a sector and boosting green exports and attracting more green investment.”<sup>491</sup>

On 19 November 2021, Teesside Freeport began operations putting the region “at the forefront of green energy, manufacturing, and innovation.” It is estimated that the freeport will create more than 18,000 new highly skilled jobs and generate GBP3.2 billion for the local community over 5 years.”<sup>492</sup>

On 15 December 2021, HM Treasury has published the “Financial Promotions Order,” which helps small and medium sized enterprises raise finance from sophisticated private investors, without the value of having to conform with the economic promotions’ regime.”<sup>493</sup>

On 10 March 2022, the government has launched a series of loans worth GBP150 million to “support innovative SMEs and level up the UK.” The loans will guide improvements deemed to have the strongest capacity to help destiny economic growth and address social challenges, throughout fields inclusive of net zero, health and wellbeing, and next-generation digital technologies.”<sup>494</sup>

On 28 April 2022, the Department for Business, Energy & Industrial Strategy adopted “New subsidy control system” to regulate business, drive economic growth and prosperity, help level-up across the UK. Moreover, these UK-wide principles will allow public authorities to deliver subsidies where they are needed without facing excessive red tape.”<sup>495</sup>

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<sup>488</sup> £12 million for skills and local business in Northern Ireland, UK Government (London) 3 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/12-million-for-skills-and-local-business-in-northern-ireland>

<sup>489</sup> £18 million to help level up communities across Scotland, UK Government (London) 3 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/18-million-to-help-level-up-communities-across-scotland>

<sup>490</sup> Finance Bill 2021-22, UK Government (London) 4 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/finance-bill-2021-22-published>

<sup>491</sup> Trade Secretary steps up export support for clean growth businesses, UK Government (London) 11 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/trade-secretary-steps-up-export-support-for-clean-growth-businesses>

<sup>492</sup> Teesside Freeport open for business, UK Government (London) 19 November 2021. Access Date: 7 March 2022. <https://www.gov.uk/government/news/teesside-freeport-open-for-business>

<sup>493</sup> Financial promotion exemptions for high-net-worth individuals and sophisticated investors: a consultation, HM Treasury (London) 15 December 2021. Access Date: 17 March 2022. <https://www.gov.uk/government/consultations/financial-promotion-exemptions-for-high-net-worth-individuals-and-sophisticated-investors-a-consultation>

<sup>494</sup> Government backs innovative businesses with new £150 million loan scheme, Department for Business, Energy & Industrial Strategy (London) 10 March 2022. Access Date: 17 March 2022. <https://www.gov.uk/government/news/government-backs-innovative-businesses-with-new-150-million-loan-scheme>

<sup>495</sup> New subsidy control system will support UK jobs, boost the economy and strengthen the union, Department for Business, Energy & Industrial Strategy (London) 28 April 2022. Access Date: 17 June 2022. <https://www.gov.uk/government/news/new-subsidy-control-system-will-support-uk-jobs-boost-the-economy-and-strengthen-the-union>

On 16 June 2022, the Business Finance Council signed off “The SME Finance Charter,” which consists of 5 commitments that provide a framework for finance providers to set out their specific undertaking to small and medium-sized enterprises.<sup>496</sup>

On 22 September 2022, the Bank of England increased interest rates by 0.5 per cent, the biggest hike since 2008.<sup>497</sup>

On 26 September 2022, the Bank of England published the scenario that it will be using for the 2022 annual cyclical scenario stress test of the UK banking system. The exercise subjects the major UK banks to hypothetical deep simultaneous recessions in the UK and global economies, large falls in asset prices and higher global interest rates, and a separate stress of misconduct costs.<sup>498</sup>

The United Kingdom has taken strong actions to develop local currency capital markets. The Government has strengthened legal and judicial system by adopting an initiative for tax changes that delivers a stronger economy for the local population through driving growth, securing public finances and levelling up employment opportunities. Also, it has launched series of loans to create highly skilled jobs and to support innovative SMEs.

Thus, United Kingdom receives a score of +1.

*Analyst: Elena Alekseeva*

#### **United States: -1**

The United States has failed to comply with the commitment on developing local currency capital markets.

No evidence of US actions to develop local currency capital markets was found during the compliance period.

Thus, the US receives a score of -1.<sup>499</sup>

*Analyst: Andrey Shelepov*

#### **European Union: +1**

The European Union has fully complied with the commitment on developing local currency capital markets.

On 11 May 2022 the European Commission proposed a debt-equity bias reduction allowance to help businesses access the financing they need and to become more resilient. This measure will support businesses by introducing an allowance that will grant to equity the same tax treatment as debt. The proposal stipulates that increases in a taxpayer’s equity from one tax year to the next will be deductible from its taxable base, similarly to what happens to debt. This initiative is part of the EU strategy on business taxation, which aims to ensure a fair and efficient tax system across the EU, and contributes to

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<sup>496</sup> Government publishes SME Finance Charter’s “five pledges,” Credit Strategy (London) 17 June 2022. Access Date: 22 June 2022. <https://www.creditstrategy.co.uk/latest-news/latest-news/government-publishes-sme-finance-charters-five-pledges>

<sup>497</sup> Interest base rate rises to 2.25% Credit Strategy (London) 22 September 2022. Access Date: <https://www.creditstrategy.co.uk/latest-news/latest-news/interest-base-rate-rises-to-225>

<sup>498</sup> Bank of England releases stress test scenario Credit Strategy (London) 26 September 2022. Access Date: 05 October 2022. <https://www.creditstrategy.co.uk/latest-news/latest-news/bank-of-england-releases-stress-test-scenario>

<sup>499</sup> This non-compliance was determined after searching the following websites: <https://home.treasury.gov/>, <https://www.sec.gov/>, <https://www.federalreserve.gov/>, <https://www.financialresearch.gov/>, <https://www.bloomberg.com/>

the Capital Markets Union, making financing more accessible to EU business and promoting the integration of national capital markets into a genuine single market.<sup>500</sup> On 17 June 2022 the Council of the European Union reached agreement on its position (general approach) on a review of the alternative investment fund managers directive, the legislative framework which governs managers of hedge funds, private equity funds, private debt funds, real estate funds and other so-called alternative investment funds in the Union. This will help to improve the European Capital Markets Union and strengthen investor protection. The Council stresses the importance of consistent harmonisation in the area of liquidity risk management; the Council also supports the creation, as proposed by the European Commission, of an EU framework for loan-originating funds, i.e. funds that provide credit to companies, supplemented with several requirements to alleviate risks for financial stability and to ensure an appropriate level of investor protection.<sup>501</sup>

On 27 June 2022 the European Parliament published a Proposal for a Regulation of the European Parliament and of the Council establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability. A proposal for the Regulation establishing a European single access point (ESAP) was published on 25 November 2021. The establishment of a ESAP by 2024 is a main goal of the Capital Markets Union Action Plan adopted by the Commission in September 2020, to help provide EU-wide access to information activities and products of entities that are required to disclose information relevant to capital markets, financial services and sustainable finance.<sup>502</sup>

On 2 September 2022 the European Commission announced the Green Generation Fund (GGF) founded by Manon Littek and Janna Ensthaler has raised €100 million for investments in innovative food tech and green tech startups with the support of the European Investment Fund (EIF) contributed €25 million backed by an EU budget guarantee from the new InvestEU programme. The Green Generation Fund invests exclusively in sustainable startups that make significant progress in CO2 avoidance, the circular economy, climate and resource protection, health promotion and biodiversity.<sup>503</sup>

On 16 September 2022 the European Commission announced the first close of new energy fund at €75 million, including a €30 million contribution from the European Investment Fund (EIF) by the Belgian growth equity fund Junction. The EIF participation in the fund is made possible through the support of the European Commission's InvestEU programme, as well as the Dutch Future Fund

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<sup>500</sup> Corporate taxation: Commission proposes tax incentive for equity to help companies grow, become stronger and more resilient, European Commission (Brussels) 11 May 2022. Access Date: 20 June 2022.

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_2884](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2884)

<sup>501</sup> Proposal for a Directive of the European Parliament and of the Council amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, provision of depositary and custody services and loan origination by alternative investment funds Interinstitutional File: 2021/0376 (COD), Council of the European Union (Brussels) 17 June 2022. Access Date: 20 June 2022.

<https://data.consilium.europa.eu/doc/document/ST-9768-2022-REV-1/en/pdf>

<sup>502</sup> Proposal for a Regulation of the European Parliament and of the Council establishing a European single access point providing centralised access to publicly available information of relevance to financial services, capital markets and sustainability. European Parliament (Strasbourg). 27 June 2022. Access Date: 28 September 2022.

<https://www.consilium.europa.eu/media/57560/10619-en22.pdf>

<sup>503</sup> InvestEU in Germany: EIF and KfW Capital support female Green Generation Fund for sustainable startups, European Commission (Brussels) 2 September 2022. Access Date: 28 September 2022.

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_5282](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5282)

(DFF). The new fund is focused on impact-driven companies developing software and hardware solutions that enable the energy transition.<sup>504</sup>

On 27 September 2022 the European Commission announced the new cooperation between the European Investment Fund and BT Mic, Romania's largest microfinance institution. This is expected to unlock investment targeting more than 7,500 microenterprises across Romania and improve access to finance for micro-entrepreneurs and small-scale farmers.<sup>505</sup>

The EU took actions to raise disclosure standards; strengthen legal system for investor protection; give access to public financial and sustainability-related information; ensure more transparency on capital markets; proposing debt-equity bias reduction allowance and harmonisation in the area of liquidity risk management.

Thus, the European Union receives a score of +1.

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<sup>504</sup> Junction Growth Investors lands €30m EU backing in first close of energy fund, European Commission (Brussels) 16 September 2022. Access Date: 28 September 2022.

[https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_5587](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_5587)

<sup>505</sup> InvestEU: Romanian microfinance strengthened by new European Investment Fund backing for BT Mic, European Commission (Brussels) 27 September 2022. Access Date: 28 September 2022.

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