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# OECD/EC WORKSHOP ON "INSTITUTIONAL INVESTORS IN LATIN AMERICA"

## Main Issues for Discussion

## Santiago, Chile, 1-2 September 1999

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**Introduction**

1. Institutional investors (pension funds, insurance companies, and mutual funds) have been growing in size dramatically over the past few decades in advanced market countries and more recently have begun to grow rapidly in emerging economies as well. As the importance of these institutions as both providers of financial services and holders of financial assets has increased, so, too, has their impact on the functioning of financial markets. Indeed, the experience with institutional investors in advanced market economies suggests that the lending and investment activities of institutional investors have an important impact on the structure and *modus operandi* of domestic capital markets. In particular, it demonstrates how growth of this sector has contributed to the modernisation of, and a stronger role for, capital markets in the domestic economies of these countries. A strong community of institutional investors seems to be a prerequisite for the development of liquid securities markets with sophisticated financial vehicles.

2. Research indicates that the interaction between institutional investors and financial markets works in both directions: Institutional investors contribute to the growth and develop of financial markets, but, in order for these institutions to operate efficiently, they are themselves dependent on the presence of a supportive securities market infrastructure. The latter includes the legal framework, the financial accounting system, the regulatory and supervisory framework, clearing and settlement systems, and the microstructure for trading securities. Other factors are also important, including more general conditions such as macroeconomic stability, tax regime, property rights laws, bankruptcy legislation, etc. As institutional investors have grown, their need for sound policies and well-functioning financial markets has increased as well.

3. This project seeks to assess the current state of development of institutional investors in Latin America, both as providers of financial services and as holders of financial assets. Prior to the onset of the Asian crisis in 1997, the growth rate of assets under management by domestic institutions in many Latin American countries had been fairly strong, in some cases comparable to or even exceeding growth rates in advanced market economies. Even so, for most of the economies in question the institutional investors sector is still in its infancy. There are a few notable exceptions. Chile, for example, has a well-developed private pension system, the result of its having been the first country to introduce radical reform of its pension system back in 1981. For most countries in the region, however, the institutional investors sector does not yet have the same bearing on overall financial market activity as its counterparts in more advanced market economies. A number of factors explain this discrepancy, including among others the fact that, in some countries, relevant legal and regulatory frameworks have been created fairly recently. Accordingly, as an additional objective, the workshop will seek to identify any remaining obstacles to the further growth and development of the institutional sector in participating countries and will suggest policies to address them, including possible enhancements to the financial infrastructure.

4. The project will build upon previous work on this topic, especially the OECD horizontal projects on Institutional Investors and Capital Market Development in Transition Economies. It will move the discussion forward by bringing together policymakers and private-sector representatives from both Latin America and the OECD area. It is particularly important to engage the private-sector participants and attempt to integrate their concerns and questions more explicitly in the discussion.

5. The two-day workshop will be divided into four sessions. In each session, there may be a number of major (conceptual and/or comparative) presentations followed by remarks from a panel of discussants. After the discussants have given their comments, the floor may be opened to a general discussion by all attendees.

## 1. The Institutional Sector in Latin America – Assessment, Experience, Comparison

6. In this first session, participants will be invited to assess the development of the institutional sector in the different Latin American countries concerned and to discuss the necessary efforts for further development. Presentations on the different countries' related policies will be made. Participants may also wish to discuss the way in which Latin America plays a key role in the development of institutional investors world-wide. In addition, remaining obstacles to the development of the institutional sector in this region will be identified.

7. In Latin America the importance of institutional investors is also steadily increasing. In particular, pension reform has been an important factor in developing a domestic institutional sector in some Latin American economies, and pension funds are relatively more developed than other categories of institutional investors in the region. Total pension fund assets in Latin America were estimated at around $137 billion as of 1998, compared with $2 198 billion and $5 766 billion respectively for Europe and North America for the year earlier. They are projected to increase to as much as $981 billion by the year 2015. As in more advanced market economies, demographic change has been a major factor driving the increase in pension fund assets. Societies in some emerging market economies are ageing even more rapidly than those in more advanced economies. In Latin America, for example, the percentage of the population over 60 years of age is expected to increase 89.6 per cent by the year 2025. The need for pension reform has been pressing for some time and Latin American countries have been at the forefront of making the transition to sustainable (over-the-longer-term) systems.

8. Chile, in 1981, became the first country to radically change its pension system, replacing its public pay-as-you-go (PAYG) system with a privately managed, fully funded model. Upon introduction of the system, persons already employed were presented with the option of remaining with the public system or switching to the private one. As of 1997, only 8.5 per cent of the Chilean work force had stayed with the public system. The great majority of the working population is enrolled in nine private pension fund companies known as *administradoras de fondos de pensiones (AFP).* The AFPs collect 10 per cent of an employee's gross monthly salary and invest the money mainly in domestic bonds and stocks. They also collect 3 per cent of salaries as insurance premiums and to cover administrative expenses. Their assets under management – $32 billion at the end of 1998 – are equivalent to 40 per cent of Chile's GDP, and by the year 2000 that figure is expected to jump to 45 per cent of GDP. AFPs own more than 10 per cent of all Chilean equities and are responsible for about one quarter of all the transactions on the exchange. The Chilean Pension fund system (AFP) has attracted much attention not only in Chile, but also abroad. In 1998 the government increased the limit for pension fund investments abroad to 12 per cent. This increase is expected to account for more than $7 billion by the year 2004.

9. Mexico, Bolivia and El Salvador adopted a similar privately managed system in 1997 and 1998. In July 1997, Mexico partially privatised its provisions for old age. As of 1998, around 85 per cent of the eligible workers, or 12.6 million people, had enrolled in the pension system. This makes Mexico the largest country in Latin America in terms of number of affiliates. Since its inception, assets have grown at an average rate of 52 per cent per month and there are high growth expectations for the coming years.

10. In Argentina, a multi-pillar system replaced the former public social security system in 1994. The first pillar continues the public PAYG tradition. Workers also contribute to a second pillar, which can be either a private defined contribution scheme or a public defined benefit plan. Through 1997, approximately 70 per cent of the employees had opted for the private *Administradoras de Fondos de Jubilaciones y Pensiones* fund. Uruguay introduced a similar model for old age provisions in early 1996 and Venezuela enacted a law in 1998 providing for such a system. In Colombia (1994) and Peru (1993), the private pension fund system provides an alternative to the public PAYG system. Employees can freely choose the system to which they will subscribe, and within certain time limits, a transfer from one system

to the other is allowed. As in Chile, private insurers cover the pension funds' disability and death risks, and offer annuity insurance.

11. Brazil has one of the larger private pension systems in Latin America, despite the lack of a national, private pension fund system. At the end of 1998, total pension assets under management were equivalent to 10 per cent of Brazil GDP. Three types of complementary private systems coexist with the government's pension plan: closed pension funds, which are established by companies solely for their employees; individual retirement funds; and open pension funds to which any worker can belong. The potential for pension fund asset growth is thought by most analysts to be large in Brazil, given the regulatory changes being implemented and the privatisation of state-owned companies. Other countries with a similar complementary system are Costa Rica, since 1985; Ecuador since 1995; Guatemala, Honduras and the Dominican Republic since 1998.

12. In most of the countries, differences in the investment portfolios of the individual *Administradores de Fondos de Pensiones* are small. Several factors may be involved, including direct and indirect regulatory restrictions on investments and the still limited availability of investment instruments in incipient capital markets. In some cases, for example, in Mexico, pension funds historically have not been allowed to invest in equities; thus, the portfolios of pension funds in the country consist entirely of fixed-income securities. This restriction is currently under review and may be changed shortly. In most countries in the region, investment in foreign securities has been either negligible or disallowed, at least during the start-up phase of private pension systems. Even in Chile, where more than 10 per cent of assets may be invested abroad, the share of foreign securities in the portfolio had typically not exceeded 4 per cent until last year. As domestic returns fell, pension funds reacted by increasing their exposure to foreign securities to up to 6 per cent as of December 1998.

13. Compared with the pension fund sector, the mutual fund sector in most Latin American countries is rather underdeveloped, relative to GDP and income per capita, but the potential for growth is believed to be quite high, especially for the larger economies. In some cases, the low degree of penetration of the mutual fund sector reflects the success of pension funds, which have captured a large share of savings. In Chile, for example, which has a well-established private pension system, the ratio of mutual fund assets to GDP is extremely low by international standards. The degree of penetration of the Argentine mutual fund sector is even lower still, well below that of other countries in the region. Across all countries in the region, Brazil is the lone exception in the sense that its mutual fund industry is well developed, and penetration is high by international standards. There are approximately 2 500 funds operating in Brazil with nearly $120 billion in assets under management, amounting to roughly 13 per cent of GDP. Motivation for the growth of this sector in Brazil arose during the years of hyperinflation, when short-term fixed income mutual funds offered an alternative means to preserve value.

14. The Latin American insurance market has changed dramatically since the 1990s. During this period all the major markets in the region and many of the smaller country markets were reformed by new legislation and regulations that reversed the earlier pattern and laid the base for modernising the industry. Important reforms have been carried out in many countries, concerning not only the pension sector but also health insurance, passing in whole or in part to the private sector. These reforms have begun to produce growth, diversity in coverage, competition-driven pricing, and globally oriented markets that will produce the maximum benefit for the respective national economies.

15. Thus far, ten countries in Latin America have free insurance markets: Chile, Colombia, Peru, Argentina, Mexico, Venezuela, Panama, Brazil, El Salvador, and Bolivia. The process followed by each of these countries has been very similar: it includes such measures as deregulation and removal of restrictions for local and foreign investors, freedom of rates, elimination of most filing and approval of policies, freedom of brokerage and reinsurance, acceptance of foreign investment – with up to 100 per cent

equity ownership in some cases – and introduction of solvency margins and minimum capital requirements for insurance company operations. These changes, which have won widespread recognition, are contributing to a new respect for the Latin American insurance markets and their potential.

16. Between 1990 and 1998, total insurance premium volume more than doubled in Latin America from $15 billion to $37 billion, contributing just under 2 per cent to the region's GDP. Even though this is still a very low penetration compared with the 7 per cent to 10 per cent contributions generated by insurance in most European economies, the United States, and industrial Asia, the potential in Latin America is very high and expectations reach to about $90 billion premium volume for the next decade. Whatever the size of insurance expansion, however, this change will also bring a significant expansion in the region's permanent stock of capital. Moreover, insurance company capital and reserves offer a means to address the challenging problems produced by the current dependence on highly mobile short-term investment flows.

17. Other significant determinants of the expansion of the insurance industry are adequate sectoral infrastructure, including adequate financial disclosure of the performance and solvency of insurance companies. The prospects for insurance markets in Latin America will largely be determined by further improvement of regulatory systems, as the level of regulation to which the insurance sector is subject is still considerably high in some Latin American countries. Insurance markets will also be influenced by the extent of the reforms to social security systems in the region, and by overall economic development.

**Issues for discussion**

- *How have patterns of institutional investment within the region changed? Why have some countries fared better than others in developing the institutional sector?*
- *How have the initiatives undertaken by some countries in Latin America helped to develop and reinforce the importance of institutional investors?*
- *What is the outlook for a further expansion of the Latin American institutional market and for its wider diversification? What are the measures to be taken in order to promote development of other components of the institutional market?*
- *What are the conditions and obstacles for further growth?*

## 2. The Institutional Sector in the OECD Area: Lessons for Policymakers

18. The experience of advanced market countries clearly indicates that institutional investors have an impact on the overall structure of financial markets. For instance, countries with large funded pension schemes (e.g. United Kingdom and United States) tend to have highly developed securities markets, while capital markets are less developed in countries with small pension fund sectors (e.g. Germany and Italy). This second session will set the background on global institutional investment trends, focusing in particular on the key factors that have been and are driving the growth of institutional investors' activities in most OECD countries. Participants will discuss how the factors motivating growth of institutional investors in the OECD area can stimulate the further development of the domestic institutional sector in Latin America. In turn, a further expansion of the institutional investors sector in Latin America would be expected to promote growth and development of domestic securities markets in the region.

19. In 1996, the most recent year for which complete data are available, assets of institutional investors as a share of national income varied widely among OECD countries. The United Kingdom, the United States, the Netherlands and Sweden occupy the highest positions ranging between 120 and 193 per cent of GDP. Asset holdings of institutional investors in Australia, Canada, France and Switzerland stood at between 80 and 100 per cent of GDP in 1996. An exceptionally high rate was observed in Luxembourg due to its position as an international centre for collective investment business. Growth in assets under management has been quite rapid in the 1990s.

20. Pension funds and insurance companies have traditionally been the most important institutional investors in OECD capital markets, but in recent years, the growth in assets of investment companies, especially mutual funds, has been even more spectacular. Another noteworthy trend is the gradual trend toward internationally diversified portfolios, especially of pension funds, as evidenced by a rise in the share of foreign securities holdings. That said, the analysis of general trends and developments in this sector is complicated somewhat by the fact that increasingly there are a number of institutional and functional overlaps among the various categories of institutional investors.

21. World-wide deregulation in the financial services sector and technological advances have brought about a wave of consolidation among banks, other financial intermediaries and securities market participants, which makes it difficult to separate out growth trends. For example, increased competition between and among banks and other financial institutions in the OECD area has encouraged banks to move *en masse* into both the mutual fund industry and the insurance business. Moreover, in many OECD countries, mutual funds play an increasingly important role in managing pension fund assets. Despite these overlaps, it would not be correct to view these entities as a monolithic group, as a few statutory barriers remain in place (e.g. banking restrictions in the United States) and sufficient operating differences exist as well. Institutional investors have different investment objectives and fiduciary mandates, operate under different regulatory and tax regimes, and have different risk tolerances. The nature of liabilities of the different types of institutional investors is a key determinant of their behaviour, including their investment activities.

22. Although each category of institutional investors has had its own specific influences, there are a number of major structural factors that have been driving the growth of institutional investors as a group. They include:

### *Deregulation of the financial sector*

23. Deregulation of the banking and securities industries since the beginning of the 1980s has heightened competition between and among banks and other OECD financial institutions. New capital standards for banks were introduced in the same period and the abolishment of cross-border capital flow restrictions has further increased competition. In response to these pressures, banks have massively expanded, or moved into, the insurance and investment fund business in search of new activities that generate earnings in the form of commissions and fees without necessarily absorbing additional capital.

### *Liberalisation of the institutional sector*

24. Liberalisation of the activities of institutional investors, both in terms of the production and distribution of their respective products and the investment of their assets, has also contributed to the expansion of the institutional investors sector. An important aspect of this process has been the relaxation of regulatory constraints on cross-border activities and investments.

***Demography, pension systems reform and financial markets***

25. The rising needs for retirement benefits of a rapidly ageing population in conjunction with an increase in the number of more sophisticated and wealthier private investors have boosted the demand of private households for retirement benefits offered by the different types of financial institutions.

***Advances in communications and information technology***

26. Technological advances in computers and telecommunications equipment have greatly enhanced the capacity of the financial sector, professional fund managers, and the international investor community to capitalise on the opportunities available in the more liberalised institutional environment. Advances in technology have enabled funds to be managed at lower costs. These advances have also led to more efficient and reliable clearing and settlements systems for securities and payments and have fostered the creation and use of complex new financial products for risk management purposes. The result has been a more complete integration of capital markets, which along with the other developments, have been important factors underpinning the spectacular growth of the managed assets of institutional investors, in particular mutual funds assets.

***The increasingly active role of the fund management industry.***

27. Individuals and institutional investors have increasingly delegated the management of their portfolios to professional fund managers. The total volume of funds managed by professional fund managers is larger than the portfolios of the "classic" (regulated) institutional investors. Fund management companies are also involved in the management of the portfolios of "high-net worth" individuals, the non-pension fund money of non-financial enterprises, foundations and endowment funds, non-pension fund money managed by banks, as well as banks' and securities firms' own portfolios. The role of the fund management profession is therefore a key factor in analysing the relationship between institutional investors and financial markets.

***Financial integration***

28. The pace of financial integration has been and continues to be quite rapid, fuelled by financial market liberalisation and modernisation, advances in information and communication technology, and the increase in the international diversification of portfolios of the OECD institutional sector. In addition, there are important recent policy initiatives such as NAFTA and EMU that have given a major push to financial integration, first at the regional level and subsequently at the global level.

29. The expansion of the portfolios of institutional investors in the OECD area has been the driving force of the 1990s behind the portfolio flows to emerging markets. Net private capital flows to emerging markets exceeded $265 billion in 1996, nearly six times greater than they were at the beginning of the decade. Among institutional investors, mutual funds have led the rapid growth in investments in emerging market equities. However, increasingly it is the expansion of the OECD pension sector that is the main financial muscle behind the continued flow of capital into emerging markets, investing either through mutual funds or directly on their own account.

30. OECD representatives will outline the recent policy initiatives in the OECD area that have fostered the expansion of the institutional sector for investors. Experts will discuss the impact of foreign institutional investors in Latin America and steps to be taken to contribute to the growth and development of domestic institutional investors in the region.

**Issues for discussion**

- *What are the main drivers of the growth of the institutional sector?*

- *What are possible consequences for Latin America of the growth of the institutional sector in OECD countries?*

- *What new suggestions can be gleaned from the practical experience of OECD and Latin American countries? Could participants identify the key elements defining a developed institutional sector?*

## 3. The Regulatory and Supervisory Framework and the Financial Infrastructure

31. The establishment of an adequate regulatory and supervisory framework and a competitive, level-playing field in the institutional market has been an integral part of the overall reform process undertaken by countries that have been the most successful in developing an institutional sector. In Latin American countries, pension fund regulations extend from traditional prudential controls to specific rules affecting the industry structure, performance and investment regime. In contrast, the insurance industry has been subject to a more liberal regulatory regime, and entry in the industry tends to be more competitive, especially after recent reforms, such as the new insurance law introduced in Bolivia in June 1998.

32. This session will analyse the development of the institutional sector in Latin America, both in terms of their impact in financial markets and their role as providers of adequate services (pensions, insurance, and savings) to individuals. Experts from OECD countries and from Latin American regulatory agencies will discuss the role that public policy can play in ensuring the successful expansion of the institutional sector in Latin America. The pros and cons of different regulatory policies will be studied, considering their impact on the financial security of the savings instruments provided, on the degree of competition in the industry, and on the infrastructure of financial markets (including trading and corporate governance).

### *Financial Security and Rights of Beneficiaries*

33. A critical objective of regulations of institutional investors is to ensure that investors, and, in some cases, the general public, are adequately protected against incompetence, negligence and fraudulent practices by the managers of these institutions, and any other factors that may damage their soundness. In the case of pension plans, in particular DB plans, the primary objective is to protect beneficiaries from the effect of the sponsor's insolvency, insufficient funding of the pension plan because of improper technical and/or investment decision, misappropriations by managers or the risk of default by other financial entities involved in the provision of benefits.

34. While the new Latin American pension systems are based on a defined-contribution formula (fully funded by definition), the need to ensure the financial security of pension benefits is all the more patent, because in most cases these plans have become the main providers of pension benefits.

35. Two of the most important risks related to DC plans are the investment risk to the beneficiary and the related risk of not having an adequate level of benefit at the time of retirement. Since in these plans investment risk is in principle borne by the employee, training in financial matters is of paramount importance (at least when DC plans allow beneficiaries to choose investments). Risk also affects the adequacy of benefits at the time of retirement, measured relative to the previous standard of living, final

salary, or a minimum subsistence level. This risk is partly dependent on investment choices, but also on the contribution record, the administrative costs charged by pension fund administrators (employers or financial institutions), and access to annuities markets. DC plans, even if they offer a high return, may not always permit the payment of an adequate pension, either as a result of high costs in the management of the plans themselves or adverse selection in annuities markets.

36. The OECD has suggested a set of regulatory principles to safeguard the financial security of pension plans and the rights of members, covering the areas of licensing, asset separation, information requirements, self-regulation, investment rules, and supervisory effectiveness and transparency. In general, Latin American countries that have reformed their pension systems have made considerable progress in the development of a solid regulatory and supervisory framework for private pension funds, but nonetheless important issues remain to be resolved. Amongst the most important is the structure of the industry (defined contribution plans, with a single account managed by a specialised financial institution) and the role it has played in raising administrative costs. Other important unresolved issues include the adequacy of regulations imposed on the performance of pension funds and the investment regime.

37. The OECD has also defined a set of principles for insurance regulation that may be relevant for Latin America. These principles cover licensing, supervision of insurance companies, investments, competition in the insurance sector, accounting, contract law and taxation. A source of great controversy in OECD countries is the regulation of the investment regime of insurance companies. Investments by insurance companies are generally governed by more stringent regulations than those of pension funds. Many types of restrictions have been identified, most of which consist of setting ceilings or floors (less frequently), as well as of provisions regarding currency and maturity matching. Although it seems that greater consideration ought to be given to the possibility of liberalisation in this area, a regulatory framework should be in place to ensure that financial institutions invest prudentially. The OECD has also recently examined the liberalisation of investments by pension funds and insurance companies in non-member countries.

38. A source of concern, however, may be the regulation and supervision of voluntary employer pension plans, especially in the two largest economies, Mexico and Brazil. To the extent that such plans are based on a defined-benefit formula they require specific vesting and portability standards, minimum funding rules, appropriate valuation and funding calculation methods, including actuarial techniques and amortisation rules with transparent accounting methods based on comparable standards, a favourable tax treatment of over-funding/surplus, and moral hazard-free ways of providing insolvency insurance. The failure to exert adequate control over these plans may in fact be an important explanation as to why new reformers in Latin America have chosen the route of individual accounts managed by private financial institutions.

39. Of similar concern are the pension funds and investment companies that are sprouting in countries that have yet to develop the necessary legal and regulatory frameworks. These are essentially the countries that still have not reformed their public pension systems along sustainable lines. As the confidence of private investors can be permanently damaged by the failure of these institutions, it is imperative that an adequate regulatory and supervisory framework be developed.

*Financial Infrastructure*

40. Government regulatory actions can do much to either mitigate or aggravate the dysfunctional aspects of financial innovations; an important example is the role of regulators and supervisors in setting standards for risk management by institutional investors. Among the main functions of the regulatory framework have been:

- To ensure an accurate disclosure of all material information. Differences in disclosure requirements among countries are significant, partly due to differing legal systems.

- To adopt insider trading legislation. Markets should try to eliminate insider trading by relying on the full range of sanctions (civil, administrative and criminal) instead of on only criminal prosecution.

- To ensure fair treatment of all shareholders, including minority shareholders, and the establishment of effective corporate governance mechanisms for shareholder approval of key corporate decisions.

**Issues for discussion**

- *How could regulatory reform help promote the growth of the institutional market? What has been the experience in facilitating regulation for institutional investors in the region?*

- *Are there issues that need to be prioritised and addressed in improving the environment for the institutional sector?*

- *What are the experiences of participants in tackling issues to improve the regulatory environment? What are the views of institutional investors and potential investors on these issues and what appropriate action should countries take to address them?*

- *To what extent do institutional investors in Latin America have sufficiently diversified portfolios?*

## 4. Opportunities and Policy Challenges for the Growth of the Institutional Sector in Latin America

41. Latin American senior policy-makers and experts from international and regional organisations will take stock of the concerns discussed and will assess how to accomplish the goal of developing a stronger institutional sector in the region. This session will provide a forum to identify the scope for development of the institutional sector in the different Latin American countries and to determine in which fields more specific action is needed to ensure such development. Experts will also consider the implications for Latin America's domestic financial sector, in particular, with respect to pension reform and life insurance and pension products.

42. Adequacy of the pension system should be examined in a broad context, taking into account existing government systems and the expected role of private schemes. This applies not only to the level of benefits but also to the scope of population coverage. In this respect it is important to note that in several countries where the public systems do not provide a sufficient level of benefits a substantial part of the population does not benefit from private schemes coverage either. Some OECD and Latin American countries have sought to tackle this problem by making private pension schemes compulsory or by providing substantial tax incentives. Despite this, some strata of the population seem to have fallen through the net, as shown by the informal sector problem in Latin America. This situation is bound to pose serious problems for governments in the long term as they may be called upon to provide for the needs of this segment of the population. Government authorities must pay attention to the adequacy of private pension plans, as, if benefits turn out to be insufficient, the state will in the end have to provide relief

through public systems. Preventing problems from occurring requires that plan members be properly informed and that well-defined rules be implemented to protect them against abuses.

43. The expansion of the institutional market has an important impact on the development of the financial sector. The OECD experience demonstrates how the growth of the institutional market has contributed to the modernisation of, and a stronger role for, the financial sector. An expansion of the domestic institutional market in Latin American economies would therefore be expected to give a similar impetus to the development of the domestic financial sector. Although progress has been made in Latin America, the policy agenda remains full. The potential for the expansion of a domestic institutional investor base is enormous.

**Issues for discussion**

- *What are the views of Latin American participants regarding the efforts to develop the institutional sector in the region?*

- *What issues are proposed for the solution of the informal sector problem in Latin America? What is the role of the regulatory framework in this sense?*

- *What countries and sectors are the best prospective sources for institutional market development in Latin America?*

- *What is and will be the role of international organisations in supporting the further development of Latin American markets?*

**Closing Session**