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Fostering Capital Markets and Institutional Investor Development in Oman

Thomas Pointek

SIP/2025/033

IMF Selected Issues Papers are prepared by IMF staff as background documentation for periodic consultations with member countries. It is based on the information available at the time it was completed on December 18, 2024. This paper is also published separately as IMF Country Report No 25/14.

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Fostering Capital Markets and Institutional Investor Development in Oman
Prepared by Thomas Pointek

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ABSTRACT: Despite recent government-led initiatives to improve investor access and encourage participation by local businesses, capital markets in Oman remain relatively small and illiquid and the investor base remains dominated by domestic banks and pension funds. This paper reviews the experiences of other emerging markets in developing local capital markets, and describes the challenges faced in the development of such markets. The review shows establishing a functioning money and local currency bond market remains a critical first step in successful capital markets' development, while several policy tools beyond tax incentives can be employed to support participation in local markets. Increasing the presence of life insurance companies and reducing information asymmetries would help spur demand from a broader set of institutional investors.

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SELECTED ISSUES PAPERS

Fostering Capital Markets and Institutional Investor Development in Oman

Oman

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A. Context

1. **Further access to capital markets and development of non-bank financial institutions (NBFIs) would support Oman's efforts to spur private sector investment and strengthen growth**. Well-developed domestic capital markets foster efficient capital allocation along with better risk sharing. In addition, the presence of institutional investors in the form of NBFIs that have different objectives in managing their portfolios could make both the local bond and equity markets more dynamic. These efforts would promote growth by increasing private sector access to finance, including to undertake strategic projects underpinned by Oman Vision 2040 (Sahay and others, 2015a; and IMF MCD REO, October 2024). Efficient domestic capital markets can also help improve the conduct of fiscal and monetary policies (Laeven, 2014).

2. **Capital markets in Oman remain relatively small and illiquid compared to other GCC countries (Kroen, 2024)**. The domestic bond market is small, with activity heavily concentrated in the primary market. Although the primary market for government bonds is seen as transparent and employs market-based pricing, its development is hindered by the sporadic nature of bond issuance that focuses on short-term maturities (Figure 1.1.1). In addition, the secondary market for government securities is almost entirely inactive due to low market liquidity and no market-making system. Non-resident participation remains low due to the illiquidity and regulatory barriers such as the absence of over-the-counter (OTC) trading and lack of a link with Euroclear. Sukuk have only been issued periodically and the stock market significantly lags others in the region in terms of market capitalization and trading volumes.[1] Moreover, stock market capitalization in Oman persists at low levels due to factors such as the large share of state-owned enterprises (SOEs) and limited growth in the number of listed firms, despite recent progress with IPOs (Figure 1.1.2).

Figure 1. Omani Bond Issuance and Stock Market Capitalization

Figure 1.1. Number of Bond issuances in Oman
(Number, per year)

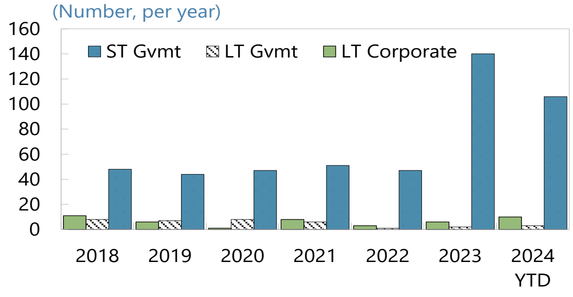
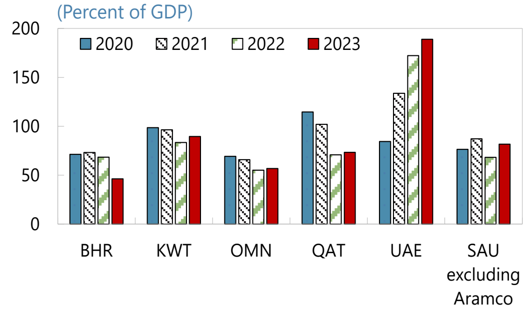


Figure 1.2. GCC: Market Capitalization
(Percent of GDP)



Source: Bloomberg, World Economic Outlook, World Development Indicators, and IMF staff calculations.

[1] Sukuks, the Islamic equivalent of bonds, are like asset backed securities each representing a proportional ownership right in tangible assets, services, or a business venture. The return to the investor is linked to the performance of the underlying assets.

B. Recent Capital Markets Initiatives

3. **Efforts are ongoing to develop the local currency bond market, supported by Fund technical assistance.** A key preliminary step involves reinvigorating the money markets, for which the Central Bank of Oman (CBO) is looking to reintroduce short-term certificates of deposit to improve liquidity management and strengthen liquidity forecasting. Initiatives to enhance local debt market liquidity are underway, including developing a primary dealer system to improve price discovery and enhance market communication through the establishment of a more regular auction schedule. The financial market infrastructure and legal and regulatory frameworks relevant for government securities are assessed as being closer to later stages of development, especially following the issuance of the new Public Debt Law that includes provisions related to governance arrangements, investor relations, liquidity management operations, and Medium-Term Debt Management Strategy preparation.

4. **Islamic finance is growing.** While overall bond issuance in Oman fell year-over-year in 2023 as the government used its budget surplus to pay down debt, sukuk issuance expanded and has reached about $8 billion outstanding as of year-end 2023 (67 percent sovereign, 33 percent corporates).[2] At the same time, while the Islamic finance industry is becoming a larger source of funding in Oman, the industry remains small compared to other GCC countries, mostly consisting of Islamic banking, and the issuance of sukuk instruments remains sporadic (Figures 2.2.1 and 2.2.2). Ongoing regulatory amendments, including by the Financial Sector Authority (FSA) and CBO, aim to accelerate the development of the Islamic finance by improving transparency and liquidity. The FSA's new Sukuk and Bond Regulation requires issuers to submit a report every year proving the compatibility of the sukuk with the provisions of Islamic sharia, starting from the sukuk issuance date.[3] The new regulations represent a significant advancement in bringing Oman's debt securities framework closer in line with international market standards and provides clarity to the process and requirements of a debt offering. The CBO is also developing new Sharia-compliant liquidity tools, including Islamic certificates of deposit and treasury bills.

Figure 2. Islamic Finance in Oman

Figure 2.1. GCC Conventional Bond and Sukuk Issuances
(US Dollar Billions, First Half of 2024)

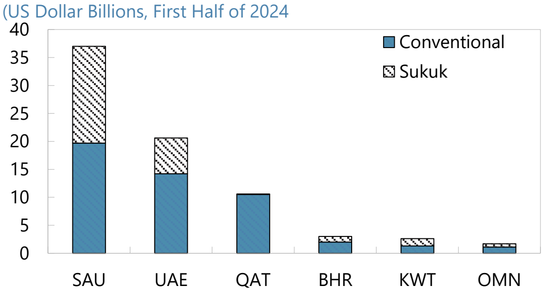
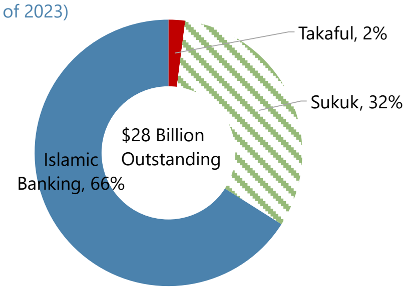


Figure 2.2. Composition of Oman's Islamic Finance Industry
(Percent, End of 2023)



Source: Bloomberg L.P., Fitch, and IMF staff calculations.

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[2] Fitch Ratings: Oman's Debt Capital Market Contracting Amidst Government Prepayments; Sukuk Share Growing (April 2024).

[3] Resolution No. Kh/21/2024 titled 'The Regulation Governing Bonds and Sukuk' (the New Regulations) was published on 21 March 2024 by Oman's Financial Services Authority (FSA).

5. **Initiatives are underway to enhance access to the domestic equity market and increase its depth and liquidity.** FSA recently announced the Capital Markets Incentives Program (CMIP) that aims to attract private companies to list on the Muscat Stock Exchange (MSX). The CMIP is underpinned by the financial sector development agenda of "Estidamah" and aims to increase the number of publicly traded companies and further deepen the equity market.[4] The CMIP proposes two pathways for firms to list on the MSX: (i) large private and family-owned companies, as well as limited-liability companies, form a new public joint stock company and list on the main MSX market; and (ii) startup companies and small and medium-sized enterprises (SMEs) list on the newly established alternative market within the MSX—called the Promising Companies Market (MSX-AIM).[5] In return, companies participating in the program will receive tax refunds and waivers, fee exemptions, and preferred pricing and fast-tracked financing on certain projects for up to three to five years (Figure 3). In addition, to support the broader objective of improving the MSX liquidity status to emerging market per international index (MSCI and FTSE) requirements, projects have been authorized to establish a broader set of market makers, introduce short selling, margin financing, and securities lending and borrowing to improve market efficiency.

6. **Efforts are also advancing towards further opening local capital markets to foreign investors and implementing SOE reforms.** To facilitate the flow of foreign direct investments to local capital markets, an initiative is underway to link the Muscat Clearing and Depository Company with Euroclear Bank. This connection would allow for foreign investors to access Omani securities markets and create a wider pool of investors.[6] In addition, progress on reforming the SOE sector has continued, including the development of a unified governance framework for SOEs and further privatization/divestment efforts to open-up more room for the private sector to participate in sectors previously dominated by SOEs. Oman Investment Authority (OIA) was set to list three state-owned assets in the Muscat Stock Exchange in 2024 (for example, OQEP issued Oman’s largest IPO ever, raising $2 billion in October), following two successful IPOs in 2023 (raising about $1 billion), which should continue reducing the state footprint while deepening capital markets.

[4] Estidamah refers to the National Program for Fiscal Sustainability and Financial Sector Development launched by the Ministry of Finance.

[5] A third pathway is available that promotes the conversion of a limited liability company to a public joint stock company to help them gradually implement governance requirements but offers a much smaller incentive package that is only valid for 2 years.

[6] Phase 1 of this link is already operational and allows for Omani investor access to international securities markets.

Figure 3. Oman Financial Services Authority: Capital Markets Incentives Program

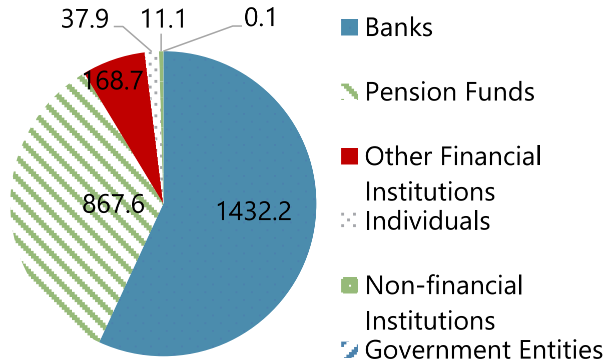
	Listing Pathway	
Incentives	1. List on MSX (market value > OMR 10 mn)	2. List on MSX-AIM (market value > OMR 500k)
Ministry of Finance	Will refund two-thirds of income tax paid for five years from the date of listing on the MSX (resulting in a reduction of tax rate from 15% to 5%)	Will refund one-third of income tax paid for five years from the date of listing on the MSX-AIM (resulting in a reduction of tax rate from 15% to 10%)
Oman Tax Authority	Will permit payment of corporate income tax in installments for five years with waiver of additional tax on installments up to six months from due date.	
General Secretariat of the Tender Board	Ten percent price preference in awarding procurement contracts and tenders issued.	
Oman Development Bank	Facilitate fast tracking of finance applications.	
Financial Services Authority	Exempt from listing and IPO prospectus fees for three years. Free consultation on all legal a regulatory requirements and faster review periods.	Exempt from listing and IPO prospectus fees for three years. Support to entrepreneurs and shareholders before listing on MSX-AIM.
Muscat Clearing and Depository Company; Muscat Stock Exchange	Exempt from transfer agent fees for three years.	Exempt from transfer agent fees for three years. MSX will cover cost of issuance manager and contribute to marketing and media coverage of new listings.

Sources: FSA, GTSB, MCDC, MoF, MSX, OTA, and ODB.

C. Nascent Non-Bank Institutional Investor Base

7. **The investor base in Oman is dominated by banks and pension funds.** For example, at end-2023, banks held 57 percent of the outstanding stock of government debt securities, and pension funds held 35 percent (Figure 4).[7] The insurance sector balance sheet is small due to the minimal role of the life insurance industry which is typically larger than non-life industry. Investment funds in Oman are mostly oriented towards equities markets and outward investment, rather than to local fixed income market, but remain small with assets under management of about 1 percent of GDP (Table 1). Retail investors, which hold 0.3 percent of the outstanding stock of government debt securities, are small and have not been a priority in financial market development projects. Nevertheless, there have been some marketing initiatives to access those investors, and efforts to increase financial awareness and literacy in general have also been undertaken.

Figure 4. Investor Base for Oman Government Bonds
(OMR millions, year-end 2023)



Source: CBO
Notes: Other financial institutions include insurance companies, asset managers, and financing and leasing companies.

Table 1. Oman: Size of Mutual Funds and Insurance Companies

Nonbank Financial Institution	**Total Count** (as of end-2023)	**Assets Under Management** (as of end-2023 in USD million)
Mutual Funds	22	1505.54
Insurance Companies	17	3214.08

Source: FSA

8. **Local capital markets are open to foreign investors, but holdings of government securities are minimal.** Foreign investors can participate directly or through investment funds in Oman's capital markets, with no restrictions or limits. In addition, low tax rates, unrestricted capital and profit transfers, and strong investor protection laws have further supported nonresident participation. The MSX foreign shareholding rate reached just over 20 percent at the end of 2023. However, to access the secondary debt market, foreign investors need a local custodian through which to hold their securities. The international standard for government securities markets is to trade OTC, so foreign investors—oftentimes represented by international banks offering custody services—hesitate to accept the requirement to pass their transactions through a broker and be exposed to its credit risk, ultimately discouraging holdings of government securities. Importantly,

[7] The dominant role of banks is partly explained by the prudential requirements that they maintain a minimum liquidity coverage ratio and a net stable funding ratio for which government securities are eligible securities. Government securities can also be used to meet part of the reserve requirement (up to 2 percent).

the initiative to link Muscat Clearing and Depository and Euroclear would greatly facilitate foreign investors' access to the Omani securities market.

9. **Still underdeveloped debt markets and systemic excess liquidity have driven a hold-to-maturity culture among investors, as several of the preconditions for liquid secondary markets are not met.** These preconditions include i) an efficient money market, including an active interbank repo market, ii) predictable and transparent issuance of a select number of benchmark securities representing a range of different tenors and placed at market clearing prices in the primary market, and (iii) a sufficient number of intermediaries trading non-negligible amounts of securities with standard pricing during agreed times. Bonds are held in hold-to-maturity portfolios at amortized cost, rather than trading books at fair value, thereby avoiding mark-to-market considerations, which are complicated by the lack of a reliable yield curve of secondary market prices/yields. Overall, the absence of developed debt markets means that fixed income-focused institutional investors tend to hold more foreign assets, which reduces their contribution to local capital market development.

10. **Further development of the NBFI sector is constrained by concentrated ownership of equities and limited financial literacy**. Constraints to financial development outside the banking system are briefly discussed in Box 1. Local equity markets and nonbank financial services develop in a self-reinforcing manner. However, the public sector's ownership of a large share of equities in Oman and limited trading have constrained stock market liquidity (Al Ani and Al Kathiri, 2019). In addition, limited financial literacy and generous pension benefits lower demand for asset management services and insurance products.

Box 1. Constraints on Development of NBFIs in Oman

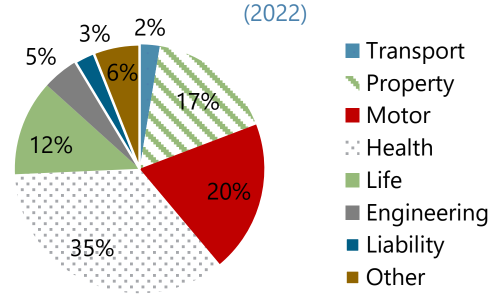
Pension funds are being consolidated but face impediments in asset-liability management due to limits on holding longer-dated debt. Pension fund reform is underway, which is set to consolidate the 11 public and private sector pension funds into one. This reform has created a unified pension system for all workers across all economic sectors and aims to improve the systems long-term sustainability and efficiency in asset management. Current mandates direct pension funds to hold at least 30 percent of their portfolio in local government securities. However, they have an upper bound of 10 percent of their portfolio for their holdings of assets with more than 10-year maturity, which will constrain the demand for longer-term bonds and slow development of a benchmark yield curve.

Facing low stock market activity, limited debt markets, and low financial literacy, asset managers remain small. Asset management remains small in Oman, with assets under management at about 1 percent of GDP in 2023 and mutual funds accounting for most of the investment managers. Concentrated ownership of (large) equities by pension funds and other government entities limits free float, trading, and liquidity. In combination with underdeveloped fixed income markets, this narrows the scope for asset managers to grow. Demand may be low partly because retail investors are unaware of the benefits of investing through mutual funds.

Box 1. Constraints on Development of NBFIs in Oman (concluded)

Beyond short-term property, automobile, and health insurance, demand for insurance products is low. Companies mainly provide property, casualty, and health insurance, with total insurance sector premiums accounting for just over 1 percent of GDP, similar to the GCC average of about 1.5 percent of GDP as of 2022 (Box Figure). The solid social safety net provided by the government to Omani citizens has reduced the need for life insurance cover. The low penetration of life insurance cover also reflects the lack of awareness, incentives, and access for non-Omani residents. There are no tax incentives to use insurance-based savings products.

Distribution of Oman Insurance Sector Premiums (2022)



Source: FSA

Finance companies' activities remain modest. Oman has five finance and leasing companies with loans concentrated mainly in real estate, SMEs, and personal loans. While the regulatory framework for finance companies appears sufficient, lack of public awareness and high cost of funding are among their main challenges. Funding sources are mainly debt and paid-up capital, which puts them at a disadvantage relative to banks which have access to relatively less expensive demand deposits.

D. Supporting Securities Issuance and International Best Practices

11. **As outlined in the Oman 2023 Article IV Staff Report and recent Fund TA analysis, further development of the local currency bond market remains a critical first step in successful capital markets' development.** Domestic bond markets are the cornerstone of the financial development agendas in many emerging markets (for example, Malaysia, Mexico, Thailand—BIS, 2020). In several countries, money- and repo-market development (for example, Hungary, Malaysia, Mexico, Thailand) were steps taken to initiate more secondary market trading in government securities. Specific policies include adopting the standards of the General Master Repurchase Agreement and fostering repo market activity in private markets, rather than repos intermediated by the central bank.

12. **Improving the government debt issuance strategy would enhance overall transparency and help increase secondary market liquidity.** In Latin America, Peru's government bond market faced similar challenges to that of Oman despite also gaining investment grade status. The main issue was low levels of secondary market liquidity due to (i) the fragmented issuance of government securities, (ii) limited predictability in the primary market related to the auction calendar, and (iii) restricted capacity of primary dealers for market making. Several actions were taken to improve the predictability of auctions, including increasing communication with primary dealers and main institutional investors regarding auction demand, and reopening benchmark bonds to reduce the number of outstanding bonds. As a result, secondary market trading activity tripled over 2 years and primary dealers were able to serve their clients better and cover their positions in the secondary market. Many of these same recommendations have been outlined in recent Fund technical assistance covering development of the local currency government bond market in Oman. Taking them onboard would support the development of this market.

13. **Oman's Islamic finance market is the smallest in the GCC (Figure 2.1), and the sukuk bond market still faces multiple challenges, including illiquid secondary markets that dissuade participation from a broader investor base.** Many Islamic banks and financial institutions tend to participate in Oman's primary market sukuk issuances, but are not active in the secondary market, and tend to hold the sukuk to maturity. This is partially attributable to sukuks being less frequently issued, and the scarcity resulting in holders not willing to sell due to uncertainty about finding a replacement. In addition, while local banks are asked to serve as lead agents at the issuance phase, a lack of market makers in the secondary market continues to hamper liquidity. Similar to the recommendations for the conventional bond market, improving the predictability of sukuk auctions and establishing a set of Islamic financial institutions or asset managers specializing in sukuk as market makers (Saudi Arabia and United Arab Emirates) could greatly improve development of these markets (Kusuma and Silva 2014).

14. **While the CMIP may increase the size of the equity market and encourage more public stock listings in Oman, tax incentives for issuers are less common across other jurisdictions and authorities should avoid undue policy uncertainty**. A main feature of Oman's CMIP is the corporate tax incentives offered to larger companies that choose to list on the main MSX, and SMEs that list on the parallel MSX-AIM exchange. However, compared to listing programs in other countries, tax incentives to issuers are generally less common (see Table 2 for examples of other tax incentive programs). One drawback to offering overly generous tax breaks to issuers is potentially attracting companies that would otherwise be ill-prepared to access public equity financing. In addition, policymakers and the public may find the loss of immediate tax revenues to be a controversial bet on the future growth of firms listed on these exchanges (Schellhase 2017). For example, Jamaica initially offered a five-year total corporate tax holiday, followed by an additional five years of halved corporate taxes. However, policymakers faced pressure regarding the loss of tax revenues and reduced the package to just five total years. They later considered removing the incentive altogether but faced significant pushback from the stock exchange and other market participants. Changing policies and uncertainty about the government's commitment to maintain incentives ultimately dampened the ability of the equity market to recruit new listings. In addition, the fiscal implications of tax incentives need to be closely monitored to prevent unexpected future tax expenditures.

Table 2. Oman: Reductions in Corporate Income Tax for Listed Companies
(Regardless of Market Segment)

Country	Nominal Rate	Reduced Rate
Cambodia	20%	10%, for the three years following an initial public offering (IPO)
Fiji	18.50%	10%
Kenya	30%	27%, for the three years following an IPO for companies with at least 27% of issued share capital listed; 25%, for the five years following an IPO for companies with at least 30% of issued share capital listed; 20%, for the five years following an IPO for companies with at least 40% of issued share capital listed;
Morocco	31%	15.5%, for the three years following an IPO
Pakistan	31%	26.4%, for the two years following an IPO

Source: Schellhase 2017; SME Financing through Capital Markets: Final Report, International Organization of Securities Commissions, July 2015; SME Finance Monitor, Asian Development Bank, 2014; stock exchange websites.

15. **A number of complementary policy tools have been successful in increasing the number of listed companies on stock exchanges and should be considered.** The current CMIP proposal includes other incentives that are common in successful country examples such as reduced listing and IPO preparation fees (Poland and Spain), as well as training to build internal capacity on regular reporting requirements (India, France, U.K., and South Korea). However, Saudi Arabia's Nomu parallel equity market introduced a few additional enhancements that saw market liquidity drastically improve following its initial inception (WFE, Al Athel, 2020). These included lowering the requirement for the total number of public shareholders, improving price stability through intraday price change limits, and improving transparency through an independent research provider.

E. Spurring Institutional Investor Demand and International Best Practices

16. **The presence of institutional investors that have different objectives in managing their portfolios would make local capital markets more dynamic**. The authorities should support the development of life insurance products that would give rise to strong demand for longer-term bonds. A combination of enhancing the financial literacy and risk awareness framework alongside temporary and targeted tax incentives could help spur demand for insurance products. For example, in several jurisdictions—notably Chile, India, Morocco, and Nigeria—tax incentives mostly in the form of deductions related to life, health and retirement savings products, as well as VAT exemptions for certain lines of insurance, worked well in stimulating savings towards specific pension and life insurance products (Noordhoek and others, 2022). The expansion of the investment-fund segment specialized in fixed income products and further financial literacy programs on equity-based mutual funds could also attract retail investors and induce trading activity (Malaysia, Hashimoto and others, 2021). The development of fixed-income investment funds could be a joint effort of the Oman financial sector authorities (CBO, MoF, FSA) and the investment fund industry (for example, through the Omani Securities Association). Ensuring a link between Muscat Clearing Depository (MCD) and Euroclear and removing counterparty risks with brokers in the secondary market could attract more foreign investors to participate in the local bond market. Moreover, foreign investors can play a critical active role in the development of hedging markets. However, the FSA will need to monitor for new emerging risks amid the ongoing financial development; for example, weighing the trade-offs related to the participation of foreign investors, as they could be more sensitive to global market conditions and amplify local market volatility.

17. **While pension funds already play a significant role in local government debt markets, reforms underway to consolidate the pension fund sector should take steps to avoid slowing the development of local capital markets (Khan, Li, and Zhao, 2024 forthcoming).** Kazakhstan's policy shift in 2013, to nationalize the management of its pension system and move funds accumulated in private pension funds into a single pension savings fund, provides a good case study on the potential effects of consolidation on capital markets development. First is that tight portfolio restrictions led to an over-concentration of Kazakh pension fund portfolios and reduced benefits to capital market development.[8] Pension funds in Oman also have portfolio allocation restrictions (see Box 1), the alleviation of which would assist in developing longer-dated benchmark yields and growing local equity markets. Second, the consolidation of pension assets in the single

[8] Pension funds were mandated to invest at least half of their assets in government bonds, and a maximum of 30 percent could be allocated to "Class A" corporate securities.

pension fund following the reform led to inactivity in domestic capital markets in Kazakhstan. The 2013 policy shift prompted major institutional investors overseeing private pension funds to exit the domestic capital markets, leading to stagnant and non-liquid markets (OECD, 2017).

18. **Under the impetus of the planned listing of several SOEs, the equity market would likewise benefit from increased secondary market activity to attract a broader investor base.** Satisfying the criteria for inclusion to widely used emerging market equity indices will attract greater non-resident participation, as seen in Colombia, Kuwait, Mexico, Qatar, Saudi Arabia, and United Arab Emirates.[9] For example, Saudi Arabia's Qualified Foreign Investor program was introduced to facilitate participation by international investors in the Saudi capital markets. Through this program, international investors have been provided direct and full access to the Saudi Stock Exchange (Tadawul), and qualifying criteria and foreign ownership limits were eased alongside opening the IPO market to foreign investors. Oman has taken a similar step as local capital markets, both primary and secondary markets, are also fully open to foreign investors. These measures to foster the entry of new market players and enhance secondary market liquidity should also reduce the propensity of investors to buy and hold securities. While broadening the investor base is desirable to achieve investor diversification and mitigate crowding out of bank credit, regulators need to remain mindful of financial stability implications by adapting their regulatory frameworks and increased monitoring of NBFIs and foreign investors. In this context, several key guardrails are essential, including: (1) conducting appropriately resourced and intensive supervisory oversight; (2) incentivizing stronger risk management, especially as participation by nonbank financial institutions increase; and (3) closing data gaps to facilitate appropriate and timely risk assessment by market participants and supervisory authorities.

19. **Reducing information asymmetry would stimulate investor interest in the newly proposed MSX-AIM exchange and help establish the market as an alternative source of funding for advanced SMEs in Oman.** While tax incentives are common across most jurisdictions for encouraging investment in SME equities (for example, in France, India, Poland, Spain, and U.K.), institutional investors have frequently identified other factors, such as liquidity and transparency of financial information, as determinative of whether they would invest in SMEs (Table 3). Broadening the investor base and better market liquidity usually go hand in hand, but initiatives to improve information disclosure have been found to greatly improve an SME exchange's success due to reduced information asymmetry between SME issuers and investors. For example, Poland's NewConnect alternative exchange nominated authorized advisors to help decide whether a company is ready to access the equity market by overseeing the initial and ongoing listing requirements and providing a stamp of approval for the SME's suitability. In addition, Oman's efforts to create a comprehensive credit bureau (Mala'a) would also serve as an essential tool to address the asymmetry of information in SME financing and could potentially be used by capital markets as an additional tool to assess creditworthiness (IMF, OECD, World Bank, 2015).

[9] The MSCI Emerging Market Index already features 4 of the 6 GCC economies. Saudi Arabia reports a substantial pickup in inflows after inclusion to the index (BIS, 2020).

Table 3. Which of the following, if any, would persuade you to invest in listed SMEs?

	Retail Investors	Institutional Investors
Liquidity of shares	67%	84%
Regulatory framework	57%	68%
Information disclosure	67%	68%
Tax incentives	52%	53%
Research on SMEs	57%	53%
Lower transaction costs	33%	42%
Investment vehicles	29%	33%
Diversification opportunities	48%	48%

Sources: Schellhase 2017; "SME Financing and Equity Markets," World Federation of Exchanges, 2017

Notes: Though these figures give an indication of what is most important to investors, they should be interpreted cautiously as the sample was relatively small and included survey participants from vastly different market contexts. The sample included 21 retail investors and 19 institutional investors distributed across five countries: Canada, China, Mexico, Nigeria, and South Africa.

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